



# Coventry City Council

## Statement of Accounts 2012/13

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Statement of Accounts

2012/13

# Contents

## Section Page No.

|          |             |  |
|----------|-------------|--|
| <b>1</b> | <b>p 1</b>  | <b>Overview</b>  |
| 1.1      | p 1         | Explanatory Foreword   |
| 1.2      | p 1         | An Overview of the Council's Financial Performance                       |
| 1.3      | p 6         | Statement of Responsibilities  |
| 1.4      | p 7         | Annual Governance Statement  |
| <b>2</b> | <b>p 12</b> | <b>Main Financial Statements</b>   |
| 2.1      | p 12        | Overview of Main Financial Statements                                    |
| 2.2      | p 14        | Comprehensive Income and Expenditure Statement                           |
| 2.3      | p 15        | Movement in Reserves Statement   |
| 2.4      | p 17        | Balance Sheet  |
| 2.5      | p 18        | Cash Flow Statement  |
| 2.6      | p 19        | Collection Fund  |
| <b>3</b> | <b>p 22</b> | <b>Notes to the Main Financial Statements</b>                            |
| 3.1      | p 22        | Significant Assumptions made in estimating Assets and Liabilities        |
| 3.2      | p 22        | Events after the Balance Sheet Date                                      |
| 3.3      | p 23        | Critical Judgements  |
| 3.4      | p 23        | Amounts Reported for Resource Allocation Decisions                       |
| 3.5      | p 25        | Trading Account Summary  |
| 3.6      | p 26        | Usable and Unusable Reserves   |
| 3.7      | p 29        | Adjustments Between Accounting Basis and Funding Basis under Regulations |
| 3.8      | p 30        | Property, Plant & Equipment  |
| 3.9      | p 32        | Heritage Assets  |
| 3.10     | p 34        | Non Operational Assets   |
| 3.11     | p 35        | Property, Plant & Equipment and Non Operational Assets Summary           |
| 3.12     | p 35        | Intangible Assets  |
| 3.13     | p 36        | Long Term Investments  |
| 3.14     | p 37        | Long Term Debtors  |
| 3.15     | p 37        | Inventories  |
| 3.16     | p 38        | Short Term Debtors   |
| 3.17     | p 38        | Short Term Creditors   |
| 3.18     | p 39        | Provisions   |
| 3.19     | p 40        | Financial Instruments (borrowing and investments)                        |
| 3.20     | p 46        | Pension Costs (Other Long Term Liabilities)                              |
| 3.21     | p 47        | IAS 19 - Retirement Benefits   |
| 3.22     | p 50        | Notes to the Cashflow  |
| 3.23     | p 52        | Private Finance Initiative Commitments                                   |
| 3.24     | p 56        | Pooled Budgets   |
| 3.25     | p 57        | Officers' Remuneration (including exit packages)                         |
| 3.26     | p 59        | Members' Allowances  |
| 3.27     | p 59        | Related Party Transactions   |
| 3.28     | p 61        | Business Improvement District  |

Continued overleaf >>

|      |             |  |
|------|-------------|--|
| 3.29 | <i>p 61</i> | Contingent Liabilities                           |
| 3.30 | <i>p 62</i> | Deployment of Dedicated Schools Grant            |
| 3.31 | <i>p 64</i> | Capital Expenditure and Capital Financing        |
| 3.32 | <i>p 65</i> | Revaluation of Non-Current Assets                |
| 3.33 | <i>p 65</i> | Capital Commitments                              |
| 3.34 | <i>p 66</i> | Analysis of Capital Grants                       |
| 3.35 | <i>p 66</i> | Analysis of Revenue Grants                       |
| 3.36 | <i>p 67</i> | Leases   |
| 3.37 | <i>p 69</i> | Associated Company Interests & Holdings          |
| 3.38 | <i>p 72</i> | Other Funds                                      |
| 3.39 | <i>p 72</i> | Audit Note                                       |
| 3.40 | <i>p 73</i> | Prior Period Restatements                        |
| 3.41 | <i>p 74</i> | Accounting standards issued, but not yet adopted |

## **4** *p 75* **Additional Financial Statements - Group Accounts**

|     |             |  |
|-----|-------------|--|
| 4.1 | <i>p 75</i> | Overview of Group Accounts                                 |
| 4.2 | <i>p 76</i> | Group Comprehensive Income & Expenditure                   |
| 4.3 | <i>p 77</i> | Group Movement in Reserves Statement                       |
| 4.4 | <i>p 79</i> | Group Balance Sheet  |
| 4.5 | <i>p 80</i> | Group Cash Flow Statement                                  |
| 4.6 | <i>p 81</i> | Reconciliation of Single Entity Accounts to Group Accounts |
| 4.7 | <i>p 82</i> | Group Tax Expense  |
| 4.8 | <i>p 83</i> | Group Companies Disclosure                                 |
| 4.9 | <i>p 85</i> | Notes to the Group Balance Sheet                           |

## **5** *p 87* **Statement of Accounting Policies**

|      |              |   |
|------|--------------|---|
| 5.1  | <i>p 87</i>  | General   |
| 5.2  | <i>p 87</i>  | Changes in Accounting Policies  |
| 5.3  | <i>p 87</i>  | Accruals of Income and Expenditure  |
| 5.4  | <i>p 87</i>  | Provisions  |
| 5.5  | <i>p 88</i>  | Reserves  |
| 5.6  | <i>p 88</i>  | Property, Plant & Equipment, Investment Property and Assets Held for Sale |
| 5.7  | <i>p 91</i>  | Componentisation of Property, Plant & Equipment                           |
| 5.8  | <i>p 91</i>  | Intangible Assets   |
| 5.9  | <i>p 92</i>  | Revenue Expenditure Funded from Capital Under Statute                     |
| 5.10 | <i>p 92</i>  | Government Grants and Contributions                                       |
| 5.11 | <i>p 92</i>  | Value Added Tax (VAT)   |
| 5.12 | <i>p 92</i>  | Investments   |
| 5.13 | <i>p 92</i>  | Financial Liabilities   |
| 5.14 | <i>p 93</i>  | Financial Assets  |
| 5.15 | <i>p 94</i>  | Leases  |
| 5.16 | <i>p 96</i>  | Inventory   |
| 5.17 | <i>p 96</i>  | Employee Benefits   |
| 5.18 | <i>p 98</i>  | Professional and Other Support Services                                   |
| 5.19 | <i>p 98</i>  | Private Finance Initiative  |
| 5.20 | <i>p 99</i>  | Group Accounts  |
| 5.21 | <i>p 99</i>  | Council Tax   |
| 5.22 | <i>p 99</i>  | National Non-Domestic Rates   |
| 5.23 | <i>p 99</i>  | Cash and Cash Equivalents   |
| 5.24 | <i>p 100</i> | Contingent Liabilities  |
| 5.25 | <i>p 100</i> | Pooled Budgets  |
| 5.26 | <i>p 100</i> | Overheads and Support Services  |

## **6** *p 101* **Glossary of Terms**

## **7** *p 104* **Audit Certificate**

# 1 Overview

## 1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2012/13. These accounts set out the financial results of the Council's activities for the year ending 31st March 2013. This section gives an overview of the Council's financial performance for the year, explains the main financial statements contained within the accounts and highlights the most significant financial matters affecting the City Council.

These accounts are set out in line with International Financial Reporting Standards and show the Council's financial performance for 2012/13 in a way that is prescribed by accounting regulations.

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

## 1.2 An Overview of the Council's Financial Performance in 2012/13

### Revenue

In February 2012, the Council set a 2012/13 net revenue budget of £267.9m for regular costs such as salaries and energy. Funding for this was planned to come from Formula Grant from Central Government of £149.0m and Council Tax income of £118.9m .

The final level of actual net expenditure for 2012/13 was £264.4m which represents an under-spend of £3.5m compared with the budget. Further analysis of expenditure analysed between individual Council services is shown within the reconciliation of budget to net expenditure in section 3.4 .

Several services within the Council have spent significantly more than budgeted. In particular this has occurred as a result of the cost of social care packages for adults (£3.1m), and external residential and foster placements for looked after children (£1.1m). In addition, some services that rely upon generating external income such as the Council's commercial property (£0.5m) and car parking services (£1.2m) have not raised as much income as expected. Each of these areas has been addressed in setting the Council's 2013/14 budget or is the subject of a review designed to reduce the level of over-spend.

The Council has continued to make significant payments to fund redundancy or early retirement decisions. These amounted to £5.1m in 2012/13 . This has been funded from existing budgets and reserves both set aside for this purpose. Equal Pay Claims costing £0.3m have been settled in 2012/13 in addition to £6.6m of claims settled previously. The funding for this has been provided from the provision set aside for this purpose in 2008/09.

The City Council has spent less than it planned to in a number of areas. In particular, costs have been £2.5m less than originally forecast for the interest and repayment costs on our outstanding debt. Significant underspends within several services within the Children Learning and Young People Directorate and one-off contributions in Community Services have helped to balance the over-spends for these respective directorates described above. Tight budgetary control and vacancy management across the Council have enabled the reporting of significant further under-spends in other services.

In overall terms, the Council's usable reserves reported on an IFRS basis have increased from £66.3m to £73.5m . This reserves position is detailed further in section 2.3 , the Movement in Reserves Statement .

## Capital

The capital budget for 2012/13 for expenditure incurred on major one-off items such as school extensions and major highways repairs was £56.2m. During the year there has been a net increase within the programme of £5.7m resulting in a final revised budget for the year of £61.9m.

Final capital spending of £53.6m was £8.3m below budget due to spending that is now planned to be undertaken in 2013/14 . Funding for the Capital Programme is shown in section 3.31 .

## Capital Expenditure and Capital Financing

The main source of funding was external grant (£41.2m or 77%) with the remainder coming from revenue contributions and capital receipts. No borrowing has been undertaken to finance the programme in 2012/13.

Within the Programme £10.1m was spent on services for children and young people, mostly on schools and related projects. £24m was spent within the City Services and Development Directorate, including schemes relating to highways, property and a range of regeneration projects. A further £14.4m related to the financing of a loan arrangement for Arena Coventry Limited (ACL) described further in the Main Issues Within the Accounts section below.

In addition to the above, assets newly recognised under the Street Lighting PFI contract total £14.3m .

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

The overall deficit shown in the Comprehensive Income and Expenditure Statement (section 2.2 ) is £162.2m . This is significantly different to the headline £3.5m underspend in the management accounts. The key reasons for the difference are a £104.0m worsening of the Council's pension liability (section 3.21 ) and a £77.6m reduction in the value of our long-term assets.

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

In overall terms, the value of the Council's long-term assets has fallen by £77.6m in 2012/13 , as a result mostly of impairment and de-recognition of assets (sections 3.8 to 3.12 ). Impairment reviews reflect changes in circumstances such as a decline in the market value of assets and transfers of assets to other organisations. In 2012/13 , £38.4m of impairment relates to schools transferring to academy status. This compares to an impairment of £33.4m during 2011/12 for transfers to academy status. This amount is separately identified as an exceptional item in the Comprehensive Income and Expenditure Statement (see section 2.2 ) and this trend is anticipated to continue in 2013/14 . A further £33.5m of impairment is recorded against other assets.

The overall deficit in the Comprehensive Income and Expenditure Statement is matched by a reduction in the value of the Council's Balance Sheet (from £327.8m to £165.7m ). The reasons for this, described above, do not reflect the Council's day to day financial performance but are the result, in large part, of continued pressure on local government pension schemes, the impact of economic conditions on the value of property assets and the trend of Academy Schools leaving local authority control.

## The Main Financial Statements

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

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

In addition the Group Accounts are presented in section 4. These accounts consolidate the City Council's accounts with its grouped companies (North Coventry Holdings Ltd, Coventry North Regeneration Ltd, the Coventry and Solihull Waste Disposal Company and Arena Coventry Ltd).

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

### **Balance Sheet Value**

Over recent years the value of the City Council's Balance Sheet has reduced significantly. This value represents the difference between the Council's Net Assets (what the Council owns) and the Council's Net Liabilities (what the Council owes). As recently as 31st March 2009 on an equivalent (IFRS) basis, this value stood at £686.1m. At 31st March 2013 the value now stands at £165.7m .

The Council faces a very real possibility that this value will become a negative figure in the next year or two, indicating that the Council, based on the way the accounts are required to be presented by regulations, will be in a position of negative equity (it will owe more than it owns). In the main this will depend upon whether the Council's pensions liabilities continue to increase further in the future, the degree to which more schools become Academies and the extent to which further impairments to the value of other Council assets occur. Based on the current balance sheets of councils around the country it is anticipated that a number of them will face the same issue, not least due to the fact that the causes in Coventry are all part of national trends.

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

### **Equal Pay**

For several years, the single most significant financial issue facing the Council has been that of legal claims that it has received relating to equal pay. To meet the potential risk of needing to pay such claims a provision of £30m was established which the Government allowed the Council to treat as capital expenditure to be funded from prudential borrowing. Claims costing £0.3m have been settled in 2012/13 , funded from this provision, meaning that in total £6.9m , of claims have been settled in three years. Some relatively small further costs are expected to be incurred in 2013/14 , although the total is expected to be within the £7.5m approved by the Council in December 2010. Although legal proceedings in relation to Equal Pay remain outstanding the Council's view is that the level of risk is now diminishing. For these reasons, a reduced provision of £15.6m has been retained on the balance sheet. More detail is provided in the note on Provisions in section 3.18 .

### **Pensions Accounting**

Local Authorities are required to account for pension schemes in line with International Accounting Standard 19. The full effects of this for the local government and teachers' unfunded pension schemes are shown in the Comprehensive Income and Expenditure Statement, the Balance Sheet and sections 3.20 and 3.21 . The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall of £528.8m in between the forecast cost of

future pensions and the current level of assets built up in the pension fund, a deterioration of £104.0m in 2012/13 .

Some changes in pension arrangements have been implemented in recent years and others are due to be implemented in the future. Together these arrangements for tackling the deficit over time mean that the financial position of the authority remains sound. However, this will mean that the City Council will need to make increasing employer pension contributions in the future to help achieve this and these contributions are being built into the Council's medium term financial plans.

### **Academy Schools**

The Government has provided the freedom for schools to apply for academy status. When schools become Academy Schools this has the effect of diluting the relationship between the school and the local authority which has a range of implications for the City Council. A number of secondary schools became Academies in 2012/13 which means that the City Council's accounts no longer reflect any assets relating to the schools' grounds and buildings or the day to day costs and funding of the schools from the day on which they transferred. The lost asset value amounts to £38.4m .

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

At a meeting on 15th January 2013, a meeting of full Council voted to use prudential borrowing powers to provide a commercial loan of £14.4m to Arena Coventry Limited (ACL). The Council owns 50% of ACL through North Coventry Holdings Ltd described in note 3.37 . The Council has assessed that it expects the loan to be repaid in full and the first loan repayment has been received on time in April 2013. The Related Party Transactions between ACL, NCH and the City Council have been recorded in note 3.27 . This note captures the loan made by the Council plus the other detailed transactions between the parties in 2012/13.

The note recording Events after the Balance Sheet Date (section 3.2 ), describes the decision by lawyers acting for companies associated with the Coventry City Football Club to serve the City Council with Judicial Review proceedings post 31 March 2013 relating to the Council's decision on 15 January 2013. In early August the Council was informed that the application to judicially review the decision had been refused by the High Court. However an application to renew that application has subsequently been made. The Council's position is that it has acted lawfully in all respects and it will strongly defend the claim. Notwithstanding the outcome of this case, the challenge took place after the 31st March 2013 and as such will not require any changes to these accounts. A contingent liability has been recorded separately in note 3.29 .

### **Future Financial Position**

The Council set its Revenue and Capital budgets for 2013/14 on the 26th February 2013.

These budgets were set within the context of the Government's 2010 Spending Review and the subsequent Local Government Financial Settlement of January 2011. These announcements gave local government two years of relatively firm funding allocations for 2011/12 and 2012/13 and two further years of provisional funding levels for 2013/14 and 2014/15. What was clear from this was that the Council would be faced with year on year reductions in Government Formula Grant over the next few years, totalling 27% over four years. The emergence more recently of the plans for partial business rate retention with effect from 1<sup>st</sup> April 2013 adds a further element of volatility to this picture with the risk at least that further resources may be lost from the city.

The gross revenue budget for 2013/14 is £742.5m. After fees, charges and specific grants totalling £474.1m this leaves a net budget of £268.4m to be funded from £174.6m of general Government grant and local Business Rates plus £93.8m of Council Tax income under the new resourcing arrangements for local government. The Council has identified savings totalling £28.3m within its budget from transformation projects and from technical mechanisms in response to the overall loss of general and specific government grants compared with previous levels.



The Capital Programme for 2013/14 of £60.3m represents an increase of 7% on the equivalent original 2012/13 programme with the main funding coming from grants (£37.7m), borrowing (£8.1m) and revenue contributions (£8.1m). The Council has identified revenue budgets to repay any borrowing and the debt financing costs of some of it is funded by savings or budgets within specific schemes. However, an overall shortage of capital resources has meant that the City Council has little option but to undertake some borrowing temporarily in the medium term in order to balance the programme. Future Capital Programme approvals will be strictly limited in line with the value of resources that we can identify. Steps have already been taken within the 2012/13 outturn position to optimise the resourcing of the capital programme and hence avoid borrowing. Borrowing approvals not utilised in 2012/13 will be applied in future years as spending is incurred.

### **Changes in Accounting Policies**

The Council has not adopted any new accounting policies, nor made any changes to their existing policies, for 2012/13.

## 1.3 Statement of Responsibilities

### Coventry City Council's Responsibilities

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

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

### The Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the City Council's Statement of Accounts. In accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), the accounts are required to present a true and fair view of the City Council's financial position at the accounting date and the income and expenditure for the year (ended 31st March 2013).

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

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

The Executive Director of Resources has also:

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

### Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2013 and its income and expenditure for the year ended 31st March 2013, and that the accounts are authorised for issue.



**Chris West, CPFA**

Executive Director of Resources

23rd September 2013

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 23rd September 2013



**Cllr Hazel Sweet**

Chair of Audit and Procurement Committee

23rd September 2013

## 1.4 Annual Governance Statement

### Scope of Responsibility

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

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

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

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

### The Purpose of the Governance Framework

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

The system of internal control is a significant part of that 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 2013 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

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

There is a governance / internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in the published policy documents including the Coventry Sustainable Community Strategy and the Corporate 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 Sustainable Community Strategy was adopted in March 2008 and sets the long term strategic objectives and outcomes for the city and short term priorities to help deliver them. The Sustainable Community Strategy was drawn up by the Coventry Partnership (Coventry's Local Strategic Partnership), after consultation with local organisations, communities and local people.

It is based on a strategic assessment of the needs of the community - a twenty year vision for Coventry and the strategies, plans and mechanisms that will achieve the agreed long term outcomes for the city. The Strategy was refreshed in 2011 and priorities for the next three years were agreed.

The Council Plan for the three years from 2011-12 to 2013-14 sets out the Council's vision and objectives and affirms its commitment to continuous service improvement. Based on a corporate balanced scorecard, the Plan is part of a comprehensive performance management framework designed to help the Council improve its services and the way it works in a planned and systematic way.

Throughout this process, clear channels of communications 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 process and the performance management process.

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 to ensure that these are efficient, transparent and accountable to local citizens. The Council facilitates policy and decision-making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee.

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

The Council's Risk Management Strategy was revised in 2012 and includes processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level are updated and reviewed regularly by senior managers and Members. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Corporate Management Board.

The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy was revised in 2012 and reinforces the Council's commitment to creating an anti-fraud culture whilst having effective arrangements in place in responding to allegations of fraud and corruption.

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

For the financial year 2012/13, the Director of Finance and Legal Service, 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 the role of the Director of Finance and

Legal Services against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010), the authority meets the five principles laid out in the CIPFA statement, namely:

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

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2013

- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2012, did not highlight any significant concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has appointed RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2012. The company's main purpose is to hold shares in the following two companies. It also holds the Golden Share in Trinityvale Ltd.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company has been the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has appointed RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2012
- Arena Coventry Limited (ACL) is a joint venture between NCH Limited and Football Investors Limited (a company owned by the Alan Edward Higgs Charity). The Company is engaged in the management of the Ricoh Arena. Arrangements for the governance of the Company are set out in the Articles and Memorandum of Association of the Company and also the joint venture agreement between NCH Limited and the Company. The Company has appointed Dains LLP as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st May 2012.

## Review of Effectiveness

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

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

- Regular and detailed monitoring of the Council's performance, by both Management Board and members against targets and objectives set out in the Coventry Sustainable Community Strategy and Council Plan.
- Ongoing reviews of the Council's Constitution, overseen by the Constitution Working Group / Cabinet and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

The review of effectiveness has also been informed by:

- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2012/13
- The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Internal Audit and Risk Manager, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.
- Reports from the external auditors and other inspection agencies.

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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## Significant Governance Issues

All significant control / governance issues are included on the Council's corporate and directorate risk registers. These registers also record appropriate management actions to minimise the risk. The Corporate Risk Register is subject to regular review by Corporate Management Board as well as by the Audit and Procurement Committee and Cabinet.

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

- Ensuring the delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy.
- Continuing to progress the City Council's transformational improvement ('abc') programme, which comprises of a series of fundamental service delivery and infrastructure reviews and a range of other one off projects that are critically assessing what we do and how we do it
- To implement the Education Improvement Strategy 2013-15 to raise standards in schools and academies, so that by September 2014 attainment and progress measures are in line with or exceed national averages and by September 2015 all schools and academies will be judged good or outstanding by Ofsted.
- To improve the quality of children's social work practice so that it is consistently good.

There are also a number of planned changes over the next year which, if not managed effectively may have a detrimental impact on the effectiveness of the Council's governance arrangements. As such, the Council will need to ensure that:

- Robust governance / project management arrangements are in place to oversee the implementation of the Council's new finance system.
- Any potential impacts that the creation of the Single Fraud Investigation Service (merger of benefit fraud teams from DWP, HMRC and Local Authorities) has on local fraud arrangements need to be identified and managed.

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

- Effective safeguards are in place to oversee the Council's IT arrangements.
- Control weaknesses that have been identified in 2012-13 audits of the Oracle System (i.e. creditor payments, income and debtors) are addressed as part of the implementation of the replacement financial system, Agresso.
- Robust processes and procedures exist to minimise the risk of fraud and error in relation to the award of council tax discounts and exemptions
- Effective and standardised procedures exist to oversee cash received across all areas of the Council.

