



Coventry City Council

Statement of Accounts 2013/14



Coventry City Council

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Statement of Accounts

2013/14

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1 Overview

1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2013/14. These accounts set out the financial results of the Council's activities for the year ending 31st March 2014. 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 2013/14 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.

1.2 An Overview of the Council's Financial Performance in 2013/14

Revenue

In February 2013, the Council set a 2013/14 net revenue budget of £268.4m for regular costs such as salaries and energy. Funding for this was planned to come from Formula Grant from central government of £174.6m and Council Tax income of £93.8m.

The final level of actual net expenditure for 2013/14 was £268.4m which represented a neutral overall position 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 additional cost of social care packages for adults (£2.5m), and external residential and foster placements for looked after children (£3.9m). These areas are being addressed either as a result of reviews designed to reduce the level of overspend or having been allocated additional budgetary provision in setting the Council's 2014/15 budget.

The Council has continued to make significant payments to fund redundancy or early retirement decisions. These amounted to £4.7m in 2013/14. This has been funded from existing budgets and reserves set aside for this purpose. Equal Pay Claims costing £0.1m have been settled in 2013/14 in addition to £6.9m of claims settled previously. The funding for this has been provided from the provision set aside for this purpose in 2008/09. It is unlikely that any further significant amounts will need to be paid out for this purpose.

The City Council has spent less than it planned to in a number of areas. In particular, costs have been £6.5m less than originally forecast for the interest and repayment costs on our outstanding debt whilst an unbudgeted one-off special dividend of £4.0m has been received as a result of the Council's shareholding in Birmingham International Airport. Significant underspends within several services within the People directorate have helped to balance the over-spends 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 £71.3m to £81.0m. This reserves position is detailed further in section 2.3, the Movement in Reserves Statement.

Capital

The capital budget for 2013/14 for expenditure incurred on major one-off items such as school extensions and major highways repairs was £60.2m. During the year there has been a net increase within the programme of £4.3m resulting in a final revised budget for the year of £64.5m.

Final capital spending of £54.5m was £10m below budget due to spending that is now planned to be undertaken in 2014/15. Funding for the Capital Programme is shown in section 3.27.

The main source of funding was external grant (£30.8m or 57%) with the remainder coming from revenue contributions, capital receipts and prudential borrowing.

Within the programme £12.9m was spent within the People directorate, mostly on schools and related projects. £32.9m was spent within the Place directorate, including schemes relating to highways, property and a range of regeneration projects. A further £8.7m was spent within the Resources directorate, £6.7m of which related to the financing of a loan arrangement for Coombe Abbey Park Limited (CAPL) described further in the Main Issues Within the Accounts section below.

Differences between the Management Accounts and the Statement of Accounts

The overall surplus shown in the Comprehensive Income and Expenditure Statement (section 2.2) is £96.6m. This is significantly different to the balanced position in the management accounts. The key reasons for the difference are a £62.9m reduction in the Council's pension liability (section 3.19) and a £46.7m revaluation increase in our investment in Coventry and Solihull Waste Disposal Company (CSWDC), see page 4.

The key reason for the improvement in the pension position is a decrease in the liabilities within the pension fund. This has occurred as a result of an increase 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 increased by £6.5m in 2013/14. This is the combined effect of reductions, mainly due to the impairment and de-recognition of assets (sections 3.8 to 3.11) and increases, mostly as a result of the revaluation of long term investments (section 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 2013/14, £33.4m of impairment relates to schools transferring to academy status. This compares to an impairment of £38.4m during 2012/13 for transfers to academy status. This amount is separately identified as a material item in the Comprehensive Income and Expenditure Statement (see section 2.2) and this trend is anticipated to continue in 2014/15. A further £3.9m of impairment is recorded against other assets.

The overall surplus in the Comprehensive Income and Expenditure Statement is matched by an increase in the value of the Council's Balance Sheet (from £163.4m to £260.0m). 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 the improved position of the local government pension scheme and the revaluation in our investment in CSWDC.

The Main Financial Statements

These accounts contain a set of main financial statements in section 2 with accompanying notes in section 3. 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).

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 surplus within the Comprehensive Income and Expenditure Statement (section 2.2) matches the increase in the value of the Balance Sheet (section 2.4) and the increase reflected in the Movement in Reserves Statement (section 2.3).

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 2014 the value now stands at £260.0m.

Notwithstanding the increase in value in 2013/14, it remains a possibility that the Council's Balance Sheet value will become a negative figure in the foreseeable future, 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 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. Other councils around the country are already facing this 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 and Procurement 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 has been an increasing focus on the issue and some revision to the way it is viewed because of its 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, the increased employer pension contributions now built into the Council's budget 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 £0.1m have been settled in 2013/14, funded from this provision, meaning that in total £7.0m, of claims have been settled in four years. Only very minor further costs are now expected to be incurred in 2014/15, with the final total expected to be within the £7.5m approved by the Council in December 2010. No remaining legal proceedings in relation to Equal Pay remain outstanding for Coventry and the Council's view is that the level of risk is now at a very low level. For these reasons, the previous provision of £15.6m in this area has been reduced to £0.5m. More detail is provided in the note on Provisions in section 3.16.