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



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



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

## 2 Main Financial Statements

### 2.1 Overview of the Main Financial Statements

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

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

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

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

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

- **Balance Sheet (section 2.4)**

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

The first category of reserves is '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 Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is 'Unusable Reserves'. The Authority is not able to use these reserves to provide services. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

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

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

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

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



- **The Collection Fund (section 2.6)**

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

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

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

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

## 2.2 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| Gross Expenditure<br>* Restated<br>£000 | 2011/12                            |                                       | SERVICE ANALYSIS  | 2012/13                   |                      | Net Expenditure<br>£000 |
|---|------------------------------------|---------------------------------------|---|---------------------------|----------------------|-------------------------|
|   | Gross Income<br>* Restated<br>£000 | Net Expenditure<br>* Restated<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 |                         |
| 111,609                                 | (23,361)                           | 88,248                                | Adult Social Care   | 119,413                   | (40,316)             | 79,097                  |
| 62,345                                  | (39,273)                           | 23,072                                | Central Services to the Public  | 58,737                    | (40,376)             | 18,361                  |
| 375,523                                 | (282,717)                          | 92,806                                | Children's & Education Services   | 356,968                   | (272,539)            | 84,429                  |
| 33,361                                  | 0                                  | 33,361                                | Exceptional item as a result of schools transferring to academy status  | 38,444                    | 0                    | 38,444                  |
| 23,235                                  | (179)                              | 23,056                                | Cultural & Related Services   | 25,822                    | (2,192)              | 23,630                  |
| 31,698                                  | (6,481)                            | 25,217                                | Environmental & Regulatory Services *                                   | 26,833                    | (7,428)              | 19,405                  |
| 14,866                                  | (4,693)                            | 10,173                                | Planning Services *   | 17,187                    | (4,188)              | 12,999                  |
| 30,209                                  | (6,004)                            | 24,205                                | Highways and Transport Services *                                       | 45,511                    | (12,722)             | 32,789                  |
| 149,049                                 | (135,149)                          | 13,900                                | Housing services  | 149,091                   | (137,193)            | 11,898                  |
| 10,177                                  | 0                                  | 10,177                                | Corporate and democratic core   | 10,438                    | (10)                 | 10,428                  |
| 16,088                                  | (7,116)                            | 8,972                                 | Non-distributed costs   | 25,721                    | (8,406)              | 17,315                  |
| <b>858,160</b>                          | <b>(504,973)</b>                   | <b>353,187</b>                        | <b>Cost of Services *</b>   | <b>874,165</b>            | <b>(525,370)</b>     | <b>348,795</b>          |
|   |                                    | 17,872                                | Levy Payments to Other Bodies   |                           |                      | 17,632                  |
|   |                                    | 6                                     | Contribution of Housing Capital Receipts to Gov. Pool                   |                           |                      | 17                      |
|   |                                    | 5                                     | Precepts of Local Precepting Authorities                                |                           |                      | 5                       |
|   |                                    | 578                                   | Other Income and Expenditure  |                           |                      | 0                       |
|   |                                    | <b>18,461</b>                         | <b>Other Operating Expenditure</b>                                      |                           |                      | <b>17,654</b>           |
|   |                                    | 18,937                                | Interest Payable and Similar Charges                                    |                           |                      | 19,680                  |
|   |                                    | (1,047)                               | External Investment Income  |                           |                      | (713)                   |
|   |                                    | 10,027                                | Pension Interest Cost and Return on Assets                              |                           |                      | 12,327                  |
|   |                                    | (5,294)                               | Net (Surplus)/Deficit from Trading Operations *                         |                           |                      | (8,868)                 |
|   |                                    | (4,561)                               | Dividends and Interest Receivable                                       |                           |                      | (1,585)                 |
|   |                                    | <b>18,062</b>                         | <b>Finance and Investment Income and Expenditure *</b>                  |                           |                      | <b>20,841</b>           |
|   |                                    | (118,723)                             | Council Tax Income  |                           |                      | (118,871)               |
|   |                                    | (120,910)                             | Contribution from Non-Domestic Rate Pool                                |                           |                      | (110,499)               |
|   |                                    | (43,667)                              | General Government Grants   |                           |                      | (44,351)                |
|   |                                    | (38,780)                              | Capital Grants  |                           |                      | (40,796)                |
|   |                                    | <b>(322,080)</b>                      | <b>Taxations and Non-Specific Grant Income</b>                          |                           |                      | <b>(314,517)</b>        |
|   |                                    | <b>67,630</b>                         | <b>(Surplus)/Deficit on the Provision of Services</b>                   |                           |                      | <b>72,773</b>           |
|   |                                    | (16,987)                              | (Surplus)/Deficit on revaluation of non current assets                  |                           |                      | (196)                   |
|   |                                    | (2,216)                               | (Surplus)/Deficit on revaluation of available for sale financial assets |                           |                      | (195)                   |
|   |                                    | 71,343                                | Actuarial (gains)/losses on pension assets and liabilities              |                           |                      | 97,412                  |
|   |                                    | 0                                     | Other gains or losses   |                           |                      | (7,577)                 |
|   |                                    | <b>52,140</b>                         | <b>Sub-total of other comprehensive Income &amp; Expenditure</b>        |                           |                      | <b>89,444</b>           |
|   |                                    | <b>119,770</b>                        | <b>Total Comprehensive Income &amp; Expenditure</b>                     |                           |                      | <b>162,217</b>          |

\* Restated 2011/12 figures as per note 3.40

## 2.3 MOVEMENT IN RESERVES STATEMENT

### USABLE RESERVES AND OVERALL POSITION 2012/13

|  | General Fund Reserves<br>£000 | Schools Reserves<br>£000 | Insurance Fund Reserves<br>£000 | Other Earmarked Reserves<br>£000 | Mgmt. of Capital<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves of the Authority<br>£000 |
|--|-------------------------------|--------------------------|---------------------------------|----------------------------------|--------------------------|--|-------------------------------|---------------------------------|---|
| <b>31st March 2012</b>   | <b>(6,032)</b>                | <b>(20,312)</b>          | <b>(4,389)</b>                  | <b>(29,839)</b>                  | <b>(4,432)</b>           | <b>(1,331)</b>                           | <b>(66,335)</b>               | <b>(261,540)</b>                | <b>(327,875)</b>                        |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 72,773                        | 0                        | 0                               | 0                                | 0                        | 0  | 72,773                        | 0                               | 72,773                                  |
| Other Comprehensive Income and Expenditure                               | 0                             | 0                        | 0                               | 0                                | 0                        | 0  | 0                             | 89,444                          | 89,444                                  |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>72,773</b>                 | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>0</b>                                 | <b>72,773</b>                 | <b>89,444</b>                   | <b>162,217</b>                          |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (80,398)                      | 0                        | 0                               | 0                                | 0                        | 429                                      | (79,969)                      | 79,969                          | 0                                       |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>(7,625)</b>                | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>429</b>                               | <b>(7,196)</b>                | <b>169,413</b>                  | <b>162,217</b>                          |
| <b>Net (Increase) / Decrease to / from Earmarked Reserves</b>            | <b>4,087</b>                  | <b>917</b>               | <b>235</b>                      | <b>(4,118)</b>                   | <b>(1,121)</b>           | <b>0</b>                                 | <b>0</b>                      | <b>0</b>                        | <b>0</b>                                |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(3,538)</b>                | <b>917</b>               | <b>235</b>                      | <b>(4,118)</b>                   | <b>(1,121)</b>           | <b>429</b>                               | <b>(7,196)</b>                | <b>169,413</b>                  | <b>162,217</b>                          |
| <b>31st March 2013</b>   | <b>(9,570)</b>                | <b>(19,395)</b>          | <b>(4,154)</b>                  | <b>(33,957)</b>                  | <b>(5,553)</b>           | <b>(902)</b>                             | <b>(73,531)</b>               | <b>(92,127)</b>                 | <b>(165,658)</b>                        |

### UNUSABLE RESERVES 2012/13

|  | Capital Adjustment Account<br>£000 | Revaluation 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 2012</b>   | <b>(498,511)</b>                   | <b>(184,021)</b>            | <b>2,361</b>                                     | <b>(612)</b>                               | <b>424,760</b>           | <b>5,605</b>                         | <b>(11,122)</b>            | <b>(261,540)</b>                |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 0                                  | 0                           | 0  | 0  | 0                        | 0                                    | 0                          | 0                               |
| Other Comprehensive Income and Expenditure                               | (7,577)                            | (196)                       | 0  | 0  | 97,412                   | 0                                    | (195)                      | 89,444                          |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(7,577)</b>                     | <b>(196)</b>                | <b>0</b>   | <b>0</b>                                   | <b>97,412</b>            | <b>0</b>                             | <b>(195)</b>               | <b>89,444</b>                   |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 66,559                             | 8,147                       | (169)  | (711)                                      | 6,632                    | (489)                                | 0                          | 79,969                          |
| <b>Net (Increase) / Decrease</b>   | <b>58,982</b>                      | <b>7,951</b>                | <b>(169)</b>                                     | <b>(711)</b>                               | <b>104,044</b>           | <b>(489)</b>                         | <b>(195)</b>               | <b>169,413</b>                  |
| <b>31st March 2013</b>   | <b>(439,529)</b>                   | <b>(176,070)</b>            | <b>2,192</b>                                     | <b>(1,323)</b>                             | <b>528,804</b>           | <b>5,116</b>                         | <b>(11,317)</b>            | <b>(92,127)</b>                 |

Note 3.6 presents a description of the usable and unusable reserves.

## USABLE RESERVES AND OVERALL POSITION 2011/12 COMPARATIVES

|  | General<br>Fund<br>Reserves<br>£000 | Schools<br>Reserves<br>£000 | Insurance<br>Fund<br>Reserves<br>£000 | Other<br>Earmarked<br>Reserves<br>£000 | Mgmt. of<br>Capital<br>£000 | Capital<br>Grants<br>Unapplied<br>Account<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Total<br>Unusable<br>Reserves<br>£000 | Total<br>Reserves<br>of the<br>Authority<br>£000 |
|--|-------------------------------------|-----------------------------|---------------------------------------|--|-----------------------------|---|-------------------------------------|---------------------------------------|--|
| <b>31st March 2011</b>   | (5,541)                             | (14,079)                    | (4,063)                               | (40,221)                               | (5,043)                     | (1,523)   | (70,470)                            | (377,175)                             | (447,645)  |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 67,630                              | 0                           | 0                                     | 0                                      | 0                           | 0   | 67,630                              | 0                                     | 67,630   |
| Other Comprehensive Income and Expenditure                               | 0                                   | 0                           | 0                                     | 0                                      | 0                           | 0   | 0                                   | 52,140                                | 52,140   |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>67,630</b>                       | <b>0</b>                    | <b>0</b>                              | <b>0</b>                               | <b>0</b>                    | <b>0</b>  | <b>67,630</b>                       | <b>52,140</b>                         | <b>119,770</b>                                   |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (63,687)                            | 0                           | 0                                     | 0                                      | 0                           | 192   | (63,495)                            | 63,495                                | 0  |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>3,943</b>                        | <b>0</b>                    | <b>0</b>                              | <b>0</b>                               | <b>0</b>                    | <b>192</b>  | <b>4,135</b>                        | <b>115,635</b>                        | <b>119,770</b>                                   |
| <b>Net (Increase) / Decrease to / from Earmarked Reserves</b>            | <b>(4,434)</b>                      | <b>(6,233)</b>              | <b>(326)</b>                          | <b>10,382</b>                          | <b>611</b>                  | <b>0</b>  | <b>0</b>                            | <b>0</b>                              | <b>0</b>   |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(491)</b>                        | <b>(6,233)</b>              | <b>(326)</b>                          | <b>10,382</b>                          | <b>611</b>                  | <b>192</b>  | <b>4,135</b>                        | <b>115,635</b>                        | <b>119,770</b>                                   |
| <b>31st March 2012</b>   | <b>(6,032)</b>                      | <b>(20,312)</b>             | <b>(4,389)</b>                        | <b>(29,839)</b>                        | <b>(4,432)</b>              | <b>(1,331)</b>                                    | <b>(66,335)</b>                     | <b>(261,540)</b>                      | <b>(327,875)</b>                                 |

## UNUSABLE RESERVES 2011/12 COMPARATIVES

|  | Capital<br>Adjustment<br>Account<br>£000 | Revaluation<br>Reserve<br>£000 | Financial<br>Instruments<br>Adjustment<br>Account<br>£000 | Collection<br>Fund<br>Adjustment<br>Account<br>£000 | Pensions<br>Reserve<br>£000 | Accumulated<br>Absences<br>Account<br>£000 | Available<br>for Sale<br>£000 | Total<br>Unusable<br>Reserves<br>£000 |
|--|--|--------------------------------|---|---|-----------------------------|--|-------------------------------|---------------------------------------|
| <b>31st March 2011</b>   | (559,092)                                | (167,078)                      | 2,530   | (674)   | 352,725                     | 5,910                                      | (11,496)                      | (377,175)                             |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 0  | 0                              | 0   | 0   | 0                           | 0  | 0                             | 0                                     |
| Other Comprehensive Income and Expenditure                               | 0  | (16,987)                       | 0   | 0   | 71,343                      | 0  | (2,216)                       | 52,140                                |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>0</b>                                 | <b>(16,987)</b>                | <b>0</b>  | <b>0</b>  | <b>71,343</b>               | <b>0</b>                                   | <b>(2,216)</b>                | <b>52,140</b>                         |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 60,581                                   | 44                             | (169)   | 62  | 692                         | (305)                                      | 2,590                         | 63,495                                |
| <b>Net (Increase) / Decrease</b>   | <b>60,581</b>                            | <b>(16,943)</b>                | <b>(169)</b>  | <b>62</b>   | <b>72,035</b>               | <b>(305)</b>                               | <b>374</b>                    | <b>115,635</b>                        |
| <b>31st March 2012</b>   | <b>(498,511)</b>                         | <b>(184,021)</b>               | <b>2,361</b>  | <b>(612)</b>  | <b>424,760</b>              | <b>5,605</b>                               | <b>(11,122)</b>               | <b>(261,540)</b>                      |

## 2.4 BALANCE SHEET

| 31st March<br>2012 | Balance Sheet                      | 31st March<br>2013 | Section Ref. |
|--------------------|------------------------------------|--------------------|--------------|
| £000               |                                    | £000               |              |
| 860,186            | Property, Plant and Equipment      | 787,498            | 3.8          |
| 30,009             | Heritage Assets                    | 30,009             | 3.9          |
| 184,808            | Investment Property                | 168,475            | 3.10         |
| 0                  | Intangible Assets                  | 0                  | 3.12         |
| 32,882             | Long Term Investments              | 30,482             | 3.13         |
| 10,674             | Long Term Debtors                  | 24,473             | 3.14         |
| <b>1,118,559</b>   | <b>Long Term Assets</b>            | <b>1,040,937</b>   |              |
| 43,226             | Short Term Investments             | 35,089             | 3.19         |
| 554                | Inventories                        | 425                | 3.15         |
| 46,983             | Short Term Debtors                 | 42,681             | 3.16         |
| 23,890             | Cash and Cash Equivalents          | 39,697             | 2.5          |
| 12,654             | Assets held for Sale               | 13,877             | 3.10         |
| <b>127,307</b>     | <b>Current Assets</b>              | <b>131,769</b>     |              |
| 0                  | Bank Overdraft                     | 0                  |              |
| (7,708)            | Short Term Borrowing               | (20,099)           | 3.19         |
| (81,067)           | Short Term Creditors               | (62,752)           | 3.17         |
| 0                  | Short Term Provisions              | (1,591)            | 3.18         |
| <b>(88,775)</b>    | <b>Current Liabilities</b>         | <b>(84,442)</b>    |              |
| (31,308)           | Long Term Provisions               | (22,633)           | 3.18         |
| (370,861)          | Long Term Borrowing                | (369,878)          | 3.19         |
| (424,760)          | Other Long Term Liabilities        | (528,804)          | 3.21         |
| (2,287)            | Capital Grants Receipts in Advance | (1,291)            | 3.34         |
| <b>(829,216)</b>   | <b>Long Term Liabilities</b>       | <b>(922,606)</b>   |              |
| <b>327,875</b>     | <b>Net Assets</b>                  | <b>165,658</b>     |              |
| (66,335)           | Usable Reserves                    | (73,531)           | 2.3          |
| (261,540)          | Unusable Reserves                  | (92,127)           | 2.3          |
| <b>(327,875)</b>   | <b>Total Reserves</b>              | <b>(165,658)</b>   |              |

The unaudited accounts were issued on the 28th June 2013 and the audited accounts were authorised for issue on the 23rd September 2013.

## 2.5 CASH FLOW STATEMENT

Note 3.22 presents an analysis of the amounts included in the provision of services for non-cash movements and items included in investing and financing activities.

| 2011/12   |                 | Cash Flow Statement  | 2012/13   |                 |
|-----------|-----------------|--|-----------|-----------------|
| £000's    | £000's          |  | £000's    | £000's          |
| 67,630    |                 | Net (Surplus) or Deficit on the Provision of Services  | 72,773    |                 |
| (149,543) |                 | Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements  | (133,155) |                 |
| 43,380    |                 | Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities | 38,461    |                 |
|           | <b>(38,533)</b> | <b>Net Cash Flows from Operating Activities</b>  |           | <b>(21,921)</b> |
|           | 14,840          | Investing Activities   |           | 3,378           |
|           | 871             | Financing Activities   |           | 2,736           |
|           | <b>(22,822)</b> | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>   |           | <b>(15,807)</b> |
|           | (1,068)         | Cash and Cash Equivalents at the Beginning of the Reporting Period   |           | (23,890)        |
|           | (23,890)        | Cash and Cash Equivalents at the End of the Reporting Period   |           | (39,697)        |

## 2.6 COLLECTION FUND

The Collection Fund is a statutory account, which receives income from the Council Tax and makes payments to the City Council's General Fund and the West Midlands Police and Fire Authorities. These payments represent the amount requested by each Authority at the beginning of the year to fund their net budgets. The Collection Fund also receives income from Business Rates and makes payments to Central Government (National Pool).

| 2011/12<br>£000  | Collection Fund   | 2012/13<br>£000  |
|------------------|---|------------------|
|                  | <b>INCOME</b>   |                  |
| (102,870)        | Billed to Council Tax payers  | (103,772)        |
| (29,576)         | Council Tax Benefit   | (28,828)         |
| 5                | Council Tax Transitional Relief   | 3                |
| (110,924)        | Business Rates Collectable  | (112,648)        |
| 0                | Adjustment of previous years' Community Charges                                   | 0                |
| <b>(243,365)</b> | <b>Total Income</b>   | <b>(245,245)</b> |
|                  | <b>EXPENDITURE</b>  |                  |
|                  | Precepts:   |                  |
| 117,859          | Coventry City Council   | 118,345          |
| 8,853            | West Midlands Police  | 8,890            |
| 4,258            | West Midlands Fire  | 4,276            |
| <b>130,970</b>   | <b>Total Precepts</b>   | <b>131,511</b>   |
|                  | Distribution of Business Rates collected:   |                  |
| 110,547          | Payment to National Pool  | 112,268          |
| 377              | Costs of collection allowance   | 380              |
| <b>110,924</b>   | <b>Total Distribution of Business Rates Collected</b>                             | <b>112,648</b>   |
|                  | Contribution (to) / from previous years' surplus / deficit                        |                  |
| 926              | Coventry City Council   | 526              |
| 70               | West Midlands Police  | 40               |
| 33               | West Midlands Fire  | 19               |
| (1,029)          | Less Provision for surplus / deficit distribution                                 | (585)            |
| <b>0</b>         | <b>Total Contribution (to) / from previous years' surplus / deficit</b>           | <b>0</b>         |
| <b>241,894</b>   | <b>Total Expenditure</b>  | <b>244,159</b>   |
| <b>(1,471)</b>   | <b>(Surplus) / Deficit for the year</b>   | <b>(1,086)</b>   |
| 511              | Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax       | (290)            |
| <b>(960)</b>     | <b>Movement on Surplus Holding Account for year</b>                               | <b>(1,376)</b>   |
| (749)            | Total (Surplus) / Deficit brought forward at previous year end                    | (680)            |
| 1,029            | Surplus / (Deficit) committed from previous year                                  | 585              |
| <b>(960)</b>     | <b>Movement in Surplus / Deficit</b>  | <b>(1,376)</b>   |
| (680)            | Carried forward balance   | (1,471)          |
| 585              | Surplus / (Deficit) already assumed in setting the Council Tax                    | 909              |
| <b>(95)</b>      | <b>Excess (Surplus) / Deficit carried forward to following years' Tax Setting</b> | <b>(562)</b>     |

### Income from business rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2012/13 was 98.0%. The Government determines the level of rates payable, which was 45.8p per £ of rateable value (43.3p in 2011/12). The Valuation Office Agency sets the rateable value of each property and the total was £298,133,034 at 31st March 2013 (£298,864,570 at 31st March 2012). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. There were net Business Rate write offs in 2012/13 of £1.9m and the provision for bad and doubtful debts has reduced by £0.5m to £2.9m in 2012/13.

### 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 obligation. Council Tax paid by taxpayers is based on the valuation of their property. Each property is placed into one of eight valuation bands (A to H).

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 134,227 of which 6,427 are exempt. Details of the taxbase calculation are shown in the table below:

| Valuation Band                     | Number of Dwellings<br>subject to tax | Band D Equivalent (after<br>adjustments) |
|------------------------------------|---------------------------------------|--|
| Band A entitled to disabled relief | 136                                   | 69.3                                     |
| A                                  | 52,340                                | 29,640.4                                 |
| B                                  | 38,142                                | 26,449.4                                 |
| C                                  | 21,155                                | 17,062.6                                 |
| D                                  | 8,319                                 | 7,643.6                                  |
| E                                  | 4,146                                 | 4,735.6                                  |
| F                                  | 2,151                                 | 2,911.2                                  |
| G                                  | 1,319                                 | 2,074.7                                  |
| H                                  | 92                                    | 168.4                                    |
| <b>Total</b>                       | <b>127,800</b>                        | <b>90,755.2</b>                          |
| Estimated eventual collection rate |                                       | 98.5%                                    |
| Total Council Tax Base Band D      | 2012/13                               | 89,393.9                                 |
| Total Council Tax Base Band D      | 2011/12                               | 89,027.3                                 |



## Provisions and Write Offs

| Level of Provisions & Write Offs      | Council Tax |                | Community Charge |
|---------------------------------------|-------------|----------------|------------------|
|                                       | £000        | £000           | £000             |
| Provision Brought forward             |             | (6,286)        | (532)            |
| Written off in year                   | 1,612       |                | 1                |
| (Increase) / decrease in provision    | (1,324)     |                |                  |
| <b>Provision Carried Forward</b>      |             | <b>(5,998)</b> | <b>(531)</b>     |
| <b>Gross Debtors Before Provision</b> |             | <b>11,845</b>  | <b>531</b>       |

## Precepts and Demands on the Collection Fund

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

| 2011/12        |                            | 2012/13          |                            |                |
|----------------|----------------------------|------------------|----------------------------|----------------|
| Total          |                            | Precept / Demand | Share of surplus / deficit | Total          |
| £000           |                            | £000             | £000                       | £000           |
| 118,723        | Coventry City Council      | 118,876          | 1,237                      | 120,113        |
| 4,289          | West Midlands Fire Service | 4,276            | 46                         | 4,322          |
| 8,918          | West Midlands Police       | 8,890            | 93                         | 8,983          |
| <b>131,930</b> | <b>Total</b>               | <b>132,042</b>   | <b>1,376</b>               | <b>133,418</b> |

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

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

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

The items in the Authority's Balance Sheet for which there is significant risk of adjustment are:

#### **Pensions Liability**

This liability stands at £528.8m, at the end of the 2012/13 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. Further details can be found in note 3.21.

#### **Provisions**

As at the end of the 2012/13 financial year the Authority has a provision of £15.6m, to meet the potential cost of Equal Pay Claims. Complex legal proceedings and negotiations on potential settlement are on-going. Future developments in these cases could result in a significant change in this provision. Further details can be found in note 3.18.

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

The Statement of Accounts was authorised for issue by the Director of Finance and Legal Services on 28th June 2013

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2013 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

Five Coventry primary schools have transferred to Academy status since 31st March 2013. Two schools transferred on 1st April 2013 and three schools transferred on the 1st September 2013. These transfers have the effect of diluting the relationship between the school and the local authority and this has a range of implications for the City Council. In the future, the City Council's accounts will no longer reflect any assets relating to these schools' grounds and buildings (valued at £8.9m) or their day to day costs and funding (valued at £6.7m).

The Council has been informed of a decision by lawyers acting for companies associated with Coventry City Football Club to serve the City Council with Judicial Review proceedings with regard to a £14.4m loan that the Council has paid to Arena Coventry Limited (ACL). ACL is a Joint Venture company within the Council's Group Accounts and one which is 50% owned by the Council. In early August the Council was informed that the application to judicially review the decision had been refused by the High Court. However an application to renew that application has subsequently been made. This issue remains subject to a legal process, the timing and outcome of which is currently uncertain. The Council's position is that it has acted lawfully in all respects and it will strongly defend the claim.

Prior to 1st April 2013 the Government held 100% of the financial responsibility and risk for National Non-Domestic Rates (NNDR). New regulations now mean that Local Government will assume 50% of the responsibility from this date. As part of this change, the Council will be liable for refunding ratepayers who appeal successfully against the rateable value of their properties even if this appeal relates to the period prior to 1st April 2013. Local Authority Accounting Panel Bulletin 96 confirms that this liability should not be reflected in the 2012/13 accounts but that the

Council should report its share of this liability as an event after the balance sheet date. Future years accounts will need to reflect the value of the liability. The Council has made provision for £2.9m within its 2013/14 Budget for its share of the potential level of these back-dated appeals.

### **3.3 Critical Judgements**

In applying its accounting policies, the Authority has had to make some judgements about future events. The critical judgements made in the Statement of Accounts are as follows:

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

Considerable complexity remains in relation to the position on Equal Pay. Some claims have been paid and others are still in the process of being assessed or settled whilst in addition, a challenge is outstanding on the existing judgement on pay protection. In applying the accounting policy for provisions a critical judgement has been made to retain a significant provision for this purpose.

### **3.4 Amounts Reported for Resource Allocation Decisions**

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

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

## Amounts Reported for Resource Allocation Decisions 2012/13

| Directorate Income & Expenditure | Chief Executive's | City Services & Development | Children, Learning & Young People | Community Services | Customer & Workforce Services | Finance & Legal Services | Contingency & Central Budgets | Total            |
|----------------------------------|-------------------|-----------------------------|-----------------------------------|--------------------|-------------------------------|--------------------------|-------------------------------|------------------|
|                                  | £000              | £000                        | £000                              | £000               | £000                          | £000                     | £000                          | £000             |
| General Income                   | (2,733)           | (33,142)                    | (23,810)                          | (32,248)           | (4,668)                       | (4,634)                  | (4,675)                       | <b>(105,910)</b> |
| Re-charges                       | (1,610)           | (45,420)                    | (784)                             | (1,886)            | (32,072)                      | (12,704)                 | 0                             | <b>(94,476)</b>  |
| Government Grants                | (280)             | (8,265)                     | (246,990)                         | (20,849)           | (485)                         | (162,368)                | (46,572)                      | <b>(485,809)</b> |
| Reserves                         | 1,450             | 1,298                       | 208                               | 4,892              | (1,160)                       | (504)                    | (59,678)                      | <b>(53,494)</b>  |
| Debt Repayment                   | 0                 | 0                           | 0                                 | 0                  | 0                             | 0                        | 16,256                        | <b>16,256</b>    |
| <b>Total Income</b>              | <b>(3,173)</b>    | <b>(85,529)</b>             | <b>(271,376)</b>                  | <b>(50,091)</b>    | <b>(38,385)</b>               | <b>(180,210)</b>         | <b>(94,669)</b>               | <b>(723,433)</b> |
| Employee Expenses                | 3,634             | 35,348                      | 205,086                           | 44,357             | 25,505                        | 14,291                   | 96,801                        | <b>425,022</b>   |
| Running Expenses                 | 5,700             | 80,800                      | 123,561                           | 106,321            | 18,346                        | 171,402                  | 56,030                        | <b>562,160</b>   |
| RCCO*                            | 0                 | 190                         | 41                                | 0                  | 376                           | 0                        | 51                            | <b>658</b>       |
| <b>Total Expenditure</b>         | <b>9,334</b>      | <b>116,338</b>              | <b>328,688</b>                    | <b>150,678</b>     | <b>44,227</b>                 | <b>185,693</b>           | <b>152,882</b>                | <b>987,840</b>   |
| <b>Net Expenditure</b>           | <b>6,161</b>      | <b>30,809</b>               | <b>57,312</b>                     | <b>100,587</b>     | <b>5,842</b>                  | <b>5,483</b>             | <b>58,213</b>                 | <b>264,407</b>   |
| <b>Annual Budget</b>             | <b>6,059</b>      | <b>27,914</b>               | <b>57,306</b>                     | <b>102,101</b>     | <b>6,623</b>                  | <b>5,078</b>             | <b>62,864</b>                 | <b>267,945</b>   |
| <b>Deficit / (Surplus)</b>       | <b>102</b>        | <b>2,895</b>                | <b>6</b>                          | <b>(1,514)</b>     | <b>(781)</b>                  | <b>405</b>               | <b>(4,651)</b>                | <b>(3,538)</b>   |

\*RCCO is Revenue Contribution to Capital Outlay

### Reconciliation to Subjective Analysis

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

| Reconciliation to Subjective Analysis     | Service Analysis | Not Reported to Mgmt. | Not Included in I&E | Net Cost of Services | Corporate Amounts | Total            |
|---|------------------|-----------------------|---------------------|----------------------|-------------------|------------------|
| 2012/13                                   | £000             | £000                  | £000                | £000                 | £000              | £000             |
| Fees, charges & other service income      | (236,548)        | 0                     | 54,125              | (182,423)            | (54,125)          | <b>(236,548)</b> |
| Interest & Investment Income              | 0                | 0                     | 2,375               | 2,375                | (2,298)           | <b>77</b>        |
| Income from Council Tax                   | 0                | 0                     | 0                   | 0                    | (118,871)         | <b>(118,871)</b> |
| Non-domestic Rate Pool                    | 0                | 0                     | 0                   | 0                    | (110,499)         | <b>(110,499)</b> |
| Government Grants and contributions       | (486,885)        | 0                     | 47,648              | (439,237)            | (85,147)          | <b>(524,384)</b> |
| <b>Total Income</b>                       | <b>(723,433)</b> | <b>0</b>              | <b>104,148</b>      | <b>(619,285)</b>     | <b>(370,940)</b>  | <b>(990,225)</b> |
| Employee Expenses                         | 425,022          | 0                     | (109,739)           | 315,283              | 12,327            | <b>327,610</b>   |
| Other Service Expenses                    | 400,359          | 0                     | (41,721)            | 358,638              | 45,257            | <b>403,895</b>   |
| Support Service recharges                 | 0                | 0                     | 0                   | 0                    | 0                 | <b>0</b>         |
| Depreciation, Amortisation and Impairment | 162,459          | 161,801               | 7,038               | 331,298              | 0                 | <b>331,298</b>   |
| Interest Payments                         | 0                | 0                     | (19,485)            | (19,485)             | 19,680            | <b>195</b>       |
| Precepts & Levies                         | 0                | 0                     | (17,637)            | (17,637)             | 17,637            | <b>0</b>         |
| Payments to Housing Capital Receipts Pool | 0                | 0                     | (17)                | (17)                 | 17                | <b>0</b>         |
| <b>Total Expenditure</b>                  | <b>987,840</b>   | <b>161,801</b>        | <b>(181,561)</b>    | <b>968,080</b>       | <b>94,918</b>     | <b>1,062,998</b> |
| <b>(Surplus) or Deficit</b>               | <b>264,407</b>   | <b>161,801</b>        | <b>(77,413)</b>     | <b>348,795</b>       | <b>(276,022)</b>  | <b>72,773</b>    |

### 3.5 Trading Account Summary

The Service Reporting Code of Practice requires that significant trading operations be disclosed. A number of services that trade with external organisations are classified wholly or partially as trading and are therefore shown within the net surplus / deficit from trading operations in the Comprehensive Income & Expenditure Account.

| 2011/12             |  | 2012/13       |                 |                     |
|---------------------|--|---------------|-----------------|---------------------|
| (Surplus) / Deficit | Trading Accounts                                     | Expenditure   | Income          | (Surplus) / Deficit |
| * Restated          |  |               |                 |                     |
| £000                |  | £000          | £000            | £000                |
| (8,781)             | Commercial Property                                  | 5,310         | (15,235)        | (9,925)             |
| 500                 | Highways Maintenance *                               | 7,879         | (7,782)         | 97                  |
| 2,154               | Construction & Property Services **                  | 5,155         | (3,896)         | 1,259               |
| 428                 | Building Cleaning                                    | 2,845         | (2,699)         | 146                 |
| 12                  | Grounds Maintenance                                  | 2,915         | (2,915)         | 0                   |
| 454                 | Fleet & Workshops                                    | 9,758         | (10,203)        | (445)               |
| 229                 | Catering Services                                    | 5,494         | (5,466)         | 28                  |
| 0                   | Emergency Services Unit                              | 1,291         | (774)           | 517                 |
| 18                  | Stores   | 0             | 0               | 0                   |
| (308)               | Commercial Waste Services                            | 4,610         | (5,155)         | (545)               |
| <b>(5,294)</b>      | <b>(Surplus) / Deficit from Trading Operations *</b> | <b>45,257</b> | <b>(54,125)</b> | <b>(8,868)</b>      |

\* Restated 2011/12 figures as per note 3.40

\*\* In the 2011/12 accounts this line was split between 'Building Services' and 'Major Projects'

## 3.6 Usable and Unusable Reserves

### Usable Reserves

The Council's usable and unusable reserves shown in section 2.3 are described below:

#### **General Fund Reserves**

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

#### **Schools Reserves**

The balances available to schools are held under delegated schemes. These balances are controlled by school governors and committed to be spent on the education service. These are not available to the City Council for general use.

#### **Insurance Fund Reserves**

The Insurance Fund is held to protect the City Council against the risk of potential insurance claims against the Council.

#### **Other Earmarked Reserves**

These represent resources available to services to assist them in the management of their budget, primarily in respect of specific projects or commitments, including revenue grants with no outstanding conditions.

#### **Management of Capital Reserve**

This represents the balance of resources that will be required to meet existing Capital Programme commitments.

#### **Capital Grants Unapplied Account**

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## Unusable Reserves

### Capital Adjustment Account

The Capital Adjustment Account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and those at which resources are set-aside to finance their acquisition, construction or enhancement.

| <b>Capital Adjustment Account</b>              | <b>2011/12<br/>£000</b> | <b>2012/13<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>Opening Balance</b>                         | <b>(559,092)</b>        | <b>(498,511)</b>        |
| Disposal of assets                             | 13,481                  | 6,178                   |
| Revenue Expenditure Funded from Capital        | 7,505                   | 8,736                   |
| Intangibles                                    | 710                     | 2,091                   |
| Depreciation                                   | 33,998                  | 32,613                  |
| Impairment                                     | 65,051                  | 71,944                  |
| Provision Capital                              | 0                       | 844                     |
| Derecognitions                                 | 29,018                  | 27,732                  |
| Investment Property revaluations               | (279)                   | (6,242)                 |
| Financing of assets                            | (63,187)                | (53,626)                |
| Repayment of Loans                             | (1,852)                 | (90)                    |
| Amounts written-out of the Revaluation Reserve | (7,113)                 | (8,147)                 |
| Revenue provision for the repayment of debt    | (16,751)                | (15,551)                |
| Other Gains and Losses                         | 0                       | (7,500)                 |
| <b>Closing Balance</b>                         | <b>(498,511)</b>        | <b>(439,529)</b>        |

### 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.

| <b>Revaluation Reserve</b>                    | <b>2011/12<br/>£000</b> | <b>2012/13<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Opening Balance</b>                        | <b>(167,078)</b>        | <b>(184,021)</b>        |
| Revaluations                                  | (24,055)                | (196)                   |
| Written-off to the Capital Adjustment Account | 7,112                   | 8,147                   |
| <b>Closing Balance</b>                        | <b>(184,021)</b>        | <b>(176,070)</b>        |

### Financial Instruments Adjustment Account

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

### Collection Fund Adjustment Account

This account contains the cumulative difference between the accrued income from Council Tax and 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.

**Accumulated Absences Account**

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

**Available for Sale Financial Instruments Reserve**

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



### 3.7 Adjustments between Accounting Basis and 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.

| Adjustments made to Comprehensive Income and Expenditure Statement (CIES)  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Unusable Reserves<br>£000 |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------|
| <b>Reversal of items debited or credited to the CIES</b>   |                              |                                  |                                  |                           |
| Charges for depreciation of non-current assets   | (32,613)                     | 0                                | 0                                | 32,613                    |
| Charges for impairment of non-current assets   | (71,944)                     | 0                                | 0                                | 71,944                    |
| Revaluation losses on Property, Plant and Equipment  | (27,732)                     | 0                                | 0                                | 27,732                    |
| Movements in the market value of Investment Properties   | 6,242                        | 0                                | 0                                | (6,242)                   |
| Amortisation of intangible assets  | (2,091)                      | 0                                | 0                                | 2,091                     |
| Capital grants and contributions applied   | 41,225                       | 0                                | 0                                | (41,225)                  |
| Revenue expenditure funded from capital under statute  | (8,736)                      | 0                                | 0                                | 8,736                     |
| Finance Lease Principal Receipt  | (83)                         | 0                                | 0                                | 83                        |
| Provision of Closed Landfill Site Costs - Capitalisation   | (844)                        | 0                                | 0                                | 844                       |
| Capital grants & contributions unapplied movement to the CIES  | (429)                        | 0                                | 429                              | 0                         |
| Transfer from Capital Adjustment Account relating to Housing Pool payments   | 0                            | (17)                             | 0                                | 17                        |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES                                       | (17)                         | 17                               | 0                                | 0                         |
| Proportion of premiums incurred in previous years charged against the General Fund Balance in line with statutory requirements | 96                           | 0                                | 0                                | (96)                      |
| Reversal of impact of Soft Loans and Stepped Loan on the General Fund Balance, in line with statutory requirements             | 73                           | 0                                | 0                                | (73)                      |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (6,632)                      | 0                                | 0                                | 6,632                     |
| Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)                      | 711                          | 0                                | 0                                | (711)                     |
| Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)          | 489                          | 0                                | 0                                | (489)                     |
| <b>Inclusion of items not debited or credited to the CIES</b>  |                              |                                  |                                  |                           |
| Statutory provision for the financing of capital investment  | 15,551                       | 0                                | 0                                | (15,551)                  |
| Repayment of Transferred Debt Principal  | 629                          | 0                                | 0                                | (629)                     |
| Capital expenditure charged against the General Fund balance.  | 5,707                        | 0                                | 0                                | (5,707)                   |
| <b>Total Adjustments</b>   | <b>(80,398)</b>              | <b>0</b>                         | <b>429</b>                       | <b>79,969</b>             |

### 3.8 Property, Plant and Equipment

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

|  | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Under Construction<br>£000 | Total<br>£000    |
|--|--------------------------------|-------------------------------------|--------------------------------|--------------------------|----------------------------|------------------|
| <b>Cost or Valuation</b>                               |                                |                                     |                                |                          |                            |                  |
| <b>1st April 2012</b>                                  | <b>912,923</b>                 | <b>36,580</b>                       | <b>298,590</b>                 | <b>14,249</b>            | <b>5,883</b>               | <b>1,268,225</b> |
| Additions  | 10,356                         | 1,079                               | 34,183                         | 122                      | (4,108)                    | 41,632           |
| Donations  | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Revaluation increase/(decreases) to RR                 | (12,136)                       | (1,606)                             | 0                              | 0                        | 0                          | (13,742)         |
| Revaluation increase/(decrease) to SDPS                | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Disposals                              | (246)                          | 0                                   | 0                              | 0                        | 0                          | (246)            |
| Derecognition - Other                                  | (6,404)                        | (621)                               | (20,388)                       | (122)                    | 0                          | (27,535)         |
| Reclassified to/from Assets Held for Sale              | (43)                           | 0                                   | 0                              | 0                        | 0                          | (43)             |
| Other Reclassifications                                | 1,054                          | (1)                                 | (1)                            | 0                        | 0                          | 1,052            |
| <b>31st March 2013</b>                                 | <b>905,504</b>                 | <b>35,431</b>                       | <b>312,384</b>                 | <b>14,249</b>            | <b>1,775</b>               | <b>1,269,343</b> |
| <b>Depreciation and Impairment</b>                     |                                |                                     |                                |                          |                            |                  |
| <b>1st April 2012</b>                                  | <b>316,059</b>                 | <b>19,745</b>                       | <b>72,235</b>                  | <b>0</b>                 | <b>0</b>                   | <b>408,039</b>   |
| Depreciation Charge                                    | 23,023                         | 2,348                               | 7,242                          | 0                        | 0                          | 32,613           |
| Impairment losses/reversals to RR                      | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Depreciation written out to RR                         | (9,276)                        | (1,606)                             | 0                              | 0                        | 0                          | (10,882)         |
| Impairment losses/reversals to SDPS                    | 51,456                         | 619                                 | 0                              | 0                        | 0                          | 52,075           |
| Derecognition - Disposals                              | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Other                                  | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Eliminated on reclassification to Assets Held for Sale | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Reclassifications                                      | 1                              | (1)                                 | 0                              | 0                        | 0                          | 0                |
| <b>31st March 2013</b>                                 | <b>381,263</b>                 | <b>21,105</b>                       | <b>79,477</b>                  | <b>0</b>                 | <b>0</b>                   | <b>481,845</b>   |
| <b>Net Book Value</b>                                  |                                |                                     |                                |                          |                            |                  |
| <b>31st March 2013</b>                                 | <b>524,241</b>                 | <b>14,326</b>                       | <b>232,907</b>                 | <b>14,249</b>            | <b>1,775</b>               | <b>787,498</b>   |
| <b>1st April 2012</b>                                  | <b>596,864</b>                 | <b>16,835</b>                       | <b>226,355</b>                 | <b>14,249</b>            | <b>5,883</b>               | <b>860,186</b>   |

Note - The carrying amount for Other Land and Buildings is presented on a revaluations basis. The carried forward amount that would have been recognised if presented at cost is £386m.

Note - RR stands for Revaluation Reserve

Note - SDPS stands for Surplus/Deficit on the Provision of Services

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

| Asset Type                  | Measurement Type          |
|-----------------------------|---------------------------|
| Other Land and Buildings    | Fair Value                |
| Vehicles, Plant & Equipment | Historical Cost           |
| Infrastructure              | 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                |

Impairment reflects a reduction in value of the asset below its carrying amount on the balance sheet. Impairment reviews are required where changes in circumstances have arisen e.g. a significant decline in the market value of an asset. An impairment review was carried out in 2012/13 which has realigned the total value of our portfolio of property assets (see summary table note 3.10). £52.1m of impairment relates to Property, Plant & Equipment, £38.4m of which is in respect of Coundon Court School & Community College and Caludon Castle School transferring to academy status (see also note 3.23 Private Finance Initiative). School assets are specialised and belong to the Children, Learning and Young People reporting segment, have no active market, and were valued on a Depreciated Replacement Cost basis in order to determine the recoverable service amount (fair value less costs to sell).

Under IFRS and componentisation accounting Property, Plant & Equipment has been realigned to reflect derecognitions of £27.5m relating to the replacement or restoration of existing components. The Code of Practice states that where it is not practicable to determine the carrying amount of the replaced part / component, authorities may use the cost of the new part as an indication of what the cost of the replaced part / component was at the time it was acquired or constructed.

Depreciation is a calculation of the amount an asset has decreased in value due to general wear and tear etc and is provided for on all assets with a determinable finite life (except for land, community assets, heritage assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. In 2012/13 over 50% of depreciation is attributable to Children, Learning & Young People Directorate premises (predominantly schools).