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 3.18 and 3.19. The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall of £465.9m between the forecast cost of future pensions and the current level of assets built up in the pension fund, an improvement of £62.9m in 2013/14.

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, the City Council is committed to making increased employer pension contributions in the future to help achieve this and these contributions have been 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 schools became Academies in 2013/14 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 £33.4m.

Loan to Arena Coventry Limited

In January 2013, the Council provided 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 3.33. The Council has assessed that it expects the loan to be repaid in full and scheduled loan repayments have been received on time since the loan was made.

In April 2013, lawyers acting for companies associated with Coventry City Football Club served the Council with Judicial Review proceedings relating to the decision. This Review was held in June 2014 and the initial judgement on the review found in the City Council's favour although a subsequent application has been made to the Court of Appeal. These circumstances are recorded in the note on Events after the Balance Sheet Date in section 3.2. The Council's position is that it has acted lawfully in all respects and it will continue to strongly defend the claim. Notwithstanding the outcome of this case, the Judicial Review took place after the 31st March 2014 and as such will not require any changes to these accounts. A contingent liability has been recorded separately in note 3.25.

Loan to Coombe Abbey Park Limited

In November 2013, the Council provided a loan of £6.6m on a commercial basis to Coombe Abbey Park Limited. The company runs the Coombe Abbey Hotel and the purpose of the Council's action was to refinance the company's existing bank loan in order to help secure the hotel's future and to protect the Council's existing interests in the associated assets.

Coventry and Solihull Waste Disposal Company

The City Council holds ordinary and preference shares in the Coventry and Solihull Waste Disposal Company. During 2013/14 Coventry and Solihull Councils obtained an updated valuation of the shares from BDO LLP, on the basis of fair value. This has resulted in a revised valuation of £51.8m, an increase of £46.7m, after preference share redemptions are taken into account. This increase in value is held within the Council's Long-Term Investments, the details of which are shown in Section 3.12, and is reflected within the Available for Sale Reserve in Section 2.3, and also the Comprehensive Income & Expenditure Account in Section 2.2.

Public Health

On 1st April 2013, a range of Public Health responsibilities were transferred to the Council as part of national legislative changes. A small number of staff were transferred from NHS Coventry to the Council as part of the transfer and the Council received a new specific grant of £17.832m to

part fund its expenditure on Public Health related services. Total Public Health related values are included within a separate line in the Comprehensive Income and Expenditure Statement in section 2.2.

Future Financial Position

The Council set its Revenue and Capital budgets for 2014/15 on the 25th February 2014.

The Council has had to work within the constraints of year on year cuts in funding since 2010 totalling 27% over a four year period. More recent indications from Government suggest that further reductions are expected up to 2020. Faced with this challenge and in order to balance its budget the Council has implemented its abc programme of reviews - A Better Council for A Bolder Coventry - to improve services, reduce costs and achieve financial savings of approaching £70m.

More recently, the Council has been faced with significant challenges with regard to its social care services for children, including continued increases in looked after children numbers and the need to respond to a disappointing Ofsted judgement in March 2014. It is clear that these developments represent major financial as well as service pressures for the Council.

Although further work is needed to complete the abc Programme, the Council is now moving into a new phase of activity, designed to further modernise and streamline the services that it provides in response to the financial pressures referenced above. This phase will be marked by a move, in 2017, into a new purpose built office building in the forthcoming Friargate business district within which the majority of the Council's office based activity will occur. At the same time the Council will streamline its property portfolio, operate a refurbished customer contact centre, review the geographic delivery of its services across the city and transform the way that the Council and its customers and citizens transact with each other. The success of these activities is vital to enable the Council to achieve the savings that are required to meet the very large cuts in Government funding that continue to face the Council.

The Business Rate Retention Scheme which came into effect from 1st April 2013 adds a further element of volatility to the very large funding reductions facing the Council with the risk that further resources may be lost from the city but also with opportunities to increase resources. Under this scheme local authorities are able to come together, on a voluntary basis to pool their business rates, giving them scope to generate additional growth through collaborative effort, and to smooth the impact of volatility in rates income across a wider economic area. Coventry City Council has joined together as a pool with Warwickshire County Council and five of its District Councils. The Council received a net benefit of £0.2m in 2013/14 as a result its pool membership. The Council has budgeted in 2014/15 and future years to fund the £50m Coventry Investment Fund, a vehicle to provide grants and loans for supporting local business, encouraging regeneration and generating Business Rate growth.