Depreciation is calculated on the following basis:

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

### 3.9 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. An external valuation has recently been undertaken at the Transport Museum. Although the formal report has not yet been received, the City Council has been informed that the overall valuation is expected to be in the region of £11m, and thus broadly consistent with the figure included in the table below. The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2012 and the carried forward balance on 31st March 2013. 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<br>2012<br>£000 | 31st March<br>2013<br>£000 |
|-----------------------------|----------------------------|----------------------------|
| Transport Museum Collection | 11,049                     | 11,049                     |
| 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>30,009</b>              | <b>30,009</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 by following the hyperlink below to the report on the council's website:

[Acquisition and Disposal Policy for Museum, Archives and Local History Collections](#)

## 3.10 Non-Operational Assets

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

|  | Investment<br>Property<br>£000 | Assets Held<br>for Sale<br>£000 | Heritage<br>Assets<br>£000 | Under<br>Construction<br>£000 | Total<br>£000  |
|--|--------------------------------|---------------------------------|----------------------------|-------------------------------|----------------|
| <b>Cost or Valuation</b>                               |                                |                                 |                            |                               |                |
| <b>1st April 2012</b>                                  | <b>284,827</b>                 | <b>23,342</b>                   | <b>30,009</b>              | <b>0</b>                      | <b>338,178</b> |
| Additions  | 197                            | 0                               | 0                          | 0                             | 197            |
| Donations  | 0                              | 0                               | 0                          | 0                             | 0              |
| Revaluation increase/(decrease) to RR                  | 0                              | 3,057                           | 0                          | 0                             | 3,057          |
| Revaluation increase/(decrease) to SDPS                | 6,242                          | 0                               | 0                          | 0                             | 6,242          |
| Derecognition - Disposals                              | (1,458)                        | (2,074)                         | 0                          | 0                             | (3,532)        |
| Derecognition - Other                                  | (197)                          | 0                               | 0                          | 0                             | (197)          |
| Reclassified to/from Assets Held for Sale              | (500)                          | 543                             | 0                          | 0                             | 43             |
| Other Reclassifications                                | (1,053)                        | 0                               | 0                          | 0                             | (1,053)        |
| <b>31st March 2013</b>                                 | <b>288,058</b>                 | <b>24,868</b>                   | <b>30,009</b>              | <b>0</b>                      | <b>342,935</b> |
| <b>Depreciation and Impairment</b>                     |                                |                                 |                            |                               |                |
| <b>1st April 2012</b>                                  | <b>100,019</b>                 | <b>10,688</b>                   | <b>0</b>                   | <b>0</b>                      | <b>110,707</b> |
| Depreciation Charge                                    | 0                              | 0                               | 0                          | 0                             | 0              |
| Impairment losses/reversals to RR                      | 0                              | 0                               | 0                          | 0                             | 0              |
| Impairment losses/reversals to SDPS                    | 19,565                         | 304                             | 0                          | 0                             | 19,869         |
| Derecognition - Disposals                              | 0                              | 0                               | 0                          | 0                             | 0              |
| Derecognition - Other                                  | 0                              | 0                               | 0                          | 0                             | 0              |
| Eliminated on reclassification to Assets Held for Sale | 0                              | 0                               | 0                          | 0                             | 0              |
| Reclassifications                                      | (1)                            | (1)                             | 0                          | 0                             | (2)            |
| <b>31st March 2013</b>                                 | <b>119,583</b>                 | <b>10,991</b>                   | <b>0</b>                   | <b>0</b>                      | <b>130,574</b> |
| <b>Net Book Value</b>                                  |                                |                                 |                            |                               |                |
| <b>31st March 2013</b>                                 | <b>168,475</b>                 | <b>13,877</b>                   | <b>30,009</b>              | <b>0</b>                      | <b>212,361</b> |
| <b>1st April 2012</b>                                  | <b>184,808</b>                 | <b>12,654</b>                   | <b>30,009</b>              | <b>0</b>                      | <b>227,471</b> |

Note - RR stands for Revaluation Reserve

Note - SDPS stands for Surplus/Deficit on the Provision of Services

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

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

£19.5m impairment of Investment Property in 2012/13 reflects a decline in the market value of City Council assets, the majority of which are located in the City Centre. A further £3.5m reduction relates to the disposal of City Council assets

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

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

|   | Property, Plant &<br>Equipment Total<br>£000 | Non-Operational<br>Assets Total<br>£000 | Total<br>£000    |
|---|--|---|------------------|
| <b>Cost or Valuation</b>                        |  |   |                  |
| <b>1st April 2012</b>                           | <b>1,268,225</b>                             | <b>338,178</b>                          | <b>1,606,403</b> |
| Additions                                       | 41,632                                       | 197                                     | 41,829           |
| Donations                                       | 0  | 0                                       | 0                |
| Revaluation Increases/(decreases) to RR         | (13,742)                                     | 3,057                                   | (10,685)         |
| Revaluation Increases/(decreases) to SDPS       | 0  | 6,242                                   | 6,242            |
| Derecognition-Disposals                         | (246)  | (3,532)                                 | (3,778)          |
| Derecognitions-Other                            | (27,535)                                     | (197)                                   | (27,732)         |
| Reclassified to/from Held for Sale              | (43)   | 43                                      | 0                |
| Other Reclassifications                         | 1,052  | (1,053)                                 | (1)              |
| <b>31st March 2013</b>                          | <b>1,269,343</b>                             | <b>342,935</b>                          | <b>1,612,278</b> |
| <b>Depreciation and Impairment</b>              |  |   |                  |
| <b>1st April 2012</b>                           | <b>408,039</b>                               | <b>110,707</b>                          | <b>518,746</b>   |
| Depreciation Charge                             | 32,613                                       | 0                                       | 32,613           |
| Depreciation written out to SDPS                | 0  | 0                                       | 0                |
| Impairment losses/reversals to RR *             | 0  | 0                                       | 0                |
| Depreciation written out to RR                  | (10,882)                                     | 0                                       | (10,882)         |
| Impairment losses/reversals to SDPS             | 52,075                                       | 19,869                                  | 71,944           |
| Derecognition-Disposals                         | 0  | 0                                       | 0                |
| Derecognitions-Other                            | 0  | 0                                       | 0                |
| Eliminated on reclassification to Held for Sale | 0  | 0                                       | 0                |
| Reclassifications                               | 0  | (2)                                     | (2)              |
| <b>31st March 2013</b>                          | <b>481,845</b>                               | <b>130,574</b>                          | <b>612,419</b>   |
| <b>Net Book Value</b>                           |  |   |                  |
| <b>31st March 2013</b>                          | <b>787,498</b>                               | <b>212,361</b>                          | <b>999,859</b>   |
| <b>1st April 2012</b>                           | <b>860,186</b>                               | <b>227,471</b>                          | <b>1,087,657</b> |

Note - RR stands for Revaluation Reserve

Note - SDPS stands for Surplus/Deficit on the Provision of Services

### 3.12 Movement in Intangible Assets

Intangible assets: are those assets that do not have a physical substance and are identifiable and controlled by the council e.g. software licenses. The balance is amortised on a straight-line basis over the economic life (normally one year) of the investment to reflect the pattern of consumption of benefits. In 2012/13 the brought forward balance plus the total spend in year has been amortised over one year resulting in a nil year end balance. Unless identified otherwise, assets have been acquired separately and the asset lives are finite.

| 2011/12<br>£000 | Intangible Assets                 | 2012/13<br>£000 |
|-----------------|-----------------------------------|-----------------|
| 0               | Balance brought forward           | 0               |
| 710             | Addition of intangible assets     | 2,091           |
| (710)           | Amortisation of intangible assets | (2,091)         |
| <b>(0)</b>      | <b>Total</b>                      | <b>0</b>        |

### 3.13 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 3.37 Associated Company Interest and Holdings.

| <b>31st March</b> |  | <b>31st March</b> |
|-------------------|--|-------------------|
| <b>2012</b>       | <b>Long Term Investments</b>                             | <b>2013</b>       |
| <b>£000</b>       |  | <b>£000</b>       |
| 22,913            | Birmingham Airport Holdings Ltd                          | 22,913            |
| 9,950             | Coventry Solihull Waste Disposal Co (CSWDC)              | 7,550             |
| 0                 | University of Warwick Science Park Innovation Centre Ltd | 0                 |
| 19                | Coventry Venture Capital                                 | 19                |
| 0                 | North Coventry Holdings Limited                          | 0                 |
| <b>32,882</b>     | <b>Total Long Term Investments</b>                       | <b>30,482</b>     |

A valuation exercise undertaken jointly with BDO LLP in 2012 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £22.9m. A subsequent exercise undertaken jointly with BDO in 2013 has indicated that there has been no material change in the valuation of the City Council's shareholding.

A report to the Council's Cabinet in September 2012 approved the redemption of Preference Shares in the Coventry and Solihull Waste Disposal Company to the value of £2.4m in 2012/13. This is reflected in the current valuation of the Company above.



### 3.14 Long Term Debtors

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

| <b>31st March</b> |                                      | <b>31st March</b> |
|-------------------|--------------------------------------|-------------------|
| <b>2012</b>       | <b>Long Term Debtors</b>             | <b>2013</b>       |
| <b>£000</b>       |                                      | <b>£000</b>       |
| 195               | Museum of British Road Transport     | 199               |
| 90                | Housing Loans                        | 86                |
| 1,004             | Binley Innovation Centre             | 1,066             |
| 514               | Pathways to Care Loans               | 325               |
| 748               | Residential Property Debts           | 806               |
| 5                 | Coventry North Regeneration Ltd      | 5                 |
| 161               | Mortgages                            | 138               |
| 320               | Belgrade Theatre                     | 298               |
| 50                | Spon End Building Preservation Trust | 30                |
| 37                | Commercial Property                  | 37                |
| 4,846             | City College Car Park                | 4,762             |
| 2                 | Car Loans                            | 2                 |
| 2,702             | Kickstart                            | 2,430             |
| 0                 | Arena Coventry Limited Loan          | 14,289            |
| <b>10,674</b>     | <b>Total Long Term Debtors</b>       | <b>24,473</b>     |

### 3.15 Inventories

An analysis of the Council's inventories is shown below.

| <b>31st March</b> |   | <b>31st March</b> |
|-------------------|---|-------------------|
| <b>2012</b>       | <b>Consumable Stores</b>                    | <b>2013</b>       |
| <b>£000</b>       |   | <b>£000</b>       |
| <b>562</b>        | <b>Balance outstanding at start of year</b> | <b>554</b>        |
| 4,940             | Purchases                                   | 4,487             |
| (4,937)           | Recognised as an expense in the year        | (4,606)           |
| (11)              | Written off balances                        | (13)              |
| 0                 | Reversal of write offs in previous years    | 3                 |
| <b>554</b>        | <b>Balance outstanding at year end</b>      | <b>425</b>        |

### 3.16 Short Term Debtors

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

| <b>Debtors</b>                                    | <b>31st March<br/>2012<br/>£000</b> | <b>31st March<br/>2013<br/>£000</b> |
|---|-------------------------------------|-------------------------------------|
| Central Government Bodies                         | 8,656                               | 8,766                               |
| Other Local Authorities                           | 1,852                               | 1,426                               |
| NHS Bodies  | 5,037                               | 7,226                               |
| Public Corporations / Trading                     | 907                                 | 1,093                               |
| All Other Bodies                                  | 27,119                              | 25,183                              |
| Debts Relating to Local Taxation                  | 11,697                              | 11,195                              |
| Payments in Advance                               | 8,063                               | 7,438                               |
| Impairment Allowance Account (Bad Debt Provision) | (16,348)                            | (19,646)                            |
| <b>Total Debtors</b>                              | <b>46,983</b>                       | <b>42,681</b>                       |

### 3.17 Short Term Creditors

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

| <b>Creditors</b>                 | <b>31st March<br/>2012<br/>* Restated<br/>£000</b> | <b>31st March<br/>2013<br/>£000</b> |
|----------------------------------|--|-------------------------------------|
| Central Government Bodies        | (11,878)   | (10,674)                            |
| Other Local Authorities          | (4,761)  | (6,626)                             |
| NHS Bodies                       | (1,507)  | (568)                               |
| Public Corporations/Trading      | (276)  | (200)                               |
| All Other Bodies                 | (37,397)   | (30,945)                            |
| Creditors relating to taxation * | (1,756)  | (1,805)                             |
| Receipts in Advance *            | (23,492)   | (11,934)                            |
| <b>Total Creditors</b>           | <b>(81,067)</b>                                    | <b>(62,752)</b>                     |

\* Prior year balances have been restated (separating out creditors relating to taxation)

### 3.18 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that we 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 2012/13 is explained below:

| Provisions              | Self-Insurance and other provisions | Provision for Legal Claims | Total           |
|-------------------------|-------------------------------------|----------------------------|-----------------|
|                         | £000                                | £000                       | £000            |
| <b>1st April 2012</b>   | <b>(7,904)</b>                      | <b>(23,404)</b>            | <b>(31,308)</b> |
| Increase in provision   | (1,646)                             | 0                          | (1,646)         |
| Amounts used            | 55                                  | 345                        | 400             |
| Unused amounts reversed | 830                                 | 7,500                      | 8,330           |
| <b>31st March 2013</b>  | <b>(8,665)</b>                      | <b>(15,559)</b>            | <b>(24,224)</b> |

The split between short and long term provisions, as at 31st March 2013, is provided in the following table:

| Provisions            | Self-Insurance and other provisions | Provision for Legal Claims | Total           |
|-----------------------|-------------------------------------|----------------------------|-----------------|
|                       | £000                                | £000                       | £000            |
| Short Term Provisions | (1,032)                             | (559)                      | <b>(1,591)</b>  |
| Long Term Provisions  | (7,633)                             | (15,000)                   | <b>(22,633)</b> |
| Total                 | <b>(8,665)</b>                      | <b>(15,559)</b>            | <b>(24,224)</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 level of this provision has gone down by £470k in 2012/13 and now stands at £6,221k. The Council also maintains an insurance earmarked reserve, called the Insurance Fund that is set aside for claims that have been incurred but not yet received as detailed within the Movement in Reserves Statement in Section 2.3.

The Council owns four landfill sites that are no longer in use. It is legally responsible for the after-care costs of the sites, such as gas management, for a period of 60 years after their closure. International Accounting Standard 37 requires a provision to be recognised for this obligation and an estimate of £844k has been made in the 2012/13 accounts. This landfill after care provision has been capitalised and will be depreciated in line with accounting regulations.

The Council maintains a provision of £614k in Carbon Reduction Commitment Allowances in line with LAAP (Local Authority Accounting Panel) Bulletin 91. This represents a potential future levy on the amount of carbon emissions produced by the Council.

There is a further specific area relating to Equal Pay Claims where existing legal claims against the City Council have caused us to set aside a financial provision. The Council has agreed claims that have cost £345k within 2012/13 in addition to previous settled claims amounting to £6,596k. Further known outstanding claims are at a relatively low level and on balance the Council has determined that this is an appropriate time to reduce the overall level of remaining provision by £7,500k. This leaves a provision amounting to £15,559k in place in compliance with LAAP Bulletin 68. This provision has been capitalised in line with a formal Capitalisation Direction

granted by the Government to the City Council in September 2008 such that the full cost is spread over 20 years, with the first setting aside of a minimum revenue provision (for future repayment of borrowing debt) being made in 2009/10. It should be stressed that this remaining provision is not an admission of liability. Complex legal proceedings and negotiations on potential settlement of Equal Pay claims are ongoing.

The Equal Pay Claims provision is still subject to significant uncertainty and has been maintained at what is considered to be a prudent level relative to the likely maximum liability that the City Council might face. Notwithstanding this, a Contingent Liability has been recorded in this area, the details of which are included in section 3.29.

### 3.19 Financial Instruments

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

|  | 31st March 2012   |                 |                | 31st March 2013   |                 |                |
|--|-------------------|-----------------|----------------|-------------------|-----------------|----------------|
|  | Long Term<br>£000 | Current<br>£000 | Total<br>£000  | Long Term<br>£000 | Current<br>£000 | Total<br>£000  |
| <b>Liabilities at Amortised Cost</b>                 |                   |                 |                |                   |                 |                |
| PWLB   | 239,844           | 3,250           | 243,094        | 226,844           | 16,228          | 243,072        |
| Market Loans   | 59,917            | 608             | 60,525         | 59,909            | 597             | 60,506         |
| Stock Issue  | 12,004            | 234             | 12,238         | 12,004            | 233             | 12,237         |
| Other Local Authorities                              | 19,041            | 706             | 19,747         | 18,265            | 776             | 19,041         |
| PFI  | 40,051            | 2,243           | 42,294         | 52,846            | 1,597           | 54,443         |
| Liabilities under Finance Leases                     | 4                 | 15              | 19             | 10                | 5               | 15             |
| <b>Subtotal</b>                                      | <b>370,861</b>    | <b>7,056</b>    | <b>377,917</b> | <b>369,878</b>    | <b>19,436</b>   | <b>389,314</b> |
| Creditors*   | 0                 | 37,673          | 37,673         | 0                 | 31,145          | 31,145         |
| Cash Overdrawn                                       | 0                 | 0               | 0              | 0                 | 0               | 0              |
| Other  | 0                 | 652             | 652            | 0                 | 663             | 663            |
| Liabilities at fair value through profit & loss      | 0                 | 0               | 0              | 0                 | 0               | 0              |
| <b>Total Borrowings</b>                              | <b>370,861</b>    | <b>45,381</b>   | <b>416,242</b> | <b>369,878</b>    | <b>51,244</b>   | <b>421,122</b> |
| <b>Loans and Receivables</b>                         |                   |                 |                |                   |                 |                |
| Long Term Debtors                                    | 10,674            | 0               | 10,674         | 24,473            | 0               | 24,473         |
| Short Term Debtors*                                  | 0                 | 19,736          | 19,736         | 0                 | 16,871          | 16,871         |
| Fixed Term Cash Deposits                             | 0                 | 29,154          | 29,154         | 0                 | 15,819          | 15,819         |
| Other  | 0                 | 14              | 14             | 0                 | 17              | 17             |
| Cash in Hand   | 0                 | 23,890          | 23,890         | 0                 | 39,697          | 39,697         |
|  | <b>10,674</b>     | <b>72,794</b>   | <b>83,468</b>  | <b>24,473</b>     | <b>72,404</b>   | <b>96,877</b>  |
| Available for Sale Financial Assets                  | 32,882            | 14,058          | 46,940         | 30,482            | 19,253          | 49,735         |
| Financial Assets at fair value through profit & loss | 0                 | 0               | 0              | 0                 | 0               | 0              |
| <b>Total Investments</b>                             | <b>43,556</b>     | <b>86,852</b>   | <b>130,408</b> | <b>54,955</b>     | <b>91,657</b>   | <b>146,612</b> |

\*Prior year balances have been restated (financial instrument classifications)

Only short term debtors and creditors that are classified as financial instruments are included within this note.

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

The Short Term Investments figure on the balance sheet (£35,089k) is the total of current 'Fixed Term Cash Deposits' (£15,819k), plus 'Other' (£17k) plus 'Available for Sale Financial Assets' (£19,253k).

The 2012/13 Comprehensive Income and Expenditure Account include the following amounts in relation to financial instruments:

|   | Financial<br>Liabilities<br>measured at<br>amortised<br>cost | Financial Assets                 |                                      |                    | Total          |
|---|--|----------------------------------|--------------------------------------|--------------------|----------------|
|   | £000   | Loans and<br>receivables<br>£000 | Available for<br>sale assets<br>£000 | Fair Value<br>£000 |                |
| Interest expense  | 19,688   | 0                                | 0                                    | 0                  | 19,688         |
| Losses on derecognition   | 0  | 0                                | 0                                    | 0                  | 0              |
| Impairment losses   | 0  | 1,793                            | 0                                    | 0                  | 1,793          |
| <b>Interest payable and similar charges</b>                           | <b>19,688</b>  | <b>1,793</b>                     | <b>0</b>                             | <b>0</b>           | <b>21,481</b>  |
| Interest income   | 0  | (713)                            | (1,585)                              | 0                  | (2,298)        |
| Gains on derecognition  | 0  | 0                                | 0                                    | 0                  | 0              |
| <b>Interest and investment income</b>                                 | <b>0</b>   | <b>(713)</b>                     | <b>(1,585)</b>                       | <b>0</b>           | <b>(2,298)</b> |
| Gains on revaluation  | 0  | 0                                | (195)                                | 0                  | (195)          |
| Losses on revaluation   | 0  | 0                                | 0                                    | 0                  | 0              |
| Amounts recycled to the Income & Expenditure Account after impairment | (8)  | 0                                | 0                                    | 0                  | (8)            |
| <b>Surplus arising on revaluation of financial assets</b>             | <b>(8)</b>   | <b>0</b>                         | <b>(195)</b>                         | <b>0</b>           | <b>(203)</b>   |
| <b>Net (gain) / loss for the year</b>                                 | <b>19,680</b>  | <b>1,080</b>                     | <b>(1,780)</b>                       | <b>0</b>           | <b>18,980</b>  |

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

- for Public Works Loan Board (PWLB) long term liabilities using PWLB rates as at 31st March 2013
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap rate added to the value of any embedded options
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

|                                    | 31st March 2012 |                | 31st March 2013 |                |
|------------------------------------|-----------------|----------------|-----------------|----------------|
|                                    | Carrying amount | Fair value     | Carrying amount | Fair value     |
|                                    | £000            | £000           | £000            | £000           |
| Financial Liabilities              |                 |                |                 |                |
| ▪ PWLB                             | 243,094         | 306,624        | 243,072         | 312,987        |
| ▪ Market Loans                     | 60,525          | 75,343         | 60,506          | 83,869         |
| ▪ Stock Issue                      | 12,238          | 20,043         | 12,237          | 19,913         |
| ▪ Other Local Authorities          | 19,747          | 23,984         | 19,041          | 24,561         |
| ▪ PFI                              | 42,294          | 42,294         | 54,443          | 54,443         |
| ▪ Liabilities under Finance Leases | 19              | 19             | 15              | 15             |
| ▪ Creditors *                      | 37,673          | 37,673         | 31,145          | 31,145         |
| ▪ Cash Overdrawn                   | 0               | 0              | 0               | 0              |
| ▪ Other                            | 652             | 652            | 663             | 663            |
| <b>Total Liabilities</b>           | <b>416,242</b>  | <b>506,632</b> | <b>421,122</b>  | <b>527,596</b> |
| <b>Loans and Receivables *</b>     | <b>83,468</b>   | <b>83,468</b>  | <b>96,877</b>   | <b>96,877</b>  |

\*Prior year balances have been restated (financial instrument classifications)

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

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

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

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2012/13 this required that deposits were only made with banks and building societies with a high quality credit rating (minimum F1 short term and A long term). In addition, as at 31st March 2013 the policy limited the maximum that can be deposited with an institution at any point in time to £12m or £6m, depending on the type of institution. Under the Treasury Management Strategy the Director of Finance & Legal Services will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

| Deposits   | Amounts as at<br>31st March<br>2013 | Historical<br>experience of<br>default | Historical<br>experience<br>adjusted for<br>market conditions<br>as at 31st March<br>2013 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability |
|--|-------------------------------------|--|---|--|
|  | £000                                | %                                      | %   | £000   |
|  | A                                   | B                                      | C   | (A x C)  |
| Banks and Building Societies – AA<br>Rated             | 20,436                              | 0.03%                                  | 0.03%   | 6  |
| Money Market and Collective<br>Pooled Funds -AAA Rated | 32,900                              | 0.00%                                  | 0.00%   | 0  |
| Collective Pooled Funds -Not<br>Rated                  | 1,859                               | 0.00%                                  | 0.00%   | 0  |
| UK Central & Local Government                          | 11,307                              | 0.00%                                  | 0.00%   | 0  |
| Trade Debtors  | 15,093                              | 6.25%                                  | 8.25%   | 1,245  |
|  | <b>81,595</b>                       |  |   | <b>1,251</b>   |

The deposits set out above as at 31st March 2013 were held with financial institutions domiciled in a number of countries:-

| Country        | £000          |
|----------------|---------------|
| United Kingdom | 44,247        |
| Ireland        | 22,255        |
| <b>Total</b>   | <b>66,502</b> |

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

The authority does not generally allow credit for trade debtors, such that £2,105k of the £15,093k balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | £000          |
|------------------------|---------------|
| Less than three months | 12,988        |
| Three to six months    | 237           |
| Six months to one year | 1,206         |
| More than one year     | 662           |
| <b>Total</b>           | <b>15,093</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<br/>2012<br/>£000</b> | <b>31st March<br/>2013<br/>£000</b> |
|--|-------------------------------------|-------------------------------------|
| Less than one year                       | 706                                 | 13,776                              |
| Between one and two years                | 13,776                              | 6,354                               |
| Between two and five years               | 20,212                              | 21,495                              |
| Between six and ten years                | 26,939                              | 26,633                              |
| More than ten years                      | 268,962                             | 261,630                             |
| <b>Total</b>                             | <b>330,595</b>                      | <b>329,888</b>                      |

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

LOBO loans are included in the maturity analysis of financial liabilities based on their actual contractual maturity date, rather than the earliest date on which the lender can opt to increase the interest rate. In the event of the lender increasing the interest rate the City Council can opt to repay the loan. A total of £59,000k of such loans are held, £31,000k of which the lenders have interest review options at up to annual intervals, and £28,000k at 5 yearly intervals, from May 2015.

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

## **Market Risk**

### Interest rate risk

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

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

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

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the exposure to variable interest rates to 30% of total exposure. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance. Furthermore, the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs



will normally move with prevailing interest rates or the authority's cost of borrowing, and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31st March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|   | £000           |
|---|----------------|
| Increase in interest payable on variable rate borrowings            | 590            |
| Increase in interest receivable on variable rate investments        | (322)          |
| Increase in government grant receivable for financing costs         | (2,142)        |
| Decrease in fair value of fixed rate investment assets              | 0              |
| <b>Impact on Comprehensive Income and Expenditure Account</b>       | <b>(1,874)</b> |
| <b>Decrease in fair value of fixed rate borrowings liabilities.</b> | <b>52,726</b>  |

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

The increase in government grant receivable for financing costs is based on 1% of the total base for capital financing charges included in the calculation of grant entitlement for 2012/13

### Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £30,482k in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the price 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 price 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 price of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1,524k gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2012/13.