The gross revenue budget for 2014/15 is £714.8m. After fees, charges and specific grants totalling £456.3m this leaves a net budget of £258.5m to be funded from £159.7m of general Government grant and local Business Rates plus £98.8m of Council Tax income. The Council has identified new savings totalling £14.5m within its budget, mostly from technical mechanisms in addition to around £15m of transformation savings approved previously, in response to reductions in general and specific government grants.

The Capital Programme for 2014/15 of £141.6m is more than double the size of the equivalent original 2013/14 programme with the main funding coming from grants (£90.7m), borrowing (£40.2m) and revenue contributions (£9.3m). The Programme includes significant expenditure on the city's schools, its highways and transport infrastructure, the initial phases of the Friargate Business District project and the first schemes of the Coventry Investment Fund initiative to stimulate the local economy and create jobs. The Council has identified revenue budgets to repay any borrowing within the programme and these are built into the Council's medium term financial position. Steps have been taken within the 2013/14 outturn position to optimise the resourcing of

the capital programme and hence avoid borrowing. Borrowing approvals not utilised in 2013/14 will be applied in future years as spending is incurred.

Council Tax

New arrangements relating to Council Tax have been put in place for 2013/14. Previously, Council Tax income has been shown including amounts due to be met from Council Tax Benefit. New regulations now mean that Council Tax income is shown net of Council Tax Reductions (which effectively replace Council Tax Benefit). This means that Council Tax income is reflected at a much lower figure in 2013/14, a reduction of around £28 million for Coventry compared to 2012/13 levels.

Changes in Accounting Policies

The Council has adopted new accounting policies in 2013/14 in relation to Post-Employment Benefits and, in addition, the scope of these policies has been broadened following the transfer of NHS staff as part of the authority's additional Public Health responsibilities. These changes are set out in note 5.2.

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 2014).

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 2014 and its income and expenditure for the year ended 31st March 2014, and that the accounts are authorised for issue.



Chris West, CPFA

Executive Director of Resources

15th September 2014

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 15th September 2014



Cllr David Galliers

Chair of Audit and Procurement Committee

15th September 2014

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 or can be obtained from Democratic Services.

The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of 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 2014 and up to the date of approval of the Statement of Accounts.

The Governance Framework

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

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

Coventry's Council Plan "Coventry open for business" was adopted in January 2014 and sets out the Council's long-term vision and priorities for the city for the next ten years. To deliver the vision

and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active citizens and strong and involved communities. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.

Throughout this process, clear channels of 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 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 Strategic Management Board.

The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy 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.

Whilst there was no change in the officer nominated as the Section 151 Officer during 2013/14, the post responsible for this role moved from the Director of Finance and Legal Services to the Executive Director, Resources during this period. In assessing this role 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 2013/14

- 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 2013, 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 had 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 2013. The company's auditors will change to LDP Luckmans for the 31st March 2014 accounts. The company's purpose is to hold shares in the following two companies.
- 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 had 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 2013. The company's auditors will change to LDP Luckmans for the 31st March 2014 accounts.
- 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 2013.

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

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Director.
- The work of the Internal Audit Service during 2013/14. 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.

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

Significant Governance Issues

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

- Implementation of the Improvement Plan in response to the outcome of the Ofsted inspection of Children's Services.
- Ensuring the delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy. In the short term, this is underpinned by the delivery of significant financial savings from the existing abc programme. Beyond that, the financial challenges facing the Council mean that the development of the next stage of transformation will be fundamental to enabling the Council to achieve its new financial targets, namely the reported budget gap of up to £44million by 2016/17.
- The delivery of the Kickstart programme - the Council's plan for making savings, supporting city centre regeneration, office rationalisation and the delivery of a new purpose built office supported by a radically transformed approach to the way the Council works.
- To continue to implement the Education Improvement Strategy in order to raise standards across all schools in Coventry.

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

- Ensuring that any potential impacts that the transfer of the Benefit Fraud Team to the Department of Work and Pensions in March 2015 has on fraud arrangements in the Council are identified and managed.
- Gaining assurance that all functionality available through the new Agresso financial system is both utilised and embedded in practice.

Ensuring that robust processes and procedures exist to minimise the risk of fraud and error in relation to the award of council tax discounts and exemptions.

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.

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

Cash Flow Statement (section 2.5)

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

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

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

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

The Collection Fund (section 2.6)

This account shows how much Council Tax and National Non-Domestic Rates (Business Rates) are collected within the City. It shows how much has been transferred to the Income and Expenditure Account to pay for Council Services and how much has been paid to the Police (West Midlands Police and Crime Commissioner) and Fire (West Midlands Fire and Rescue Authority). The difference between these two amounts is then a surplus or a deficit which is shared between the Council 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 *Restated £000	2012/13		SERVICE ANALYSIS	2013/14		Net Expenditure £000
	Gross Income *Restated £000	Net Expenditure *Restated £000		Gross Expenditure £000	Gross Income £000	
119,413	(40,316)	79,097	Adult Social Care	104,153	(27,859)	76,294
58,737	(40,376)	18,361	Central Services to the Public	28,461	(6,817)	21,644
395,412	(272,539)	122,873	Children's & Education Services **	368,237	(253,034)	115,203
25,822	(2,192)	23,630	Cultural & Related Services	22,133	(2,027)	20,106
26,833	(7,428)	19,405	Environmental & Regulatory Services	28,078	(5,051)	23,027
17,187	(4,188)	12,999	Planning Services	13,009	(4,267)	8,742
45,511	(12,722)	32,789	Highways and Transport Services	38,067	(13,503)	24,564
149,091	(137,193)	11,898	Housing services	149,991	(137,403)	12,588
0	0	0	Public Health	23,826	(18,314)	5,512
10,438	(10)	10,428	Corporate and democratic core	15,818	(1,284)	14,534
18,609	(8,483)	10,126	Non-distributed costs **	(8,346)	(6,927)	(15,273)
867,053	(525,447)	341,606	Cost of Services	783,427	(476,486)	306,941
		17,632	Levy Payments to Other Bodies			16,917
		17	Contribution of Housing Capital Receipts to Gov. Pool			7
		5	Precepts of Local Precepting Authorities			6
		17,654	Other Operating Expenditure			16,930
		19,680	Interest Payable and Similar Charges			21,056
		(713)	External Investment Income			(1,599)
		20,556	Net interest on the net defined benefit liability (section 3.19)			21,251
		(8,868)	Net (Surplus)/Deficit from Trading Operations (section 3.5)			(11,295)
		(1,585)	Dividends and Interest Receivable			(5,915)
		29,070	Finance and Investment Income and Expenditure			23,498
		(118,871)	Council Tax			(97,296)
		0	Retained Business Rates			(51,091)
		0	Business Rates Top-up			(15,588)
		(110,499)	Contribution from Non-Domestic Rate Pool			0
		(44,351)	General Government Grants			(115,269)
		(40,796)	Capital Grants (section 3.30)			(30,649)
		(314,517)	Taxations and Non-Specific Grant Income			(309,893)
		73,813	(Surplus)/Deficit on the Provision of Services			37,476
		(196)	(Surplus)/Deficit on revaluation of non current assets			(3,869)
		(195)	(Surplus)/Deficit on revaluation of available for sale financial assets			(46,804)
		88,795	Remeasurement of the net defined benefit liability (section 3.19)			(83,440)
		88,404	Sub-total of other comprehensive Income & Expenditure			(134,113)
		162,217	Total Comprehensive Income & Expenditure			(96,637)

*Restated 2012/13 figures as per section 3.36

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

Gross Expenditure £000	Gross Income £000	Net Expenditure £000	MATERIAL ITEMS	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
38,444	0	38,444	Included within Children's & Education Service Impairment as a result of schools transferring to academy status	33,441	0	33,441
(7,500)	0	0	Included within Non-distributed costs Reversal of Equal Pay Claim Provision	(15,000)	0	0

2.3 MOVEMENT IN RESERVES STATEMENT

USABLE RESERVES AND OVERALL POSITION 2013/14

	General Fund Reserves	Schools Reserves	Insurance Fund Reserves	Other Earmarked Reserves	Mgmt. of Capital	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2013	(7,304)	(19,395)	(4,154)	(33,957)	(5,553)	(902)	(71,265)	(92,127)	(163,392)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis)</i>	37,476	0	0	0	0	0	37,476	0	37,476
<i>Other Comprehensive Income and Expenditure</i>	0	0	0	0	0	0	0	(134,113)	(134,113)
Total Comprehensive Income and Expenditure	37,476	0	0	0	0	0	37,476	(134,113)	(96,637)
<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	(47,351)	0	0	0	0	146	(47,205)	47,205	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(9,875)	0	0	0	0	146	(9,729)	(86,908)	(96,637)
Net (Increase) / Decrease in Earmarked Reserves	9,851	896	806	(15,237)	3,684	0	0	0	0
(Increase) / Decrease in Year	(24)	896	806	(15,237)	3,684	146	(9,729)	(86,908)	(96,637)
31st March 2014	(7,328)	(18,499)	(3,348)	(49,194)	(1,869)	(756)	(80,994)	(179,035)	(260,029)