### Foreign Exchange Risk

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

## 3.20 Pension Costs

Figures in brackets relate to 2011/12.

### Non Teaching Staff

In 2012/13 the City Council paid an employer's contribution of £21,334k, (£21,735k in 2011/12) representing 16.4% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2013/14 are estimated to be £22,530k. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at 31st March 2010.

In addition, the Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2012/13, this amounted to £3,320k (£5,035k in 2011/12).

Further details on pension liabilities are provided in note 3.21.

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

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

### Teaching Staff

In 2012/13 the City Council paid £12,599k (£14,018k in 2011/12) to the Department for Education (DfE) for teachers' pension costs, which represents 14.1% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2012/13 these amounted to £2,640k (£2,607k in 2011/12), 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.

## 3.21 IAS 19 – Retirement Benefits

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

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

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

### Summary of Outcome for

The overall increase in the deficit is analysed as follows:

| 2011/12          |                  |                  | 2012/13                         |                  |                  |                  |
|------------------|------------------|------------------|---------------------------------|------------------|------------------|------------------|
| LGPS<br>£000     | Teachers<br>£000 | Total<br>£000    |                                 | LGPS<br>£000     | Teachers<br>£000 | Total<br>£000    |
| (320,089)        | (32,658)         | <b>(352,747)</b> | Deficit b/fwd                   | (391,940)        | (32,842)         | <b>(424,782)</b> |
| (22,797)         | 0                | <b>(22,797)</b>  | Current Service Cost            | (24,067)         | 0                | <b>(24,067)</b>  |
| 26,734           | 2,607            | <b>29,341</b>    | Employer Contributions          | 24,650           | 2,640            | <b>27,290</b>    |
| (114)            | 0                | <b>(114)</b>     | Past Service Gain (Cost)        | (38)             | 0                | <b>(38)</b>      |
| 48,947           | 0                | <b>48,947</b>    | Return on Assets                | 44,075           | 0                | <b>44,075</b>    |
| (57,281)         | (1,693)          | <b>(58,974)</b>  | Interest on Pension Liabilities | (54,952)         | (1,450)          | <b>(56,402)</b>  |
| (70,245)         | (1,098)          | <b>(71,343)</b>  | Actuarial Gain /(Loss)          | (93,164)         | (4,248)          | <b>(97,412)</b>  |
| 2,905            | 0                | <b>2,905</b>     | Curtailment Gain /(Loss)        | 2,532            | 0                | <b>2,532</b>     |
| <b>(391,940)</b> | <b>(32,842)</b>  | <b>(424,782)</b> | <b>Surplus/(Deficit)</b>        | <b>(492,904)</b> | <b>(35,900)</b>  | <b>(528,804)</b> |

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

The increase in the LGPS pension deficit is largely accounted for by the actuarial loss of £93.164m during 2012/13 which is due to a combination of demographic & financial assumptions. An increase in life expectancy rates & a reduction in the discount rate have increased the liabilities. These increases in liabilities are partially offset by a reduction in inflation & the return on assets being higher than was expected at the beginning of the year.

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:

| 2011/12  |                  |               | 2012/13      |                  |               |
|--|------------------|---------------|--------------|------------------|---------------|
| LGPS<br>£000   | Teachers<br>£000 | Total<br>£000 | LGPS<br>£000 | Teachers<br>£000 | Total<br>£000 |
| <b>Net Cost of Services</b>  |                  |               |              |                  |               |
| 22,797   | 0                | 22,797        | 24,067       | 0                | 24,067        |
| 114  | 0                | 114           | 38           | 0                | 38            |
| (2,905)  | 0                | (2,905)       | (2,532)      | 0                | (2,532)       |
| <b>Financing and Investment Income and Expenditure</b>   |                  |               |              |                  |               |
| 57,281   | 1,693            | 58,974        | 54,952       | 1,450            | 56,402        |
| (48,947)   | 0                | (48,947)      | (44,075)     | 0                | (44,075)      |
| 28,340   | 1,693            | 30,033        | 32,450       | 1,450            | 33,900        |
| <b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b> |                  |               |              |                  |               |
| <b>Other Post Employment Benefit Charged to the CIES</b>   |                  |               |              |                  |               |
| 70,245   | 1,098            | 71,343        | 93,164       | 4,248            | 97,412        |
| 98,585   | 2,791            | 101,376       | 125,614      | 5,698            | 131,312       |
| <b>Total Post Employment Benefit Charged to the CIES</b>   |                  |               |              |                  |               |
| <b>Movement in Reserves Statement</b>  |                  |               |              |                  |               |
| (28,340)   | (1,693)          | (30,033)      | (32,450)     | (1,450)          | (33,900)      |
| <b>Actual amount charged against the General Fund for pensions in the year:</b>                  |                  |               |              |                  |               |
| 26,734   |                  | 26,734        | 24,650       |                  | 24,650        |
|  | 2,607            | 2,607         |              | 2,640            | 2,640         |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2013 is a loss of £110.218m.

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

| Local Government Pension Scheme      | 2011/12<br>£000 | 2012/13<br>£000 |
|--------------------------------------|-----------------|-----------------|
| Opening balance at 1st April         | 733,787         | 736,658         |
| Expected rate of return              | 48,947          | 44,075          |
| Actuarial gains and losses           | (33,027)        | 45,770          |
| Employer contributions               | 26,734          | 24,650          |
| Contributions by scheme participants | 8,536           | 8,284           |
| Benefits paid                        | (44,157)        | (41,236)        |
| Entity combinations                  | 0               | 0               |
| Settlements                          | (4,162)         | (1,860)         |
| Closing balance at 31st March        | 736,658         | 816,341         |

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 £89.845m. (£15.921m in 2011/12)

## 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 mortality rates, salary levels etc.

| <b>The main assumptions used in the actuarial calculation are:</b>   | <b>31st March<br/>2012</b> | <b>31st March<br/>2013</b> |
|--|----------------------------|----------------------------|
| Rate of CPI inflation  | 2.50%                      | 2.40%                      |
| Rate of increase in salaries   | 4.25%                      | 4.15%                      |
| Rate of increase in pensions   | 2.50%                      | 2.40%                      |
| Discount rate  | 4.90%                      | 4.20%                      |
| <b>Mortality Assumptions</b>   |                            |                            |
| <b>Longevity at 65 for current pensioners</b>                        |                            |                            |
| Men  | 21.7                       | 22.1                       |
| Women  | 24.3                       | 24.8                       |
| <b>Longevity at 65 for future pensioners in 20 years time</b>        |                            |                            |
| Men  | 23.1                       | 23.9                       |
| Women  | 25.9                       | 26.7                       |
| Take up of option to convert annual pension into retirement lump sum | 50.0%                      | 50.0%                      |

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

| <b>Asset Categories</b> | <b>31st March 2012</b> |          | <b>31st March 2013</b> |          |
|-------------------------|------------------------|----------|------------------------|----------|
|                         | <b>£000</b>            | <b>%</b> | <b>£000</b>            | <b>%</b> |
| <b>Equities</b>         | 403,689                | 54.8%    | 343,678                | 42.1%    |
| <b>Government Bonds</b> | 77,349                 | 10.5%    | 73,471                 | 9.0%     |
| <b>Other Bonds</b>      | 60,406                 | 8.2%     | 97,961                 | 12.0%    |
| <b>Property</b>         | 73,666                 | 10.0%    | 73,471                 | 9.0%     |
| <b>Cash / Liquidity</b> | 10,313                 | 1.4%     | 17,960                 | 2.2%     |
| <b>Other</b>            | 111,235                | 15.1%    | 209,800                | 25.7%    |
| <b>Total</b>            | 736,658                | 100.0%   | 816,341                | 100.0%   |

The expected rate of return on these assets is:

| <b>Asset Categories</b> | <b>31st March<br/>2012</b> | <b>31st March<br/>2013</b> |
|-------------------------|----------------------------|----------------------------|
| Equities                | 7.0%                       | 7.0%                       |
| Government Bonds        | 3.1%                       | 2.8%                       |
| Other Bonds             | 4.1%                       | 3.9%                       |
| Property                | 6.0%                       | 5.7%                       |
| Cash / Liquidity        | 0.5%                       | 0.5%                       |
| Other                   | 7.0%                       | 7.0%                       |

### **History of experience gains and losses**

The actuarial gains / losses identified as movements in the pension reserve in 2012/13 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2013 Previous years figures are shown for comparison purposes.

|                         | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|-------------------------|---------|---------|---------|---------|---------|
| LGPS                    |         |         |         |         |         |
| Asset Gain / (Loss)     | (33.6%) | 18.7%   | 1.0%    | (4.5%)  | 5.6%    |
| Liability Gain / (Loss) | 24.6%   | (22.8%) | 2.7%    | (3.3%)  | (10.6%) |
| Unfunded Teachers       |         |         |         |         |         |
| Liability Gain / (Loss) | 0.0%    | 0.0%    | 0.8%    | 3.3%    | 11.8%   |

|                                     | 2008/09          | 2009/10          | 2010/11          | 2011/12          | 2012/13          |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Scheme History</b>               | <b>£000's</b>    | <b>£000's</b>    | <b>£000's</b>    | <b>£000's</b>    | <b>£000's</b>    |
| <b>Present value of liabilities</b> |                  |                  |                  |                  |                  |
| LGPS                                | (793,923)        | (1,086,332)      | (1,053,876)      | (1,128,598)      | (1,309,245)      |
| Teachers                            | (29,700)         | (34,609)         | (32,658)         | (32,842)         | (35,900)         |
| <b>Fair value of assets</b>         |                  |                  |                  |                  |                  |
| LGPS                                | 522,993          | 679,378          | 733,787          | 736,658          | 816,341          |
| Teachers                            | 0                | 0                | 0                | 0                | 0                |
| <b>Surplus/(deficit) in scheme</b>  |                  |                  |                  |                  |                  |
| LGPS                                | (270,930)        | (406,954)        | (320,089)        | (391,940)        | (492,904)        |
| Teachers                            | (29,700)         | (34,609)         | (32,658)         | (32,842)         | (35,900)         |
| <b>TOTAL (deficit)</b>              | <b>(300,630)</b> | <b>(441,563)</b> | <b>(352,747)</b> | <b>(424,782)</b> | <b>(528,804)</b> |

## **3.22 Notes to the Cash Flow**

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

| 2011/12          | Adjust Net Surplus/Deficit on the Provision of Services for Non                         | 2012/13          |
|------------------|---|------------------|
| £000             | Cash Movements  | £000             |
| (33,998)         | Depreciation  | (32,613)         |
| (65,051)         | Impairment  | (71,944)         |
| (21,905)         | Derecognition   | (27,732)         |
| 279              | Movement in the market value of Investment Properties                                   | 6,242            |
| (710)            | Amortisation  | (2,091)          |
| (40)             | (Increase)/ Decrease in Impairment Provision for Bad Debts                              | 3,786            |
| (18,221)         | (Increase)/ Decrease in Creditors   | 11,605           |
| (12,946)         | Increase/ (Decrease) in Debtors   | (13,116)         |
| (8)              | Increase/ (Decrease) in Inventory   | (129)            |
| (692)            | Pension Liability   | (6,632)          |
| 3,749            | Other Non Cash items charged to the Net Surplus or Deficit on the Provision of Services | (531)            |
| <b>(149,543)</b> | <b>Total</b>  | <b>(133,155)</b> |

| 2011/12<br>£000 | Adjust for Items included in the Net Surplus or Deficit on the<br>Provision of Services that are Investing and Financing Activities | 2012/13<br>£000 |
|-----------------|---|-----------------|
| 38,972          | Application of grants to capital financing  | 41,225          |
| 4,408           | Net increase / decrease in other liquid resources   | (2,764)         |
| <b>43,380</b>   | <b>Total</b>  | <b>38,461</b>   |

| 2011/12<br>£000 | Net Cash Flows from Investing Activities   | 2012/13<br>£000 |
|-----------------|--|-----------------|
| 58,011          | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets               | 43,524          |
| 0               | Purchase of Long Term Investments  | 0               |
| 7,700           | Other Payments for Investing Activities  | 8,736           |
| (13,481)        | Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (3,778)         |
| (2,590)         | Proceeds from Long Term Investments  | (2,434)         |
| (34,800)        | Other Receipts from Investing Activities   | (42,670)        |
| <b>14,840</b>   | <b>Total</b>   | <b>3,378</b>    |

| 2011/12<br>£000 | Net Cash Flows from Financing Activities  | 2012/13<br>£000 |
|-----------------|---|-----------------|
| 50              | Cash Receipts of Short and Long Term Borrowing  | 989             |
| (4,408)         | Other Receipts from Financing Activities  | 2,764           |
| 2,882           | Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts | 2,127           |
| 1,642           | Repayments of Short and Long Term Borrowing   | 706             |
| 705             | Other Payments for Financing Activities   | (3,850)         |
| <b>871</b>      | <b>Total</b>  | <b>2,736</b>    |

| 2011/12<br>£000 | Cash Flows from Interest and Dividends | 2012/13<br>£000 |
|-----------------|--|-----------------|
| (4,444)         | Interest received                      | (2,459)         |
| 18,227          | Interest paid                          | 19,671          |
| (694)           | Dividends received                     | (686)           |
| <b>13,089</b>   | <b>Total</b>                           | <b>16,526</b>   |

| 2011/12<br>£000 | Breakdown of Cash and Cash Equivalents | 2012/13<br>£000 |
|-----------------|--|-----------------|
| (106)           | Cash held by the council               | (127)           |
| (11,772)        | Bank current accounts                  | (8,140)         |
| (12,012)        | On call deposits                       | (31,430)        |
| <b>(23,890)</b> | <b>Total</b>                           | <b>(39,697)</b> |

### 3.23 Private Finance Initiative (PFI)

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

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

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

#### Caludon Castle School PFI Contract

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

In February 2013 Caludon Castle School transferred to Academy Status. This transfer did not result in any fundamental changes to the PFI contract itself. However, as a result of the transfer the value of the school's land and buildings was removed (as an impairment) from the Council's balance sheet, in accordance with authority's accounting policies and following the same treatment as other Academy transfers. The impact of this impairment is included within the details of the Caludon PFI 'Operational Assets' table below.

The council was awarded a PFI credit of £24.3m, which is forecast to generate grants of £56.3m over the same period.

In 2012/13 expenditure on unitary charge payments to the contractor was £3,239k, compared with £3,183k in 2011/12. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2013/14           | 1,141                  | 842                            | 1,011                   | 2,994                        |
| 2014/15 - 2017/18 | 5,211                  | 3,160                          | 3,510                   | 11,881                       |
| 2018/19 - 2022/23 | 7,923                  | 3,635                          | 3,287                   | 14,845                       |
| 2023/24 - 2027/28 | 9,540                  | 3,478                          | 2,169                   | 15,187                       |
| 2028/29 - 2032/33 | 11,409                 | 3,393                          | 1,052                   | 15,854                       |
| 2033/34 - 2034/35 | 4,549                  | 1,167                          | 66                      | 5,782                        |
| <b>Total</b>      | <b>39,773</b>          | <b>15,675</b>                  | <b>11,095</b>           | <b>66,543</b>                |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2012/13 are shown in the tables below.



| <b>Operational Assets Other Land &amp; Buildings</b> | <b>£000</b>   |
|--|---------------|
| <b>Cost or Valuation</b>                             |               |
| Brought forward                                      | 26,635        |
| Carried forward                                      | 26,635        |
| <b>Depreciation and Impairments</b>                  |               |
| Brought forward                                      | (2,924)       |
| Charged this year                                    | (23,711)      |
| Carried forward                                      | (26,635)      |
| <b>Balance Sheet carried forward</b>                 | <b>0</b>      |
| <b>Balance Sheet brought forward</b>                 | <b>23,711</b> |

| <b>Loans</b>                                       | <b>£000</b>     |
|--|-----------------|
| <b>Liability brought forward</b>                   | (16,531)        |
| Adjustment to brought forward position             | 0               |
| Unitary Charge (Lease repayment)                   | 856             |
| <b>Liability carried forward (breakdown below)</b> | <b>(15,675)</b> |
| Long term liability                                | (14,833)        |
| Current liability                                  | (842)           |

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

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

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

The Council was awarded a PFI credit of £21.647m, which is forecast to generate grants of £43.548m over the same period.

In 2012/13 expenditure on unitary charge payments to the contractor was £6,365k, compared with £6,258k in 2011/12. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| <b>Year</b>       | <b>Service Charge<br/>£000</b> | <b>Repayment of Liability<br/>£000</b> | <b>Interest Charge<br/>£000</b> | <b>Total Unitary Charge<br/>£000</b> |
|-------------------|--------------------------------|--|---------------------------------|--------------------------------------|
| 2013/14           | 5,265                          | 467                                    | 686                             | 6,418                                |
| 2014/15 - 2017/18 | 21,620                         | 3,294                                  | 2,486                           | 27,399                               |
| 2018/19 - 2022/23 | 32,112                         | 3,961                                  | 2,422                           | 38,496                               |
| 2023/24 - 2027/28 | 37,587                         | 4,687                                  | 1,546                           | 43,820                               |
| 2028/29 - 2032/33 | 35,886                         | 5,494                                  | 554                             | 41,934                               |
| <b>Total</b>      | <b>132,470</b>                 | <b>17,903</b>                          | <b>7,694</b>                    | <b>158,067</b>                       |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2012/13 are shown in the tables below.

| <b>Operational Assets Other Land &amp; Buildings</b> | <b>£000</b>  |
|--|--------------|
| <b>Cost or Valuation</b>                             |              |
| Brought forward                                      | 22,202       |
| Carried forward                                      | 22,202       |
| <b>Depreciation and Impairments</b>                  |              |
| Brought forward                                      | (13,560)     |
| Charged this year                                    | (188)        |
| Carried forward                                      | (13,748)     |
| <b>Balance Sheet carried forward</b>                 | <b>8,454</b> |
| <b>Balance Sheet brought forward</b>                 | <b>8,642</b> |

| <b>Long Term Loans</b>                             | <b>£000</b>     |
|--|-----------------|
| <b>Liability brought forward</b>                   | <b>(18,391)</b> |
| Adjustment to brought forward position             | 0               |
| Unitary Charge (Lease repayment)                   | 488             |
| <b>Liability carried forward (breakdown below)</b> | <b>(17,903)</b> |
| Long term liability                                | (17,436)        |
| Current liability                                  | (467)           |

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 was awarded a PFI credit of £64.3m, which is forecast to generate grants of £124.3m over the same period.

In 2012/13 expenditure on unitary charge payments to the contractor was £5,073k, compared with £4,403k in 2011/12. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2013/14           | 2,730                  | 289                            | 2,675                   | 5,694                        |
| 2014/15 - 2017/18 | 9,647                  | 1,897                          | 16,627                  | 28,171                       |
| 2018/19 - 2022/23 | 11,079                 | 7,001                          | 19,662                  | 37,742                       |
| 2023/24 - 2027/28 | 13,473                 | 10,170                         | 15,965                  | 39,608                       |
| 2028/29 - 2032/33 | 15,836                 | 15,664                         | 10,218                  | 41,718                       |
| 2033/34 - 2035/36 | 8,766                  | 11,662                         | 2,067                   | 22,495                       |
| <b>Total</b>      | <b>61,531</b>          | <b>46,683</b>                  | <b>67,214</b>           | <b>175,428</b>               |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2012/13 are shown in the tables below.

| Operational Assets Other Land & Buildings | £000                 |
|---|----------------------|
| <b>Cost or Valuation</b>                  |                      |
| Brought forward                           | 10,737               |
| Assets transferred to operator            | 0                    |
| Initial recognition                       | 14,271               |
| Asset derecognition                       | (478)                |
| Carried forward                           | <u>24,530</u>        |
| <b>Depreciation and Impairments</b>       |                      |
| Brought forward                           | (35)                 |
| Charged this year                         | (220)                |
| Carried forward                           | <u>(255)</u>         |
| <b>Balance Sheet carried forward</b>      | <u><b>24,275</b></u> |
| <b>Balance Sheet brought forward</b>      | <u><b>10,702</b></u> |

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| <b>Long Term Loans</b>                             | <b>£000</b>     |
|--|-----------------|
| <b>Liability brought forward</b>                   | <b>(7,372)</b>  |
| Liability to be recognised in year                 | (14,271)        |
| Unitary Charge (Lease repayment)                   | 778             |
| <b>Liability carried forward</b> (breakdown below) | <b>(20,865)</b> |
| Long term liability                                | (20,576)        |
| Current liability                                  | (289)           |

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

### 3.24 Pooled Budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under Section 31 of the 1999 Act (which has now been replaced by Section 75 of the 2006 Act) to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2012/13 gross income and expenditure is set out below.

| <b>2011/12</b> | <b>First Partnership Agreement</b> | <b>2012/13</b> |
|----------------|------------------------------------|----------------|
| <b>£000</b>    |                                    | <b>£000</b>    |
|                | <b>INCOME</b>                      |                |
| (279)          | PCT                                | (332)          |
| (916)          | Coventry City Council              | (950)          |
| 0              | Government Grants                  | (1)            |
| <b>(1,195)</b> | <b>Total Income</b>                | <b>(1,283)</b> |
| <b>1,195</b>   | <b>Gross Expenditure</b>           | <b>1,283</b>   |

### 3.25 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 2012/13 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions), car and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

| 2011/12       |             | Remuneration Band - £ | 2012/13       |             |
|---------------|-------------|-----------------------|---------------|-------------|
| Schools staff | Other staff |                       | Schools staff | Other staff |
| 87            | 32          | £50,000 - £54,999     | 85            | 33          |
| 43            | 43          | £55,000 - £59,999     | 38            | 41          |
| 31            | 18          | £60,000 - £64,999     | 34            | 12          |
| 16            | 10          | £65,000 - £69,999     | 14            | 6           |
| 13            | 9           | £70,000 - £74,999     | 15            | 10          |
| 2             | 4           | £75,000 - £79,999     | 3             | 3           |
| 2             | 16          | £80,000 - £84,999     | 5             | 16          |
| 4             | 3           | £85,000 - £89,999     | 2             | 0           |
| 1             | 2           | £90,000 - £94,999     | 1             | 1           |
| 1             | 1           | £95,000 - £99,999     | 1             | 0           |
| 3             | 0           | £100,000 - £104,999   | 1             | 1           |
| 1             | 1           | £105,000 - £109,999   | 1             | 0           |
| 0             | 2           | £110,000 - £114,999   | 0             | 2           |
| 0             | 1           | £115,000 - £119,999   | 0             | 0           |
| 0             | 2           | £120,000 - £124,999   | 0             | 3           |
| 0             | 0           | £125,000 - £129,999   | 0             | 0           |
| 0             | 1           | £130,000 - £134,999   | 0             | 0           |
| 0             | 0           | £135,000 - £139,999   | 0             | 1           |
| 0             | 0           | £140,000 - £144,999   | 0             | 0           |
| 0             | 0           | £145,000 - £149,999   | 0             | 0           |
| 0             | 0           | £150,000 - £154,999   | 0             | 0           |
| 0             | 0           | £155,000 - £159,999   | 0             | 0           |
| 0             | 0           | £160,000 - £164,999   | 0             | 0           |
| 0             | 0           | £165,000 - £169,999   | 0             | 0           |
| 0             | 0           | £170,000 - £174,999   | 0             | 0           |
| 0             | 0           | £175,000 - £179,999   | 0             | 0           |
| 0             | 0           | £180,000 - £184,999   | 0             | 0           |
| 0             | 0           | £185,000 - £189,999   | 0             | 0           |
| 0             | 1           | £190,000 - £194,999   | 0             | 0           |
| 0             | 0           | £195,000 - £199,999   | 0             | 1           |
| <b>204</b>    | <b>146</b>  | <b>Total</b>          | <b>200</b>    | <b>130</b>  |