UNUSABLE RESERVES 2013/14

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2013	(439,529)	(176,070)	2,192	(1,323)	528,804	5,116	(11,317)	(92,127)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis)</i>	0	0	0	0	0	0	0	0
<i>Other Comprehensive Income and Expenditure</i>	0	(3,869)	0	0	(83,440)	0	(46,804)	(134,113)
Total Comprehensive Income and Expenditure	0	(3,869)	0	0	(83,440)	0	(46,804)	(134,113)
<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	8,079	20,055	(104)	(701)	20,545	(820)	151	47,205
Net (Increase) / Decrease	8,079	16,186	(104)	(701)	(62,895)	(820)	(46,653)	(86,908)
31st March 2014	(431,450)	(159,884)	2,088	(2,024)	465,909	4,296	(57,970)	(179,035)

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

USABLE RESERVES AND OVERALL POSITION 2012/13 COMPARATIVES (Restated)

	General Fund Reserves	Schools Reserves	Insurance Fund Reserves	Other Earmarked Reserves	Mgmt. of Capital	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	*Restated £000	£000	£000	£000	£000	£000	*Restated £000	*Restated £000	*Restated £000
31st March 2012	(3,766)	(20,312)	(4,389)	(29,839)	(4,432)	(1,331)	(64,069)	(261,540)	(325,609)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis) *</i>	73,813	0	0	0	0	0	73,813	0	73,813
<i>Other Comprehensive Income and Expenditure *</i>	0	0	0	0	0	0	0	88,404	88,404
Total Comprehensive Income and Expenditure *	73,813	0	0	0	0	0	73,813	88,404	162,217
<i>Adjustments between Accounting Basis and Funding Basis under Regulations *</i>	(81,438)	0	0	0	0	429	(81,009)	81,009	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(7,625)	0	0	0	0	429	(7,196)	169,413	162,217
Net (Increase) / Decrease in Earmarked Reserves	4,087	917	235	(4,118)	(1,121)	0	0	0	0
(Increase) / Decrease in Year	(3,538)	917	235	(4,118)	(1,121)	429	(7,196)	169,413	162,217
31st March 2013	(7,304)	(19,395)	(4,154)	(33,957)	(5,553)	(902)	(71,265)	(92,127)	(163,392)

*Restated 2012/13 figures as per section 3.36

UNUSABLE RESERVES 2012/13 COMPARATIVES (Restated)

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Total Unusable Reserves
	£000	£000	£000	£000	*Restated £000	£000	£000	*Restated £000
31st March 2012	(498,511)	(184,021)	2,361	(612)	424,760	5,605	(11,122)	(261,540)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis) *</i>	0	0	0	0	0	0	0	0
<i>Other Comprehensive Income and Expenditure *</i>	0	(196)	0	0	88,795	0	(195)	88,404
Total Comprehensive Income and Expenditure *	0	(196)	0	0	88,795	0	(195)	88,404
<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	58,982	8,147	(169)	(711)	15,249	(489)	0	81,009
Net (Increase) / Decrease	58,982	7,951	(169)	(711)	104,044	(489)	(195)	169,413
31st March 2013	(439,529)	(176,070)	2,192	(1,323)	528,804	5,116	(11,317)	(92,127)

*Restated 2012/13 figures as per section 3.36

2.4 BALANCE SHEET

31st March		31st March	
2013	Balance Sheet	2014	Section Ref.
£000		£000	
787,498	Property, Plant and Equipment	749,125	3.8
30,009	Heritage Assets	25,893	3.9
168,475	Investment Property	167,198	3.10
30,482	Long Term Investments	74,735	3.12
24,473	Long Term Debtors	30,466	3.13
1,040,937	Long Term Assets	1,047,417	
35,089	Short Term Investments	57,313	3.17
425	Inventories	499	
40,415	Short Term Debtors	52,458	3.14
39,697	Cash and Cash Equivalents	39,393	2.5
13,877	Assets held for Sale	9,987	3.10
129,503	Current Assets	159,650	
(20,099)	Short Term Borrowing	(22,596)	3.17
(62,752)	Short Term Creditors	(63,009)	3.15
(1,591)	Short Term Provisions	(2,972)	3.16
(84,442)	Current Liabilities	(88,577)	
(22,633)	Long Term Provisions	(9,922)	3.16
(369,878)	Long Term Borrowing	(372,861)	3.17
(528,804)	Other Long Term Liabilities	(465,909)	3.19
(1,291)	Capital Grants Receipts in Advance	(9,769)	3.30
(922,606)	Long Term Liabilities	(858,461)	
163,392	Net Assets	260,029	
(71,265)	Usable Reserves	(80,994)	2.3
(92,127)	Unusable Reserves	(179,035)	2.3
(163,392)	Total Reserves	(260,029)	

The unaudited accounts were authorised for issue on 30th June 2014 and the audited accounts were authorised for issue on 15th September 2014.