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

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

The Council is required to disclose details of senior officer's remuneration. This includes Salaries, Fees, Allowances, Bonuses, Expenses Allowance, Compensation for Loss of Employment, Pension Contribution (Employer's contribution and any other Emoluments). The tables below provide the required disclosure:

| Senior Employees -                            | Salary Inc<br>Fees &<br>Allowances | Loss of Office | Pension<br>Contributions | Total<br>Remuneration |
|---|------------------------------------|----------------|--------------------------|-----------------------|
| 2012/13                                       | £                                  | £              | £                        | £                     |
| <b>CHIEF EXECUTIVE</b>                        |                                    |                |                          |                       |
| Martin Reeves                                 | 196,770                            | 0              | 28,105                   | 224,875               |
| <b>MANAGEMENT BOARD</b>                       |                                    |                |                          |                       |
| Director of Children, Learning & Young People | 124,295                            | 0              | 20,447                   | 144,742               |
| Director of City Services and Development     | 122,043                            | 0              | 20,076                   | 142,119               |
| Director of Community Services                | 124,295                            | 0              | 20,447                   | 144,742               |
| Director of Customer & Workforce Services     | 110,266                            | 0              | 18,139                   | 128,405               |
| Director of Finance & Legal Services          | 110,266                            | 0              | 18,139                   | 128,405               |
| Assistant Chief Executive                     | 58,324                             | 80,534         | 9,594                    | 148,452               |
| <b>TOTAL</b>                                  | <b>846,259</b>                     | <b>80,534</b>  | <b>134,947</b>           | <b>1,061,740</b>      |

| Senior Employees -                            | Salary Inc<br>Fees &<br>Allowances | Loss of Office | Pension<br>Contributions | Total<br>Remuneration |
|---|------------------------------------|----------------|--------------------------|-----------------------|
| 2011/12                                       | £                                  | £              | £                        | £                     |
| <b>CHIEF EXECUTIVE</b>                        |                                    |                |                          |                       |
| Martin Reeves                                 | 194,151                            | 0              | 33,172                   | 227,323               |
| <b>MANAGEMENT BOARD</b>                       |                                    |                |                          |                       |
| Director of Children, Learning & Young People | 124,295                            | 0              | 20,447                   | 144,742               |
| Director of City Services and Development     | 116,639                            | 0              | 19,187                   | 135,826               |
| Director of Community Services                | 124,235                            | 0              | 20,437                   | 144,672               |
| Director of Customer & Workforce Services     | 110,266                            | 0              | 18,139                   | 128,405               |
| Director of Finance & Legal Services          | 110,266                            | 0              | 18,139                   | 128,405               |
| Assistant Chief Executive                     | 99,983                             | 0              | 16,447                   | 116,430               |
| <b>TOTAL</b>                                  | <b>879,835</b>                     | <b>0</b>       | <b>145,968</b>           | <b>1,025,803</b>      |

Senior Officers have not received any bonuses, expenses or benefits in kind during 2012/13

## 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 |              |
|---|-----------------------------------|-----------|-----------------------------------|------------|--|------------|--|--------------|
|   | 2011/12                           | 2012/13   | 2011/12                           | 2012/13    | 2011/12                                    | 2012/13    | 2011/12                                  | 2012/13      |
| 2012/13   |                                   |           |                                   |            |  |            | £000                                     | £000         |
| £0 - £20,000  | 133                               | 37        | 62                                | 110        | 195  | 147        | 1,505                                    | 1,153        |
| £20,001 - £40,000   | 31                                | 8         | 30                                | 35         | 61   | 43         | 1,720                                    | 1,230        |
| £40,001 - £60,000   | 9                                 | 1         | 9                                 | 6          | 18   | 7          | 870                                      | 318          |
| £60,001 - £80,000   | 3                                 | 0         | 1                                 | 5          | 4  | 5          | 268                                      | 336          |
| £80,001 - £100,000  | 2                                 | 0         | 1                                 | 1          | 3  | 1          | 258                                      | 94           |
| £100,000 - £150,000   | 1                                 | 0         | 0                                 | 1          | 1  | 1          | 120                                      | 127          |
| £150,001 - £200,000   | 0                                 | 0         | 0                                 | 1          | 0  | 1          | 0  | 169          |
| £200,001 - £250,000   | 0                                 | 0         | 0                                 | 0          | 0  | 0          | 0  | 0            |
| £250,001 - £300,000   | 0                                 | 0         | 1                                 | 0          | 1  | 0          | 251                                      | 0            |
| <b>Totals in bandings</b>   | <b>179</b>                        | <b>46</b> | <b>104</b>                        | <b>159</b> | <b>283</b>                                 | <b>205</b> | <b>4,992</b>                             | <b>3,427</b> |
| <b>Add: Amounts provided for in CIES not included in bandings</b> |                                   |           |                                   |            |  |            | 737                                      | 2,062        |
| <b>Total cost included in CIES</b>                                | <b>179</b>                        | <b>46</b> | <b>104</b>                        | <b>159</b> | <b>283</b>                                 | <b>205</b> | <b>5,729</b>                             | <b>5,489</b> |

The exit package within the £250,000 to £300,000 band was for a senior teacher who took early retirement during 2011/12. The exit package was made up of a redundancy payment of £51,550 and an additional payment to the pension scheme, as a result of the early retirement, of £199,516, resulting in a total cost of £251,066.

## 3.26 Members' Allowances

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

| Financial Year   | 2011/12    | 2012/13    |
|------------------|------------|------------|
|                  | £000's     | £000's     |
| Basic Allowances | 685        | 685        |
| Other Allowances | 264        | 275        |
| Expenses         | 9          | 7          |
| <b>Total</b>     | <b>958</b> | <b>967</b> |

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2012/13, work and services to the value of £120 were commissioned from a company in which one member had an interest. Contracts were entered into in full compliance with the Council's standing orders.

## 3.27 Related Party Transactions

The City Council is required to disclose the value of its material transactions with organisations and individuals deemed to be its related parties. A related party is one which has the potential to

control or influence the Council or to be controlled or influenced by the Council. Transactions with related parties are disclosed to allow users of the financial statements to judge their impact on the accounts.

### **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the main transactions between the Council and government departments are set out in the income and expenditure account and in sections 3.34 and 3.35.

### **Other Public Bodies**

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

- Pension contributions are made to the West Midlands Metropolitan Authorities Pension Fund and the Teachers Pensions Agency. Further details of these payments are included in section 3.21.
- Precept payments are made to the West Midlands Police Authority and the West Midlands Fire Authority and these are shown within the Collection Fund Income and Expenditure Account, see section 2.6.
- Levy payments are made to the West Midlands Integrated (passenger) Transport Authority and to the Environment Agency. These are shown within the Income and Expenditure Account, see details in section 2.2.

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

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

Coventry City Council and Solihull Metropolitan Borough Council are, as major shareholders in the Coventry & Solihull Waste Disposal Company (CSWDC), considered related parties as defined by IAS 24. Coventry's contribution for the provision of waste disposal services was £1,806,673 (£3,779,516 in 2011/12). In addition an advance payment was made for £4,260,158 (£3,910,759 in 2011/12). During the year Coventry City Council provided various services to the waste disposal company, the costs of these services amounted to £103,720 (£143,211 in 2011/12). The amounts due to Coventry City Council at the year end were £nil (£nil in 2011/12).

The balance outstanding on cash flow assistance to Coventry North Regeneration (CNR) by the City Council is £5,000 (£5,000 in 2011/12). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £7,935 (£11,474 in 2011/12) were made. At 31<sup>st</sup> March 2013 the Council owed CNR £3,233 (£5,397 in 2011/12).

During the year, ACL had rates and operating expenses to the value of £407,366 (2011/12 - £349,104) and £66,306 was outstanding at 31st March 2013 (31st March 2012 - £5,250). During the year payments were made to ACL to the value of £396,292 (£752,348 in 2011/12). In addition, the City Council advanced ACL an amount of £14.4m by way of a loan agreement.

### **Officers**

Salaries and other payments made to the Council's most senior officers are shown in note 3.25. Officers and close family members are also required to declare any other transactions with the Council or interests that they hold in companies or other similar organisations. A number of senior officers represent the Council on the boards of related companies and other organisations linked with the Council including NCH, CNR and ACL (with transaction details given above).



The following table details debtors and creditors for related parties for which Council officers hold a position of influence (together with any 2012/13 transactions)

| Related Party                            | 31st March 2012 |           | 31st March 2013 |           | 2012/13       |             |
|--|-----------------|-----------|-----------------|-----------|---------------|-------------|
|  | Debtors         | Creditors | Debtors         | Creditors | Receipts from | Payments to |
|  | £               | £         | £               | £         | £             | £           |
| Cov & Warks Local Enterprise Partnership | 0               | 0         | 0               | 0         | (17,614)      | 0           |
| Coventry Citizens Advice Bureau          | 0               | 0         | 91              | 0         | (3,070)       | 0           |
| Coventry University                      | 30,507          | (30,665)  | 62,873          | (12,869)  | (233,136)     | 164,131     |
| Holy Trinity P C C                       | 0               | 0         | 0               | 0         | 0             | 3,984       |
| Improvement and Efficiency West Midlands | 5,000           | 0         | 0               | 0         | (5,000)       | 0           |
| Moat House Trust                         | 572             | 0         | 0               | 0         | (572)         | 0           |
| Rising Stars                             |                 | (100)     | 0               | 0         | 0             | 100         |
| The Coventry Mysteries Company           | 0               | 0         | 0               | 0         | (428)         | 21,832      |
| The Old Coventrians Rugby Football Club  | 0               | 0         | 0               | 0         | (1,348)       | 0           |
| Whitefrairs Housing Group                | 147,414         | (10,135)  | 192,760         | (502)     | (734,123)     | 1,650,228   |

### 3.28 Business Improvement District (BID)

The Council is the billing authority for the City Centre business improvement district, which has the objective of providing cleaner, safer and more attractive areas and carrying out marketing for the city centre. The responsibility for providing the services supported by the BID levy was transferred from CV One to the City Council during 2011/12.

| 2011/12  |  | 2012/13 |          |
|----------|--|---------|----------|
| £000     |  | £000    | £000     |
| (268)    | BID levy income  |         | (318)    |
| 13       | Cost of collecting levy                                | 13      |          |
| 223      | Payments made from the BID account to CV One           | 0       |          |
| 32       | Payments made from the BID account to the City Council | 305     |          |
| 268      | Total Expenditure                                      |         | 318      |
| <b>0</b> | <b>(Surplus) / Deficit for the year</b>                |         | <b>0</b> |

### 3.29 Contingent Liabilities

#### Equal Pay

Details of a provision that has been made in relation to Equal Pay Claims have been included in section 3.18 of the accounts. The provision represents what we view to be a reasonable estimate of the likely maximum liability that faces the City Council. However, significant uncertainty remains nationally in relation to Equal Pay Claims due to continued changes in the interpretation of the legal basis upon which such claims are being made and the application of how successful claims have been settled.

Claims settled to date have been accompanied by a waiver from employees to future claims in respect of equal pay including claims against the pay protection scheme. This limits the total potential liability that could face the City Council. Nevertheless, the Council faces ongoing risks of further claims being made against it both in terms of historic Equal Pay issues and, if there is a change to the existing judgement on pay protection which goes in favour of the Trade Unions, from the five year pay protection scheme introduced by the Council as part of Single Status.

Therefore, it continues to remain unclear whether a financial obligation exists in many cases and consequently, the size of any obligation cannot be measured with sufficient reliability. On this basis it remains appropriate to record a contingent liability in this area.

### Land Searches

A possible obligation has been identified in relation to the potential repayment of land search fees charged in previous years by the City Council. National legal proceedings are being pursued against local authorities by property search companies although the City Council is not directly involved in any of these and there is no certainty that an obligation will exist or what it will be. On this basis it remains appropriate to record a contingent liability in this area.

### Council Loan to Arena Coventry Limited

Lawyers acting for companies associated with Coventry City Football Club served the City Council with Judicial Review proceedings on 15th April 2013 relating to the Council's decision on 15th January 2013 to make a loan to Arena Coventry Limited. There is uncertainty regarding whether the judicial review will proceed, whether the proceedings will find for or against the City Council, whether or not they might result in a financial penalty for the City Council and what the potential size of that penalty might be. The Council's position is that it has acted lawfully in all respects and it will strongly defend the claim. However, given the nature and significance of this issue it is appropriate to record it as a contingent liability.

## 3.30 Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the school Finance (England) regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

| Notes | Schools Budget Funded by Dedicated Schools Grant      | Central Expenditure<br>£000 | Individual Schools Budget<br>£000 | Total<br>£000  |
|-------|---|-----------------------------|-----------------------------------|----------------|
|       |   | 1                           | 2                                 | 3              |
| A     | Final DSG for 2012/13 before Academy Recoupment       | 21,337                      | 226,940                           | <b>248,277</b> |
| B     | Academy figure recouped for 2012/13                   | 691                         | 45,028                            | <b>45,719</b>  |
| C     | <b>Total DSG after Academy Recoupment for 2012/13</b> | <b>20,646</b>               | <b>181,912</b>                    | <b>202,558</b> |
| D     | Brought forward from 2011/12                          | 2,590                       | 0                                 | <b>2,590</b>   |
| E     | Carry forward to 2013/14 agreed in advance            | 2,590                       | 0                                 | <b>2,590</b>   |
| F     | Agreed initial budgeted distribution in 2012/13       | 20,646                      | 181,912                           | <b>202,558</b> |
| G     | In year adjustments                                   | 0                           | 0                                 | <b>0</b>       |
| H     | Final budgeted distribution for 2012/13               | 20,646                      | 181,912                           | <b>202,558</b> |
| I     | Less: Actual central expenditure                      | 19,421                      | 0                                 | <b>19,421</b>  |
| J     | Less: Actual ISB deployed to schools                  | 0                           | 181,912                           | <b>181,912</b> |
| K     | Plus: Local authority contribution for 2012/13        | 0                           | 0                                 | <b>0</b>       |
| L     | <b>Carry forward to 2013/14</b>                       | <b>1,225</b>                | <b>0</b>                          | <b>3,815</b>   |

### Notes

A: DSG figure as announced by the Department in June 2012.

B: Figure recouped from the authority in 2012/13 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after DfE Academy recoupment for 2012/13.

D: Figure brought forward from 2011/12 as agreed with the Department.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2013/14 rather than distribute in 2012/13 - this will be the difference between estimated and final DSG for 2012/13, or a figure (positive or negative) brought forward from 2011/12 which the authority is carrying forward again.

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 contingency allocations.

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

I: Actual amount of central expenditure items in 2012/13.

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 2012/13 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2013/14, i.e.:

For central expenditure, difference between budgeted distribution of DSG (H1) and actual expenditure (I1), plus any local authority contribution (K1).

For ISB, difference between budget (H2) and amount actually deployed to schools (J2), plus any local authority contribution (K2).

Total is carry forward on central expenditure (L1) plus carry forward on ISB (L2) plus/minus any carry forward to 2013/14 already agreed (E3).

### 3.31 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2012/13 has been financed:

| <b>31st March<br/>2012<br/>£000</b> |   | <b>31st March<br/>2013<br/>£000</b> |
|-------------------------------------|---|-------------------------------------|
| <b>448,737</b>                      | <b>Opening Capital Financing Requirement</b>                | <b>439,430</b>                      |
|                                     | <b><u>Capital Investment</u></b>                            |                                     |
| 59,389                              | Property, Plant and Equipment                               | 42,473                              |
| 3,025                               | Investment Properties                                       | 197                                 |
| 710                                 | Intangible Assets   | 2,091                               |
| 7,505                               | Revenue Expenditure Funded from Capital Under Statute       | 8,736                               |
| 2                                   | Debtors   | 14,400                              |
| <b>70,631</b>                       | <b>Total Capital Investment</b>                             | <b>67,897</b>                       |
|                                     | <b><u>Sources of Finance</u></b>                            |                                     |
| (17,888)                            | Capital Receipts  | (6,694)                             |
| (38,972)                            | Government Grants and Other Contributions                   | (41,225)                            |
| (6,327)                             | Revenue Contributions                                       | (5,707)                             |
| (16,751)                            | (MRP/loans fund principal)                                  | (15,551)                            |
| 0                                   | Other Adjustments   | (10,922)                            |
| <b>(79,938)</b>                     | <b>Total from Sources of Finance</b>                        | <b>(80,099)</b>                     |
| <b>439,430</b>                      | <b>Closing Capital Financing Requirement</b>                | <b>427,228</b>                      |
|                                     | <b><u>Explanation of movement in year</u></b>               |                                     |
| (16,751)                            | MRP   | (15,551)                            |
| 0                                   | Other Debt Financing from Revenue                           | (629)                               |
| 0                                   | Capital Investment funded by borrowing                      | 0                                   |
| 7,444                               | Assets acquired under PFI/PPP contracts                     | 14,271                              |
| 0                                   | Reduction of Capitalised Provision                          | (7,500)                             |
| 0                                   | Restatement of Historic Debt Liability                      | (2,793)                             |
| <b>(9,307)</b>                      | <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>(12,202)</b>                     |

The Capital Financing Requirement includes a reduction of £7,500k in respect of a provision for equal pay costs which was capitalised in 2008/09, but is no longer required and £2,793k in respect of historic debt liabilities which are met directly from revenue.

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£53,626k), includes all the items recorded under capital investment above (£67,897k) less new assets recorded as part of the Street Lighting PFI contract (£14,271k).

### 3.32 Revaluation of Non-Current Assets

The following statement shows the total value of the revaluations carried out in the financial years 2008/09 to 2012/13. The valuations were carried out by Graham Stephens MRICS, from the Property Division – City Services and Development Directorate. The basis for valuation is set out in the statement of accounting policies.

| Year of revaluation         | Revaluation of<br>Property, Plant &<br>Equipment<br>£000 | Revaluation of<br>Non-Operational<br>Assets<br>£000 | Total Value of<br>Revaluations<br>£000 |
|-----------------------------|--|---|--|
| Valued at historical cost   | 0  | 0   | 0                                      |
| Valued at current value in: |  |   |  |
| 2008/09                     | 125,218  | 18,582  | 143,800                                |
| 2009/10                     | 10,504   | 10,163  | 20,667                                 |
| 2010/11                     | (12,887)   | 13,947  | 1,060                                  |
| 2011/12                     | 20,699   | 3,636   | 24,335                                 |
| 2012/13                     | (2,861)  | 9,299   | 6,438                                  |
| <b>Total</b>                | <b>140,673</b>   | <b>55,627</b>                                       | <b>196,300</b>                         |

### 3.33 Capital Commitments

The City Council has an approved capital programme for 2013/14 of £60.3m and a provisional programme of £87.7m for 2014/15 and £37.9m for 2015/16. The following are significant contracts legally committed to finish projects already started on 31st March 2013

| Significant Capital Commitments<br>2012/13                | Outstanding<br>Commitment<br>£000 | Contract<br>Value<br>£000 | Date for<br>Completion |
|---|-----------------------------------|---------------------------|------------------------|
| Aldermans Green Primary School - Partnering Contractor    | 117                               | 7,747                     | 01/11/2013             |
| IPP2011 - Partnering Contractor *                         | 116                               | 8,193                     | 30/09/2013             |
| IPP2014 - Consultant Appointment *                        | 136                               | 409                       | 30/09/2014             |
| Thomas Vale - War Memorial Park                           | 87                                | 2,506                     | 31/03/2014             |
| Heatline - Cofely   | 500                               | 2,200                     | 30/09/2013             |
| Enterprise Resource Planning Financial System replacement | 441                               | 1,314                     | 28/02/2014             |
|   | <b>1,397</b>                      | <b>22,369</b>             |                        |

\* IPP stands for Increasing Pupil Places

### 3.34 Analysis of Capital Grants

| 2011/12       |   | 2012/13       |
|---------------|---|---------------|
| * Restated    | Grant / Grant Body                                      |               |
| £000          |   | £000          |
| 22,363        | Education Funding Agency                                | 16,086        |
| 5,187         | Department for Transport                                | 4,925         |
| 314           | Homes & Communities Agency                              | 1,784         |
| 107           | Department for Environment, Food & Rural Affairs        | 0             |
| 0             | Department of Health                                    | 852           |
| 2,339         | Department for Communities & Local Government           | 1,291         |
| 0             | Department for Business, Innovation & Skills            | 11,897        |
| 3,217         | European Regional Development Fund                      | 1,706         |
| 1,774         | Heritage Lottery Fund                                   | 195           |
| 345           | Centro Highways & Transportation Grants & Contributions | 918           |
| 1,436         | Other Capital Grants & Contributions (Gov)              | 377           |
| 1,890         | Other Capital Grants & Contributions (Non-Gov)          | 1,194         |
| <b>38,972</b> | <b>Total</b>  | <b>41,225</b> |

\* Restated. Some 2011/12 grants have been re-categorised.

In addition the Council's Balance Sheet (as at 31st March 2013) reflects Capital Grants received in advance of £1,291k.

### 3.35 Analysis of Revenue Grants

| 2011/12        |  | 2012/13        |
|----------------|--|----------------|
| * Restated     | Grant  |                |
| £000           |  | £000           |
| 215,162        | Dedicated Schools Grant                          | 202,559        |
| 120,910        | Contribution from Non-Domestic Rate Pool         | 110,499        |
| 124,506        | Housing Benefit Subsidy                          | 128,997        |
| 37,374         | Revenue Support Grant (Formula Grant element)    | 38,575         |
| 29,772         | Council Tax Benefit Subsidy                      | 29,132         |
| 15,053         | Early Intervention Grant                         | 15,684         |
| 20,263         | Skills Funding Agency                            | 10,427         |
| 8,607          | Private Finance Initiative Grants                | 8,607          |
| 3,482          | Pupil Premium Grant                              | 7,916          |
| 18,378         | Other revenue grants & contributions (Govt.)     | 25,633         |
| 2,129          | Other revenue grants & contributions (Non-Govt.) | 16,121         |
| <b>595,636</b> | <b>Total</b>                                     | <b>594,150</b> |

\* Restated. Some 2011/12 grants have been re-categorised.

## 3.36 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 2012<br>£000 | 31st March 2013<br>£000 |
|--|-------------------------|-------------------------|
| Other Land and Buildings                 | 1,705                   | 1,705                   |
| Vehicles, Plant, Furniture and Equipment | 515                     | 70                      |
|  | <b>2,220</b>            | <b>1,775</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 2012<br>£000 | 31st March 2013<br>£000 |
|---------------------------------------|-------------------------|-------------------------|
| Finance lease liabilities :           |                         |                         |
| - current                             | 14                      | 5                       |
| - non-current                         | 5                       | 10                      |
| Finance costs payable in future years | 237                     | 277                     |
| <b>Minimum Lease Payments</b>         | <b>256</b>              | <b>292</b>              |

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

|   | 31st March 2012<br>£000 | 31st March 2013<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 18                      | 15                      |
| Later than one year and not later than five years | 17                      | 10                      |
| Later than five years                             | 221                     | 267                     |
|   | <b>256</b>              | <b>292</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 2012/13 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 2012<br>£000 | 31st March 2013<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 130                     | 339                     |
| Later than one year and not later than five years | 711                     | 687                     |
| Later than five years                             | 116                     | 33                      |
|   | <b>957</b>              | <b>1,059</b>            |

## Authority as Lessor

### Finance Leases

City College Car Park (Swanswell)

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

|   | 31st March 2012<br>£000 | 31st March 2013<br>£000 |
|---|-------------------------|-------------------------|
| Finance lease debtor (net present value of minimum lease payments): |                         |                         |
| - current   | 83                      | 87                      |
| - non-current   | 4,762                   | 4,675                   |
| Unearned finance income   | 4,255                   | 4,013                   |
| Unguaranteed residual value of property                             | 0                       | 0                       |
| <b>Gross Investment in the lease</b>                                | <b>9,100</b>            | <b>8,775</b>            |

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

|   | 31st March 2012<br>£000 | 31st March 2013<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 325                     | 325                     |
| Later than one year and not later than five years | 1,300                   | 1,300                   |
| Later than five years                             | 7,475                   | 7,150                   |
|   | <b>9,100</b>            | <b>8,775</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 2012/13, no contingent rents were receivable by the Authority.

### Operating Leases

The Authority leases out property and equipment under operating leases for the provision of community services, such as sports facilities, tourism services and community centres.

Total rent of £12.1m was received in 2012/13. It is estimated that the minimum lease payments receivable in the future are: £11.4m in 2012/13 and £31.9m for the following four years. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 there were no contingent rents receivable by the Authority.



### 3.37 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 3.13.

| Name and Nature of Business  | Financial Results            | Year ending            |                        |
|--|------------------------------|------------------------|------------------------|
|  |                              | £000                   | £000                   |
| <b>Birmingham Airport Holdings Limited (Company Registration Number: 3312673)</b>  |                              | <b>31st March 2012</b> | <b>31st March 2013</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.   | Net Assets                   | 268,941                | 263,489                |
|  | Profit before taxation       | 14,590                 | 16,496                 |
|  | Profit after taxation        | 7,973                  | 10,849                 |
| The City Council owns :<br>5.8% of the 324m ordinary shares<br>£1.8 million preference shares  |                              |                        |                        |
| <b>Coventry Solihull Waste Disposal Company (CSWDC) Limited (Company Registration Number: 02690488)</b>  |                              | <b>31st March 2012</b> | <b>31st March 2013</b> |
| The company's business is the disposal of waste. It is jointly owned by the City Council and Solihull Metropolitan District Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MDC.   |                              |                        |                        |
| The City Council owns:   | Net Assets                   | 6,520                  | 9,089                  |
| 66% of the ordinary share capital  | Profit before taxation       | 7,996                  | 6,119                  |
| 66% of the preference share capital  | Profit (loss) after taxation | 6,013                  | 4,660                  |
| The preference shares are redeemable at the option of the company and the two Councils in 2009 at their par value (£11.3m). Under Financial Reporting Standard 25 the company is required to account for redeemable preference shares as a "financial liability" rather than "share capital". Therefore the company balance sheet shows a net asset. |                              |                        |                        |
| <b>Coventry Venture Capital Limited (Company Registration Number: 02108107)</b>  |                              | <b>31st March 2012</b> | <b>31st March 2013</b> |
| The company has an investment in a property on the University of Warwick Science Park.   |                              |                        |                        |
|  | Net Assets(liabilities)      | 81                     | 29                     |
| The Council holds ;  | Profit before taxation       | 0                      | 2                      |
| 5,000 preferred ordinary shares (17.53%)   | Profit after taxation        | 0                      | 2                      |

| Name and Nature of Business  | Financial Results             | Year ending       |                   |
|--|-------------------------------|-------------------|-------------------|
|  |                               | £000              | £000              |
| <b>University of Warwick Science Park Business</b>   |                               | <b>30th Sep</b>   | <b>31st Jul</b>   |
|  |                               | <b>2011</b>       | <b>2012</b>       |
| <b>Innovation Centre Limited (Company Registration Number: 03616665)</b>   |                               |                   |                   |
| <p>This company was established by the University of Warwick Science Park, Coventry City Council and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.</p> <p>The City Council holds:</p> <p>Just under 20% (value £2,000) of the ordinary share capital</p> <p>£152,166 of preference share capital</p> <p>£1,066,471 of 7% debentures.</p>   |                               |                   |                   |
|  | Net Assets/(liabilities)      | (1,458)           | (1,750)           |
|  | Profit (loss) before taxation | (87)              | (100)             |
|  | Profit (loss) after taxation  | (87)              | (100)             |
| <b>North Coventry Holdings Limited (Company Registration Number: 4931967)</b>  |                               | <b>31st March</b> | <b>31st March</b> |
|  |                               | <b>2012</b>       | <b>2013</b>       |
| <p>The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.</p> <p>NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR), 50% shares in Arena Coventry Limited (ACL) and hold on trust two ordinary shares of £1 each for nil consideration representing the Council's interest in Coombe Abbey Park Limited owned by Trinityvale Limited.</p> <p>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.</p> |                               |                   |                   |
|  | Net Assets                    | 0                 | 0                 |
|  | Loss before taxation          | 0                 | 0                 |
|  | Loss after taxation           | 0                 | 0                 |
| <p>Copies of NCH's accounts can be acquired from:<br/> Company Secretary, North Coventry Holdings Limited, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR</p>  |                               |                   |                   |

| Name and Nature of Business  | Financial Results             | Year ending                          |                                      |
|--|-------------------------------|--------------------------------------|--------------------------------------|
|  |                               | £000                                 | £000                                 |
| <b>Coventry North Regeneration Limited (Company Registration Number: 4523598)</b>  |                               | <b>31st March 2012</b>               | <b>31st March 2013</b>               |
| 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. |                               |                                      |                                      |
|  | Net Assets                    | 0                                    | 0                                    |
| The company's principal activity was to build the Coventry Arena. The Arena, combines a football stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.   | Profit (loss) before taxation | 0                                    | 0                                    |
|  | Profit (loss) after taxation  | 0                                    | 0                                    |
| Post completion, the Company's principal activity is to act as landlord of the Arena.  |                               |                                      |                                      |
| Copies of CNR's accounts can be acquired from:<br>Company Secretary, Coventry North Regeneration Limited, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR   |                               |                                      |                                      |
| <b>Arena Coventry Limited (Company Registration Number: 0440684)</b>   |                               |                                      |                                      |
| North Coventry Holdings Ltd owns 50% shares in Arena Coventry Ltd (ACL) (value £nil). ACL is the operating company of the Arena and is included within the Council's group accounts as a joint venture.  | Net Assets(liabilities)       | 2,205                                | 7,906                                |
|  | Profit (loss) before taxation | 698                                  | 1,290                                |
|  | Profit (loss) after taxation  | 698                                  | 1,290                                |
| <b>Arena Coventry (2006) Limited (Company Registration Number: 05675263)</b>   |                               |                                      |                                      |
| ACL owns 100% of shares in a new subsidiary Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.  |                               | Consolidated into ACL accounts above | Consolidated into ACL accounts above |
| <b>International Events Centre Experience Limited (Company Registration Number: 08039699)</b>  |                               |                                      |                                      |
| ACL owns 77% of shares in its subsidiary International Events Centre Experience Ltd. International Events Centre Experience Ltd is a conference, convention and exhibition centre.   |                               |                                      | Consolidated into ACL accounts above |
| Copies of ACL's, International Events Centre Experience Ltd's and Arena Coventry (2006) Ltd's accounts can be acquired from:<br>Company Secretary, Arena Coventry Ltd, Ricoh Arena,, Phoenix Way, Foleshill, Coventry , CV6 6GE  |                               |                                      |                                      |

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

### 3.38 Other Funds

The City Council administers a number of funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and purposes. The balance on these funds as at 31st March 2013 was £10,199k (£9,355k as at 31st March 2012) and is held on the balance sheet as a creditor. The main funds held relate to:

- Developers contributions of £8,199k (£7,403k as at 31st March 2012) - e.g. Section 106 amounts;
- Tenants contributions of £1,663k (£1,450k as at 31st March 2012) - towards essential repair and maintenance of common areas in multi occupied buildings;
- Social Services Clients Funds of £129k (£129k as at 31st March 2012) – funds held on behalf of Social Services clients;
- Other funds of £208k (£373k as at 31st March 2012), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

### 3.39 Audit Note

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

| 2011/12<br>£000 | Audit Fees   | 2012/13<br>£000 |
|-----------------|--|-----------------|
| 383             | Fees payable in respect of external audit services                   | 230             |
| 62              | Fees payable in respect of certification of grant claims and returns | 32              |
| 0               | Fees payable in relation to other services                           | 18              |
| <b>445</b>      | <b>Total Fees</b>  | <b>280</b>      |

The Audit Commission were the appointed external auditors for 2011/12. For 2012/13 onwards the appointed external auditors are Grant Thornton UK LLP.

During 2012/13 the Council received a rebate for audit fees from the Audit Commission amounting to £24k.

### 3.40 Prior Period Restatements

Prior period restatements have been required as a result of two separate issues:

- A correction to the classification of certain items of expenditure and income relating to 'Planning Services' that had been included within 'Environmental & Regulatory Services' in the 2011/12 Comprehensive Income and Expenditure Statement [Issue 1]. This is mainly related to economic development activities.
- A decision has been made to reclassify 'Highways Maintenance' as a trading service [Issue 2]. This is based on an assessment of the pricing structure and the delivery of services to external customers.

These two issues only require restatement of the Comprehensive Income and Expenditure Statement (CIES) and the associated disclosure note (i.e. the Trading Account Summary). These restatements are solely related to re-categorisation. There is no associated change in the overall income and expenditure position. The restatements to the CIES resulting from these two issues are exemplified in the following tables:

| EXTRACT FROM THE<br>COMPREHENSIVE INCOME AND<br>EXPENDITURE ACCOUNT  |                         | 2011/12              |                  |                    |
|--|-------------------------|----------------------|------------------|--------------------|
|  |                         | Gross<br>Expenditure | Gross<br>Income  | Net<br>Expenditure |
|  |                         | £000                 | £000             | £000               |
| Environmental & Regulatory Services                                  | Original amounts        | 43,190               | (9,636)          | <b>33,554</b>      |
|  | Impact of Issue 1       | (11,492)             | 3,155            | <b>(8,337)</b>     |
|  | <b>Restated amounts</b> | <b>31,698</b>        | <b>(6,481)</b>   | <b>25,217</b>      |
| Planning Services  | Original amounts        | 3,374                | (1,538)          | <b>1,836</b>       |
|  | Impact of Issue 1       | 11,492               | (3,155)          | <b>8,337</b>       |
|  | <b>Restated amounts</b> | <b>14,866</b>        | <b>(4,693)</b>   | <b>10,173</b>      |
| Highways and Transport Services                                      | Original amounts        | 37,709               | (13,004)         | <b>24,705</b>      |
|  | Impact of Issue 2       | (7,500)              | 7,000            | <b>(500)</b>       |
|  | <b>Restated amounts</b> | <b>30,209</b>        | <b>(6,004)</b>   | <b>24,205</b>      |
| <b>Cost of Services (sub-total)</b>                                  | Original amounts        | <b>865,660</b>       | <b>(511,973)</b> | <b>353,687</b>     |
|  | Impact of Issue 2       | (7,500)              | 7,000            | <b>(500)</b>       |
|  | <b>Restated amounts</b> | <b>858,160</b>       | <b>(504,973)</b> | <b>353,187</b>     |
| Net (Surplus)/Deficit from Trading<br>Operations                     | Original amount         |                      |                  | <b>(5,794)</b>     |
|  | Impact of Issue 2       | 7,500                | (7,000)          | <b>500</b>         |
|  | <b>Restated amount</b>  |                      |                  | <b>(5,294)</b>     |
| <b>Finance and Investment Income and<br/>Expenditure (sub-total)</b> | Original amount         |                      |                  | <b>17,562</b>      |
|  | Impact of Issue 2       |                      |                  | <b>500</b>         |
|  | <b>Restated amount</b>  |                      |                  | <b>18,062</b>      |

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

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

The Code has introduced several changes in accounting policies which will be required to be adopted from 1 April 2013. The impact of these changes has been assessed as follows:

There have been significant changes to IAS 19 Employee Benefits which are applicable to accounting periods commencing on or after 1 January 2013. The key change affecting the Local Government Pension Scheme is in relation to the expected return on assets credited to the Comprehensive Income and Expenditure Statement (CIES). This has previously been based on the anticipated performance of return seeking assets however, under the new accounting arrangements, this will effectively be replaced with a net interest on assets calculated using the discount rate. Within the CIES for 2012/13, the most significant change will be an increase in the 'pension interest cost and return on assets', with the deficit on provision of services increasing by £8,617k. The actuarial loss on pension assets and liabilities will reduce by £8,617k and the description will change to 're-measurement (liabilities and assets)'. The overall CIES bottom line will remain unchanged.

The Authority has concluded that there will be no material impact upon its financial statements in relation to the changes made to IAS1 Presentation of Financial Statements, IAS 12 Income Taxes and IFRS 7 Financial Instruments: Disclosures.

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

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

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

Note 3.37 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Arena Coventry Limited (ACL) and Coventry & Solihull Waste Disposal Company (CSWDC) are included as joint ventures.

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

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes management accounts for ACL as at 31st March 2013 have been used and draft accounts as at 31st March 2013 for NCH, CNR and CSWDC.

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

## 4.2 GROUP COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

| 2011/12            |                    |                    |  | 2012/13           |                  |                 |
|--------------------|--------------------|--------------------|--|-------------------|------------------|-----------------|
| Gross Expenditure  | Gross Income       | Net Expenditure    | SERVICE ANALYSIS   | Gross Expenditure | Gross Income     | Net Expenditure |
| * Restated<br>£000 | * Restated<br>£000 | * Restated<br>£000 |  | £000              | £000             | £000            |
| 111,609            | (23,361)           | 88,248             | Adult Social Care  | 119,413           | (40,316)         | 79,097          |
| 62,345             | (39,273)           | 23,072             | Central Services to the Public   | 58,737            | (40,376)         | 18,361          |
| 375,523            | (282,717)          | 92,806             | Children's & Education Services  | 356,968           | (272,539)        | 84,429          |
| 33,361             | 0                  | 33,361             | Exceptional item as result of Schools transferring to Academy status               | 38,444            | 0                | 38,444          |
| 23,235             | (179)              | 23,056             | Cultural & Related Services  | 25,822            | (2,192)          | 23,630          |
| 31,698             | (6,481)            | 25,217             | Environmental & Regulatory Services *  | 26,833            | (7,428)          | 19,405          |
| 14,866             | (4,693)            | 10,173             | Planning Services *  | 17,187            | (4,188)          | 12,999          |
| 30,209             | (6,004)            | 24,205             | Highways and Transport Services *  | 45,511            | (12,722)         | 32,789          |
| 149,049            | (135,149)          | 13,900             | Housing Services   | 149,091           | (137,193)        | 11,898          |
| 10,177             | 0                  | 10,177             | Corporate and democratic core  | 10,438            | (10)             | 10,428          |
| 16,088             | (7,116)            | 8,972              | Non-Distributed Costs  | 25,721            | (8,406)          | 17,315          |
| 0                  | (16,209)           | (16,209)           | Turnover Joint Venture   | 0                 | (20,089)         | (20,089)        |
| 12,307             | 0                  | 12,307             | Cost of Sales Joint Venture  | 15,529            | 0                | 15,529          |
| <b>870,467</b>     | <b>(521,182)</b>   | <b>349,285</b>     | <b>Cost of Services *</b>  | <b>889,694</b>    | <b>(545,459)</b> | <b>344,235</b>  |
|                    |                    | 17,622             | Other Operating Expenditure  |                   |                  | 17,480          |
|                    |                    | 18,062             | Finance and Investment Income and Expenditure *                                    |                   |                  | 20,841          |
|                    |                    | 0                  | Profit or Loss on Discontinued Operations  |                   |                  | 0               |
|                    |                    | (322,080)          | Taxations and Non-Specific Grant Income  |                   |                  | (314,517)       |
|                    |                    | <b>62,889</b>      | <b>(Surplus) / Deficit on the Provision of Services</b>                            |                   |                  | <b>68,039</b>   |
|                    |                    | 376                | Associates and JV's accounted for on Equity Basis                                  |                   |                  | 302             |
|                    |                    | 1,322              | Tax Expenses   |                   |                  | 972             |
|                    |                    | <b>64,587</b>      | <b>Group (Surplus) or Deficit</b>  |                   |                  | <b>69,313</b>   |
|                    |                    | (16,987)           | (Surplus)/Deficit on revaluation of non current assets                             |                   |                  | (196)           |
|                    |                    | (2,216)            | (Surplus)/Deficit on revaluation of available for sale financial assets            |                   |                  | (195)           |
|                    |                    | 71,343             | Actuarial (gains) or losses on pension assets and liabilities                      |                   |                  | 97,412          |
|                    |                    | 4,495              | Share of other comprehensive income and expenditure of associates & joint ventures |                   |                  | (748)           |
|                    |                    | 0                  | Other Comprehensive Income and Expenditure   |                   |                  | (7,577)         |
|                    |                    | <b>56,635</b>      | <b>Sub-total of other comprehensive Income and Expenditure</b>                     |                   |                  | <b>88,696</b>   |
|                    |                    | <b>121,222</b>     | <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                |                   |                  | <b>158,009</b>  |

\* Restated 2011/12 figures as per note 3.40



## 4.3 GROUP MOVEMENT IN RESERVES STATEMENT

### GROUP USABLE RESERVES AND OVERALL POSITION 2012/13

|  | General Fund Reserves<br>£000 | School Reserves<br>£000 | Insurance Fund Reserves<br>£000 | Other Earmarked Reserves<br>£000 | Mgmt. of Capital<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves of the Authority<br>£000 |
|--|-------------------------------|-------------------------|---------------------------------|----------------------------------|--------------------------|--|-------------------------------|---------------------------------|---|
| <b>31st March 2012</b>   | <b>(6,032)</b>                | <b>(20,312)</b>         | <b>(4,389)</b>                  | <b>(29,839)</b>                  | <b>(4,432)</b>           | <b>(1,331)</b>                           | <b>(66,335)</b>               | <b>(279,696)</b>                | <b>(346,031)</b>                        |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 72,773                        | 0                       | 0                               | 0                                | 0                        | 0  | 72,773                        | (3,460)                         | 69,313                                  |
| Other Comprehensive Income and Expenditure                               | 0                             | 0                       | 0                               | 0                                | 0                        | 0  | 0                             | 88,696                          | 88,696                                  |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>72,773</b>                 | <b>0</b>                | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>0</b>                                 | <b>72,773</b>                 | <b>85,236</b>                   | <b>158,009</b>                          |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (80,398)                      | 0                       | 0                               | 0                                | 0                        | 429                                      | (79,969)                      | 79,969                          | 0                                       |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>(7,625)</b>                | <b>0</b>                | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>429</b>                               | <b>(7,196)</b>                | <b>165,205</b>                  | <b>158,009</b>                          |
| Transfers (to) / from Earmarked Reserves                                 | 4,087                         | 917                     | 235                             | (4,118)                          | (1,121)                  | 0  | 0                             | 0                               | 0                                       |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(3,538)</b>                | <b>917</b>              | <b>235</b>                      | <b>(4,118)</b>                   | <b>(1,121)</b>           | <b>429</b>                               | <b>(7,196)</b>                | <b>165,205</b>                  | <b>158,009</b>                          |
| <b>31st March 2013</b>   | <b>(9,570)</b>                | <b>(19,395)</b>         | <b>(4,154)</b>                  | <b>(33,957)</b>                  | <b>(5,553)</b>           | <b>(902)</b>                             | <b>(73,531)</b>               | <b>(114,491)</b>                | <b>(188,022)</b>                        |

### GROUP UNUSABLE RESERVES 2012/13

|  | Capital Adjustment Account<br>£000 | Revaluation Reserve<br>£000 | Financial Instruments Adjustment Account<br>£000 | Collection Fund Adjustment Account<br>£000 | Pensions Reserve<br>£000 | Accumulated Absences Account<br>£000 | Available for Sale<br>£000 | Profit & Loss<br>£000 | Total Unusable Reserves<br>£000 |
|--|------------------------------------|-----------------------------|--|--|--------------------------|--------------------------------------|----------------------------|-----------------------|---------------------------------|
| <b>31st March 2012</b>   | <b>(531,700)</b>                   | <b>(184,021)</b>            | <b>2,361</b>                                     | <b>(612)</b>                               | <b>424,760</b>           | <b>5,605</b>                         | <b>(11,122)</b>            | <b>15,033</b>         | <b>(279,696)</b>                |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 0                                  | 0                           | 0  | 0  | 0                        | 0                                    | 0                          | (3,460)               | (3,460)                         |
| Other Comprehensive Income and Expenditure                               | (7,577)                            | (196)                       | 0  | 0  | 97,412                   | 0                                    | (195)                      | (748)                 | 88,696                          |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(7,577)</b>                     | <b>(196)</b>                | <b>0</b>   | <b>0</b>                                   | <b>97,412</b>            | <b>0</b>                             | <b>(195)</b>               | <b>(4,208)</b>        | <b>85,236</b>                   |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 66,559                             | 8,147                       | (169)  | (711)                                      | 6,632                    | (489)                                | 0                          | 0                     | 79,969                          |
| <b>(Increase) / Decrease in Year</b>                                     | <b>58,982</b>                      | <b>7,951</b>                | <b>(169)</b>                                     | <b>(711)</b>                               | <b>104,044</b>           | <b>(489)</b>                         | <b>(195)</b>               | <b>(4,208)</b>        | <b>165,205</b>                  |
| <b>31st March 2013</b>   | <b>(472,718)</b>                   | <b>(176,070)</b>            | <b>2,192</b>                                     | <b>(1,323)</b>                             | <b>528,804</b>           | <b>5,116</b>                         | <b>(11,317)</b>            | <b>10,825</b>         | <b>(114,491)</b>                |