2.5 CASH FLOW STATEMENT

2012/13			2013/14	
*Restated		Cash Flow Statement		
£000's	£000's		£000's	£000's
73,813		<i>Net (Surplus) or Deficit on the Provision of Services *</i>	37,476	
(134,195)		<i>Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements *</i>	(85,680)	
38,461		<i>Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</i>	19,005	
	<u>(21,921)</u>	Net Cash Flows from Operating Activities		<u>(29,199)</u>
	3,378	<i>Investing Activities</i>		(7,051)
	2,736	<i>Financing Activities</i>		36,554
	<u>(15,807)</u>	Net (Increase) or Decrease in Cash and Cash Equivalents		<u>304</u>
	(23,890)	<i>Cash and Cash Equivalents at the Beginning of the Reporting Period</i>		(39,697)
	(39,697)	<i>Cash and Cash Equivalents at the End of the Reporting Period</i>		(39,393)

*Restated 2012/13 figures as per section 3.36

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

2.6 COLLECTION FUND

2012/13			2013/14			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
INCOME						
0	(103,772)	(103,772)	Council Tax Receivable	0	(108,603)	(108,603)
0	(28,828)	(28,828)	Council Tax Benefit (12/13 only) *	0	0	0
(112,648)	0	(112,648)	Business Rates Receivable	(115,762)	0	(115,762)
0	(1,602)	(1,602)	Write (Offs) / Ons	(1,143)	(1,359)	(2,502)
0	3	3	Transitional Relief	618	2	620
(112,648)	(134,199)	(246,847)	Total Income	(116,287)	(109,960)	(226,247)
EXPENDITURE						
<i>Precepts, Demands & Shares</i>						
112,268	0	112,268	Central Government	54,139	0	54,139
0	118,345	118,345	Coventry City Council	53,056	93,813	146,869
0	8,890	8,890	West Midlands Police	0	7,259	7,259
0	4,276	4,276	West Midlands Fire	1,083	3,743	4,826
Distribution of previous years' surplus / deficit						
0	0	0	Central Government	0	0	0
0	526	526	Coventry City Council	0	819	819
0	40	40	West Midlands Police	0	61	61
0	19	19	West Midlands Fire	0	29	29
112,268	132,096	244,364	TOTAL EXPENDITURE	108,278	105,724	214,002
<i>Charges to Collection Fund</i>						
0	1,602	1,602	Less: Write offs uncollectable amounts	1,143	1,359	2,502
0	(290)	(290)	Less: Increase/ (Decrease) in Bad Debt Provision	309	(107)	202
0	0	0	Less: Increase/ (Decrease) in Appeals Provision	10,188	0	10,188
380	0	380	Less: Costs of Collection	380	0	380
0	0	0	Less: Write off of poll tax deficit	0	(2)	(2)
380	1,312	1,692	Total Charges to Collection Fund	12,020	1,250	13,270
0	(791)	(791)	(Surplus)/Deficit Arising During the Year	4,011	(2,986)	1,025
0	(680)	(680)	(Surplus)/Deficit b/fwd	0	(1,471)	(1,471)
0	(1,471)	(1,471)	(Surplus)/Deficit c/fwd	4,011	(4,457)	(446)
Commitments						
0	(1,471)	(1,471)	(Surplus)/Deficit c/fwd	4,011	(4,457)	(446)
0	909	909	Surplus/(Deficit) committed in future year's budget setting	215	3,663	3,878
0	(562)	(562)	Excess (Surplus)/Deficit c/fwd to following year's tax setting.	4,226	(794)	3,432

Income and Expenditure Account

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

Council Tax Benefit

Up until 2012/13, Council Tax Benefit, based on a national scheme, was funded through a specific grant from central government that was paid into the Collection Fund. As identified in the table above this amount to £28,828k in 2012/13. From 2013/14 onwards, Council Tax Benefit were replaced by local Council Tax Reduction Schemes and the specific grant ceased.

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 2013/14 was 97.8%. The Government determines the level of rates payable, which was 47.1p per £ of rateable value (45.8p in 2012/13). The Valuation Office Agency sets the rateable value of each property and the total was £299,695,268 at 31st March 2014 (£298,133,034 at 31st March 2013). 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 2013/14 of 1.1m and the provision for bad and doubtful debts has increased by £0.3m to £3.2m in 2013/14. An additional provision of £10.2 m has been made for the risk of future liability amendments due to appeals (49% of which is Coventry City Council's share)

Calculation of the Council Tax Base

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

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 135,374 of which 5,429 are exempt. Details of the Tax Base calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent (after adjustments)
<i>Band A entitled to disabled relief</i>	130	51.8
A	53,358	23,590.8
B	38,777	20,969.2
C	21,392	13,454.9
D	8,473	6,064.2
E	4,221	3,751.4
F	2,170	2,294.1
G	1,327	1,629.2
H	97	137.3
Total	129,945	71,942.9
<i>Estimated eventual collection rate</i>		98.5%
<i>Total Council Tax Base Band D 2013/14</i>		70,863.8
<i>Total Council Tax Base Band D 2012/13</i>		89,027.3

The significant reduction in the Tax Base between 2012/13 and 2013/14 is due to a change in the calculation rather than an actual reduction in the number of dwellings. Previously Council Tax Benefit had been excluded from the calculation. However, from 2013/14 onwards, the impact of locally determined Council Tax reductions (which replaced benefits) are included in the calculation.