## GROUP USABLE RESERVES AND OVERALL POSITION 2011/12 COMPARATIVES

|  | General<br>Fund<br>Reserves | School<br>Reserves | Insurance<br>Fund<br>Reserves | Other<br>Earmarked<br>Reserves | Mgmt. of<br>Capital | Capital<br>Grants<br>Unapplied<br>Account | Total<br>Usable<br>Reserves | Total<br>Unusable<br>Reserves | Total<br>Reserves<br>of the<br>Authority |
|--|-----------------------------|--------------------|-------------------------------|--------------------------------|---------------------|---|-----------------------------|-------------------------------|--|
|  | £000                        | £000               | £000                          | £000                           | £000                | £000                                      | £000                        | £000                          | £000                                     |
| <b>31st March 2011</b>   | (5,541)                     | (14,079)           | (4,063)                       | (40,221)                       | (5,043)             | (1,523)                                   | (70,470)                    | (396,784)                     | (467,254)                                |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 67,630                      | 0                  | 0                             | 0                              | 0                   | 0   | 67,630                      | (3,042)                       | 64,588                                   |
| Other Comprehensive Income and Expenditure                               | 0                           | 0                  | 0                             | 0                              | 0                   | 0   | 0                           | 56,635                        | 56,635                                   |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>67,630</b>               | <b>0</b>           | <b>0</b>                      | <b>0</b>                       | <b>0</b>            | <b>0</b>                                  | <b>67,630</b>               | <b>53,593</b>                 | <b>121,223</b>                           |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (63,687)                    | 0                  | 0                             | 0                              | 0                   | 192                                       | (63,495)                    | 63,495                        | 0  |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>3,943</b>                | <b>0</b>           | <b>0</b>                      | <b>0</b>                       | <b>0</b>            | <b>192</b>                                | <b>4,135</b>                | <b>117,088</b>                | <b>121,223</b>                           |
| Transfers (to) / from Earmarked Reserves                                 | (4,434)                     | (6,233)            | (326)                         | 10,382                         | 611                 | 0   | 0                           | 0                             | 0  |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(491)</b>                | <b>(6,233)</b>     | <b>(326)</b>                  | <b>10,382</b>                  | <b>611</b>          | <b>192</b>                                | <b>4,135</b>                | <b>117,088</b>                | <b>121,223</b>                           |
| <b>31st March 2012</b>   | <b>(6,032)</b>              | <b>(20,312)</b>    | <b>(4,389)</b>                | <b>(29,839)</b>                | <b>(4,432)</b>      | <b>(1,331)</b>                            | <b>(66,335)</b>             | <b>(279,696)</b>              | <b>(346,031)</b>                         |

## GROUP UNUSABLE RESERVES 2011/12 COMPARATIVES

|  | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Financial<br>Instruments<br>Adjustment<br>Account | Collection<br>Fund<br>Adjustment<br>Account | Pensions<br>Reserve | Accumulated<br>Absences<br>Account | Available<br>for Sale | Profit &<br>Loss | Total<br>Unusable<br>Reserves |
|--|----------------------------------|------------------------|---|---|---------------------|------------------------------------|-----------------------|------------------|-------------------------------|
|  | £000                             | £000                   | £000  | £000  | £000                | £000                               | £000                  | £000             | £000                          |
| <b>31st March 2011</b>   | (592,281)                        | (167,078)              | 2,530   | (674)                                       | 352,725             | 5,910                              | (11,496)              | 13,580           | (396,784)                     |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 0                                | 0                      | 0   | 0   | 0                   | 0                                  | 0                     | (3,042)          | (3,042)                       |
| Other Comprehensive Income and Expenditure                               | 0                                | (16,987)               | 0   | 0   | 71,343              | 0                                  | (2,216)               | 4,495            | 56,635                        |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>0</b>                         | <b>(16,987)</b>        | <b>0</b>  | <b>0</b>                                    | <b>71,343</b>       | <b>0</b>                           | <b>(2,216)</b>        | <b>1,453</b>     | <b>53,593</b>                 |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 60,581                           | 44                     | (169)   | 62  | 692                 | (305)                              | 2,590                 | 0                | 63,495                        |
| <b>(Increase) / Decrease in Year</b>                                     | <b>60,581</b>                    | <b>(16,943)</b>        | <b>(169)</b>                                      | <b>62</b>                                   | <b>72,035</b>       | <b>(305)</b>                       | <b>374</b>            | <b>1,453</b>     | <b>117,088</b>                |
| <b>31st March 2012</b>   | <b>(531,700)</b>                 | <b>(184,021)</b>       | <b>2,361</b>                                      | <b>(612)</b>                                | <b>424,760</b>      | <b>5,605</b>                       | <b>(11,122)</b>       | <b>15,033</b>    | <b>(279,696)</b>              |

## 4.4 GROUP BALANCE SHEET

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

| As at<br>31st March<br>2012<br>£000 | Balance Sheet                               | As at<br>31st March<br>2013<br>£000 | Section<br>Ref. |
|-------------------------------------|---|-------------------------------------|-----------------|
| 860,186                             | Property, Plant and Equipment               | 787,498                             |                 |
| 30,009                              | Heritage Assets                             | 30,009                              |                 |
| 184,808                             | Investment Property                         | 168,475                             |                 |
| 0                                   | Intangible Assets                           | 0                                   |                 |
| 32,882                              | Long Term Investments                       | 30,482                              |                 |
| 18,156                              | Investment in Associates and Joint Ventures | 22,364                              | 4.9             |
| 10,674                              | Long Term Debtors                           | 24,473                              |                 |
| <b>1,136,715</b>                    | <b>Long Term Assets</b>                     | <b>1,063,301</b>                    |                 |
| 43,226                              | Short Term Investments                      | 35,089                              |                 |
| 554                                 | Inventories                                 | 425                                 |                 |
| 46,996                              | Short Term Debtors                          | 42,692                              |                 |
| 23,890                              | Cash and Cash Equivalents                   | 39,697                              |                 |
| 12,654                              | Assets held for Sale                        | 13,877                              |                 |
| <b>127,320</b>                      | <b>Current Assets</b>                       | <b>131,780</b>                      |                 |
| 0                                   | Bank Overdraft                              | 0                                   |                 |
| (7,708)                             | Short Term Borrowing                        | (20,099)                            |                 |
| (81,075)                            | Short Term Creditors                        | (62,758)                            |                 |
| 0                                   | Short Term Provisions                       | (1,591)                             |                 |
| 0                                   | Liabilities in Disposal Groups              | 0                                   |                 |
| <b>(88,783)</b>                     | <b>Current Liabilities</b>                  | <b>(84,448)</b>                     |                 |
| 0                                   | Long Term Creditors                         | 0                                   |                 |
| (31,308)                            | Long Term Provisions                        | (22,633)                            |                 |
| (370,866)                           | Long Term Borrowing                         | (369,883)                           |                 |
| (424,760)                           | Other Long Term Liabilities                 | (528,804)                           |                 |
| (2,287)                             | Capital Grants Receipts in Advance          | (1,291)                             |                 |
| <b>(829,221)</b>                    | <b>Long Term Liabilities</b>                | <b>(922,611)</b>                    |                 |
| <b>346,031</b>                      | <b>Net Assets</b>                           | <b>188,022</b>                      |                 |
| (66,335)                            | Usable Reserves                             | (73,531)                            |                 |
| (279,696)                           | Unusable Reserves                           | (114,491)                           | 4.9             |
| <b>(346,031)</b>                    | <b>Total Reserves</b>                       | <b>(188,022)</b>                    |                 |

## 4.5 GROUP CASH FLOW STATEMENT

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

Note 3.22 presents an analysis of the amounts included in the provision of services for noncash movements, items included in the provision of services that are investing and financing activities, investing activities and financing activities.

| 2011/12<br>£000's | Cash Flow Statement  | 2012/13<br>£000's |
|-------------------|--|-------------------|
| 64,587            | Net (Surplus) or Deficit on the Provision of Services  | 69,313            |
| (146,500)         | Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements  | (129,695)         |
| 43,380            | Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities | 38,461            |
| <b>(38,533)</b>   | <b>Net Cash Flows from Operating Activities</b>  | <b>(21,921)</b>   |
| 14,840            | Investing Activities   | 3,378             |
| 871               | Financing Activities   | 2,736             |
| <b>(22,822)</b>   | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>   | <b>(15,807)</b>   |
| (1,068)           | Cash and Cash Equivalents at the Beginning of the Reporting Period   | (23,890)          |
| (23,890)          | Cash and Cash Equivalents at the End of the Reporting Period   | (39,697)          |

## 4.6 RECONCILIATION OF SINGLE ENTITY TO GROUP ACCOUNTS

### Income and Expenditure Surplus / Deficit

| 2011/12<br>£000 | Reconciliation of Single Entity to Group (Surplus) / Deficit   | 2012/13<br>£000 |
|-----------------|--|-----------------|
| 67,630          | (Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year   | 72,773          |
| (11)            | 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 | (8)             |
| <b>67,619</b>   | (Surplus) / Deficit in the Group Income & Expenditure attributable to the Authority  | <b>72,765</b>   |
|                 | Add : (Surplus) / Deficit arising from other entities included in the Group Accounts   |                 |
| 11              | Subsidiaries   | 8               |
| (3,043)         | Joint Ventures   | (3,460)         |
| <b>64,587</b>   | <b>Group Account (Surplus) / Deficit for the year</b>  | <b>69,313</b>   |

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

| 2011/12<br>£000  | Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items                                       | 2012/13<br>£000  |
|------------------|--|------------------|
| (149,543)        | Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements | (133,155)        |
| 3,043            | Total Non Cash Adjustments included in the Group Accounts  | 3,460            |
| <b>(146,500)</b> | Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements         | <b>(129,695)</b> |

## 4.7 GROUP TAX EXPENSE

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

| 2011/12<br>£000      | Group Tax Expense   | 2012/13<br>£000 |
|----------------------|---|-----------------|
| <b>CURRENT TAX:</b>  |   |                 |
| 1,588                | Current Tax Expense / (Income)  | 1,137           |
| (5)                  | Adjustment Recognised in the Period for Current Tax of Prior Periods  | (17)            |
| <b>1,583</b>         | <b>Total Current Tax</b>  | <b>1,120</b>    |
| <b>DEFERRED TAX:</b> |   |                 |
| (167)                | Origination and Reversal of Temporary Differences                     | (105)           |
| (94)                 | Changes in Tax Rates or the Imposition of New Taxes                   | (43)            |
| 0                    | Adjustment Recognised in the Period for Deferred Tax of Prior Periods | 0               |
| <b>(261)</b>         | <b>Total Deferred Tax</b>   | <b>(148)</b>    |
| <b>1,322</b>         | <b>Total Tax Expense</b>  | <b>972</b>      |

## 4.8 Group Companies Disclosure

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

Coventry & Solihull Waste Disposal Company is a joint venture company between Coventry City Council and Solihull Metropolitan Borough Council. The company's business is the disposal of waste.

Information relating to the proportion of shares held by Coventry City Council is included in note 3.37 to the single entity accounts.

#### Financial Liabilities

Coventry City Council holds the 'A' Preference Shares, Solihull MBC owns the 'B' Preference Shares

|                                  | 2011/12<br>£000 | 2012/13<br>£000 |
|----------------------------------|-----------------|-----------------|
| 'A' Preference Shares of £1 each | 9,950           | 7,550           |
| 'B' Preference Shares of £1 each | 4,975           | 3,775           |
| <b>Total</b>                     | <b>14,925</b>   | <b>11,325</b>   |

The Company redeemed preference shares at par with a value of £3,600,000 during the year. The rights attached to the respective classes of preference shares are:

#### Income

During the period ended 2nd April 2000, the articles of association were amended by special resolution, whereby the distributable profits of the company shall not be paid to the holders of the preference shares in relation to any period commencing on or after 1st April 1999. Furthermore the preference dividend shall no longer accumulate if the company does not make a distribution. Distributable profits may be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up.

#### Capital

On a return of capital on liquidation or otherwise, the assets of the company remaining after payment of its debts, liabilities and costs of liquidation shall be applied in first paying the holders of the preference shares together with a sum equal to any arrears, deficiency or accruals of the preference dividend to the date of the return of the capital. The balance shall be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up.

#### Voting

The preference shares shall only carry voting rights in the following circumstances:

- if the preference dividend is in arrears;
- if the company has failed to redeem any of the preference shares in accordance with the Articles of Association.

In this situation the preference shares shall carry one vote per share.

### **Redemption of Preference Shares**

The preference shares shall be redeemable at the option of the company and the shareholders at any time at their par value. The preference shareholders have confirmed to the company that they will not seek to redeem the shares during the financial year ending 31 March 2014.

### **Related Party Transactions**

Details of related party transactions are provided in section 3.27.

There is an accounting presumption that where an investor holds 20% or more of the voting rights of another entity, that the investor exercises significant influence over the operating and financial policies of that entity. Coventry City Council's relationship with Coventry Solihull Waste Disposal Company (CSWDC) rebuts this presumption because whilst it holds more than 20% of the voting rights and shares within CSWDC all decisions are taken jointly with Solihull MBC (the other shareholder) and CSWDC is therefore included in the group accounts as a joint venture.

### **Arena Coventry Ltd (ACL)**

ACL is a joint venture company between North Coventry Holdings Ltd, a wholly owned subsidiary of Coventry City Council and Football Investors Ltd, a subsidiary of The Alan Edward Higgs Charity. The company is principally engaged in the management of the Ricoh Arena in Coventry.

The accounting period for ACL is 1st June to the 31st May. The figures in the Group Account statements are based on Arena Coventry Ltd (ACL) management accounts as at 31st March 2012.

Information relating to the proportion of shares held by Coventry City Council is included in note 3.37 to the single entity accounts.

### **Related Party Transactions**

Details of related party transactions are provided in section 3.27.

There were no post balance sheet events.

There is an accounting presumption that where an investor holds 20% or more of the voting rights of another entity, that the investor exercises significant influence over the operating and financial policies of that entity. ACL's articles of association (points 20 and 29) which concerns the voting rights of members rebuts this presumption and therefore ACL is included in the group account as a joint venture.

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

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

NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) & 50% shares in Arena Coventry Limited (ACL)

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

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

### **Related Party Transactions**

Details of related party transactions are provided in section 3.27.



## 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.

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

**Long Term Investments** - The Council's share investment of £7.550m in Coventry & Solihull Waste Disposal Company is excluded for Group Account purposes.

**Share in Gross Assets of Joint Ventures** - Made up of £37.945m for Coventry & Solihull Waste Disposal Company and £11.874m for Arena Coventry Limited.

**Share in Gross Liabilities of Joint Ventures** - Made up of £9.762m for Coventry & Solihull Waste Disposal Company and £10.143m for Arena Coventry Limited.

| 2012/13                                      | CSWDC<br>£000 | ACL<br>£000  | Total<br>£000 |
|--|---------------|--------------|---------------|
| Share in Gross Assets of Joint Ventures      | 37,945        | 11,874       | 49,819        |
| Share in Gross Liabilities of Joint Ventures | (9,762)       | (10,143)     | (19,905)      |
| Long Term Investments                        | (7,550)       | 0            | (7,550)       |
| <b>Total</b>                                 | <b>20,633</b> | <b>1,731</b> | <b>22,364</b> |

| 2011/12                                      | CSWDC<br>£000 | ACL<br>£000  | Total<br>£000 |
|--|---------------|--------------|---------------|
| Share in Gross Assets of Joint Ventures      | 37,454        | 11,391       | 48,845        |
| Share in Gross Liabilities of Joint Ventures | (8,583)       | (12,155)     | (20,738)      |
| Long Term Investments                        | (9,950)       | 0            | (9,950)       |
| <b>Total</b>                                 | <b>18,921</b> | <b>(764)</b> | <b>18,157</b> |

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

| Unusable Reserves              | 2011/12<br>£000  | 2012/13<br>£000  |
|--------------------------------|------------------|------------------|
| Single Entity                  | (261,540)        | (92,127)         |
| CSWDC                          | (18,920)         | (20,633)         |
| ACL                            | 764              | (1,731)          |
| <b>Group Unusable Reserves</b> | <b>(279,696)</b> | <b>(114,491)</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 3.37 to the single entity accounts.

## **5 Statement of Accounting Policies**

### **5.1 General**

The Statement of Accounts summarises the council's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **5.2 Changes in Accounting Policies**

There have been no changes to the accounting policies in 2012/13

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

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

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

### **5.4 Provisions**

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

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

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

## **5.5 Reserves**

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

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

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

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

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

### **Investment Property**

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

### **Assets Held for Sale**

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

### **Recognition**

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

### **Measurement**

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

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

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

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

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

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

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

### **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.

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

\* It is deemed that the authority does not have overall control of assets of this type.

## Impairment

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

## Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is recognised in Surplus or Deficit on the Provision of Services as part of the gain or loss on disposal. Receipts from disposals are credited to Surplus or Deficit on the Provision of Services as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

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

## Depreciation

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

Depreciation is calculated on the following basis:

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

## 5.7 Componentisation of Property, Plant & Equipment

Assets are considered for componentisation based on the following criteria:

### Trigger

- 1) Capital Expenditure / Enhancement to an Asset
- 2) Acquisition of an Asset
- 3) Revaluation of Asset - 20% 'Rolling Programme'

### Assets Included

Property, Plant and Equipment

### Level of Materiality

Assets of a value of greater than £1,500,000 on the asset register will be considered as material.

### Categories of Building Components

The Council will use the following categories for 'components'

- 1) Structure / Host
- 2) Mechanical and Electrical
- 3) Additional 'Blocks'
- 4) Any 'one off' components which are needed for a specific asset

A component will only be considered and assessed separately from the host / structure if it has a different asset life to the structure / host.

### Significant Component

A component will be considered significant if the current gross replacement cost of the component is greater than 25% of the current gross replacement cost of the asset.

### Calculation of Gross Replacement Cost

Gross replacement costs will be calculated using BCIS (Building Cost Information Service is the leading provider of cost information to the construction industry). The Major Projects team will assist in calculations.

Although 'actual' costs could be used for assets subject to capital expenditure / enhancement, for consistency all costs will be calculated using BCIS figures.

### Asset Lives

Building and Consultancy Services will provide asset lives for assets and significant components.

## 5.8 Intangible Assets

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

## 5.9 Revenue Expenditure Funded from Capital Under Statute

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

## 5.10 Government Grants and Contributions

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

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

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

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

## 5.11 Value Added Tax (VAT)

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

## 5.12 Investments

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

## 5.13 Financial Liabilities

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



principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

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

## 5.14 Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

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

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

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

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

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

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

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

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

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

### **Instruments Entered Into Before 1<sup>st</sup> April 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Section 5.4.

## **5.15 Leases**

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

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

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

## The Authority as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

## 5.16 Inventory

Inventory included in the Balance Sheet is measured at the lower of cost or net realisable value (NRV). Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit.

## 5.17 Employee Benefits

### Benefits Payable during Employment

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

## Post Employment Benefits - Pensions

- **Teaching Staff**

Teachers may be members of the Teachers Pension Scheme, which is administered by the Department of Education. It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified, it is treated as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund.

- **Non Teaching Staff**

Non teaching staff may be members of the Local Government Pension Scheme (LGPS). Coventry contributes to the West Midlands Pension Fund, which is administered by Wolverhampton City Council. It is a defined benefits scheme for which the value of 2012/13 contributions were set based on a March 2010 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 4.2% (based on the indicative rate of return on high quality iBoxx Sterling AA corporate bond).

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
- Unithised securities – average of the bid and offer rates
- Property – market value

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

**Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated 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 Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

**Expected return on 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 Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

**Gains / losses on settlements and curtailments** – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**Actuarial gains and losses** – 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 – debited to the Comprehensive Income and Expenditure Statement.

**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.

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

### Discretionary Benefits

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

## 5.18 Professional and Other Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## 5.19 Private Finance Initiatives (PFI)

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

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

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

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

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

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

## 5.20 Group Accounts

The Council has interests in companies and other entities. Where these interests are material, and satisfy the criteria test that the Council has the power to participate in the financial and operating policy decisions of the entity, then group accounts will be prepared in accordance with the IFRS based Code of Practice. In the Council's own single entity accounts, the interests in companies and other entities are classified as Long Term Investments (available-for-sale assets) and valued at fair value.

## 5.21 Council Tax

The Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between this accrued income and the amount required by regulation to be credited to the General Fund (in respect of precepts and relevant surpluses / deficits) shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Adjustments between Accounting Basis and Funding Basis under Regulations.

The authority's Balance Sheet will include a debtor / creditor position between the authority and each major preceptor to recognise the difference between the cash collected from Council Taxpayers and the net cash paid to the major preceptors. The Balance Sheet will also include an attributable share of Council Tax creditors (for overpaid or prepaid tax) and debtors (net of impairment allowance for doubtful debts).

The Cash Flow Statement shall include, in cash flows relating to 'Revenue Activities', only its own share of Council Tax net cash collected from Council Tax debtors in the year. Any amounts included for 'precepts paid' shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors should be included as a change in other liquid resources.

## 5.22 National Non-Domestic Rates (NNDR)

The Balance Sheet includes a Government debtor / creditor as a consolidated amount reflecting: the difference between the cash collected from NNDR taxpayers (net of the costs of collection) and the amount paid to the Government at the Balance Sheet date; any NNDR arrears; the impairment for doubtful debts; any prepayments and overpayments.

The Cash Flow Statement shall include, in cash flows relating to 'Revenue Activities', only receipt of the cost of collection allowance and any amounts received in recovering costs of pursuing unpaid debts, with the rest of the difference, between NNDR collected and amounts paid over to the Government, accounted for as a change in other liquid resources.

## 5.23 Cash and Cash Equivalents

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

## **5.24 Contingent Liabilities**

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

## **5.25 Pooled Budgets for Health and Social Care**

Pooled funds enable bodies to work collaboratively to address specific local health issues. The Council includes the relevant amounts within their Comprehensive Income and Expenditure Account.

## **5.26 Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from them, in proportion to the benefits received.



## 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.

### **Capital Contract**

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

### **Capital Adjustment Account**

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

### **Capital Receipts**

Income received from selling fixed assets.

### **CIPFA**

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

### **Contingent Liabilities**

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

### **Council Tax**

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

### **Creditors**

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

### **Current Assets**

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

### **Debtors**

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

### **Depreciation**

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

**Earmarked Reserves**

Money set aside for a specific purpose.

**Fair Value**

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

**Finance Lease**

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

**Financial Instrument**

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

**Financial Year**

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

**Fixed Assets**

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

**Heritage assets**

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

**IFRS**

International Financial Reporting Standards

**Impairment**

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

**Intangible Assets**

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

**Inventories**

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

**Investment Properties**

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

**Liabilities**

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

**Liquid Resources**

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

**Levy**

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

**Market Value of Assets**

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

**Materiality**

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

**Movement in Reserves Statement (MIRS)**

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

**National Non-Domestic Rates**

Rates which are levied on business properties. The City Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

**Net asset value**

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

**Net Book Value (NBV)**

The value of an asset after depreciation has been deducted.

**Operating Leases**

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

**Precept**

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

**Prior Year Adjustments**

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

**Provisions**

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

**Revaluation Reserve**

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

**Revenue Expenditure Funded From Capital Under Statute**

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

**Revenue Support Grant (RSG)**

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

**Specific Revenue Grants**

**Grants received from Central Government in respect of specific services.**

**Work in Progress**

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

## **7 Audit Certificate**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVENTRY CITY COUNCIL**

#### **Opinion on the financial statements**

We have audited the financial statements of Coventry City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Coventry City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Executive Director of Resources and auditor**

As explained more fully in the Statement of the Executive Director of Resources Responsibilities, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Coventry City Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

#### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
  - we exercise any other special powers of the auditor under the Audit Commission Act 1998.
- We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness. The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Coventry City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion. In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Gregory  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Colmore Plaza  
20 Colmore Circus  
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B4 6AT  
24 September 2013



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