Provisions and Write Offs

Level of Provisions & Write Offs	Council Tax £000	Community Charge £000	Business Rates £000
Bad Debt Provision Brought forward	(5,998)	(532)	(2,913)
<i>Written off in year</i>	1,359	1	1,143
<i>(Increase) / decrease in provision</i>	<i>(1,252)</i>	531	<i>(1,452)</i>
Bad Debt Provision Carried Forward	(5,891)	0	(3,222)
Gross Debtors	12,175	0	6,470
Provision for Future Appeals			(10,188)

Precepts and Demands on the Collection Fund

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

Council Tax

2012/13		2013/14		
Total £000		Precept / Demand £000	Share of surplus / (deficit) £000	Total £000
120,113	Coventry City Council	93,813	3,483	97,296
4,322	West Midlands Fire Service	3,743	139	3,882
8,983	West Midlands Police	7,259	271	7,530
133,418	Total	104,815	3,893	108,708

Business Rates

2012/13		2013/14			
Total £000		Precept £000	Share of surplus / (deficit) £000	Top Up £000	Total £000
0	Central Government (50%)	54,139	(2,006)	0	52,133
0	Coventry City Council (49%)	53,056	(1,965)	15,588	66,679
0	West Midlands Fire Service (1%)	1,083	(40)	0	1,043
0	Total	108,278	(4,011)	15,588	119,855

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 £465.9m, at the end of the 2013/14 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 3.19.

Business Rate Appeals

Since the Business Rates Retention Scheme became effective from 1 April 2013, Coventry City Council has been liable for 49% of the value of successful appeals against business rates charged to businesses in 2013-14 and earlier financial years. Therefore, a provision must be recognised to reflect the best estimate of any such appeals, existing or future, relevant to the period up to the end of 2013/14. The provision of £5.0m, included within these accounts has been arrived at by looking at the previous 5 years of Coventry's Business Rates tax base movements and calculating an average reduction in tax base as an estimate of the level of future reductions.

3.2 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 30th June 2014

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2014 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.

A Judicial Review held in June 2014 considered the Council's decision on 15th January 2013 to make a £14.4m loan 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. The outcome of the review found in the City Council's favour but has been appealed subsequently such that the issue remains outstanding as at the balance sheet date. This issue remains subject to a legal process, the timing and outcome of which is currently uncertain and it is recorded as a contingent liability in note 3.25. The Council's position is that it has acted lawfully in all respects and it will strongly defend the claim.

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:

Going Concern Status

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

Transfers of Schools to Academy Status

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as an impairment to nil value on the date that the school converts rather than as a disposal of the asset for nil consideration.

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 2013/14

Directorate Income & Expenditure	Resources	Public Health	Chief Executive's	People	Place	Contingency & Central Budgets	Total
2013/14	£000	£000	£000	£000	£000	£000	£000
General Income	(5,552)	(287)	(93)	(37,629)	(37,392)	(17,073)	(98,026)
Re-charges	(40,959)	0	(1,668)	(13,191)	(50,503)	(29)	(106,350)
Government Grants	(137,545)	(16,931)	(186)	(238,768)	(7,437)	(37,161)	(438,028)
Reserves	(2,862)	(336)	(4)	(51,467)	(39,996)	42,521	(52,144)
Total Income	(186,918)	(17,554)	(1,951)	(341,055)	(135,328)	(11,742)	(694,548)
Employee Expenses	38,866	1,533	1,727	233,583	34,205	12,809	322,723
Running Expenses	159,685	15,857	2,240	268,488	121,429	59,724	627,423
RCCO*	0	0	0	3,894	8,896	0	12,790
Total Expenditure	198,551	17,390	3,967	505,965	164,530	72,533	962,936
Net Expenditure	11,633	(164)	2,016	164,910	29,202	60,791	268,388
Annual Budget	14,279	8	2,333	161,987	29,784	60,021	268,412
Deficit / (Surplus)	(2,646)	(172)	(317)	2,923	(582)	770	(24)

*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
2013/14	£000	£000	£000	£000	£000	£000
<i>Fees, charges & other service income</i>	(249,006)	(10,747)	181,629	(78,124)	11,842	(66,282)
<i>Interest & Investment Income</i>	(7,515)	0	7,515	0	(7,514)	(7,514)
<i>Council Tax</i>	0	0	0	0	(97,296)	(97,296)
<i>Business Rates including Top-up</i>	0	0	0	0	(66,679)	(66,679)
<i>Government grants and contributions</i>	(438,027)	0	39,738	(398,289)	(145,918)	(544,207)
Total Income	(694,548)	(10,747)	228,882	(476,413)	(305,565)	(781,978)
<i>Employee Expenses</i>	322,723	0	(21,251)	301,472	21,251	322,723
<i>Other Service Expenses</i>	640,213	(4,325)	(116,444)	519,444	(23,137)	496,307
<i>Support Service recharges</i>	0	0	0	0	0	0
<i>Depreciation, Amortisation & Impairment</i>	0	424	0	424	0	424
<i>Interest Payments</i>	0	0	(21,056)	(21,056)	21,056	0
<i>Precepts & Levies</i>	0	0	(16,923)	(16,923)	16,923	0
<i>Payments to Housing Capital Receipts Pool</i>	0	0	(7)	(7)	7	0
Total Expenditure	962,936	(3,901)	(175,681)	783,354	36,100	819,454
<i>(Surplus) or Deficit</i>	268,388	(14,648)	53,201	306,941	(269,465)	37,476

3.5 Trading Account Summary

A number of services that trade with external organisations are classified as Trading Accounts and are therefore shown within the net surplus / deficit from trading operations in the Comprehensive Income & Expenditure Account.

2012/13		2013/14	
(Surplus) / Deficit	Trading Accounts	Expenditure	Income
£000		£000	£000
(9,925)	Commercial Property	4,983	(15,289)
97	Highways Maintenance	12,247	(12,405)
1,259	Construction & Property Services	5,468	(5,284)
146	Building Cleaning	3,043	(2,736)
(445)	Fleet & Workshop	9,645	(10,686)
28	Catering Services	5,679	(5,783)
517	Monitoring Response Unit	1,302	(808)
(545)	Commercial Waste Services	4,991	(5,516)
0	School Finance Services	260	(363)
0	Advertising	30	(73)
(8,868)	(Surplus) / Deficit from Trading Operations	47,648	(58,943)

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.

Capital Adjustment Account	2012/13 £000	2013/14 £000
Opening Balance	(498,511)	(439,529)
<i>Disposal of assets</i>	6,178	9,871
<i>Revenue Expenditure Funded from Capital</i>	8,736	12,790
<i>Intangibles</i>	2,091	1,712
<i>Depreciation</i>	32,613	27,557
<i>Impairment and Revaluation</i>	71,944	31,867
<i>Provision Capital</i>	844	0
<i>Derecognitions</i>	27,732	18,733
<i>Investment Property revaluation</i>	(6,242)	(3,869)
<i>Financing of assets</i>	(53,626)	(54,475)
<i>Repayment of Loans</i>	(90)	(516)
<i>Amounts written-out of the Revaluation Reserve</i>	(8,147)	(5,980)
<i>Revenue provision for the repayment of debt</i>	(15,551)	(14,705)
<i>Reversal of Equal Pay Provision</i>	(7,500)	(14,906)
Closing Balance	(439,529)	(431,450)

Revaluation Reserve

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

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

Revaluation Reserve	2012/13 £000	2013/14 £000
Opening Balance	(184,021)	(176,070)
<i>Revaluation, Impairment and Disposal</i>	(196)	10,206
<i>Written-off to the Capital Adjustment Account</i>	8,147	5,980
Closing Balance	(176,070)	(159,884)

Financial Instruments Adjustment Account

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

Collection Fund Adjustment Account

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

Pension Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. A breakdown of the movements in this reserve is provided in note 3.19.

Accumulated Absences Account

The account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 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 & 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.

2012/13	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2013/14
£000		£000
	Reversal of items debited or credited to the CIES	
	Usable Reserves	
(429)	Capital grants & contributions unapplied movement to the CIES	(146)
	Unusable Reserves	
(17)	<i>Contribution from the Capital Receipts Reserve to finance the payments to the Housing Pool</i>	(7)
(32,613)	<i>Charges for depreciation of non-current assets</i>	(27,557)
(71,944)	<i>Charges for impairment of non-current assets</i>	(37,341)
0	<i>Charges for derecognition of non-current assets</i>	(18,733)
(27,732)	<i>Revaluation of Property, Plant and Equipment & Assets Held for sale</i>	(4,082)
(2,091)	<i>Amortisation of intangible assets</i>	(1,712)
41,225	<i>Capital grants and contributions applied</i>	30,795
(8,736)	<i>Revenue expenditure funded from capital under statute</i>	(12,790)
96	<i>Proportion of premiums incurred in previous years</i>	95
73	<i>Reversal of impact of Soft Loans and Stepped Loans</i>	9
(15,249)	<i>Retirement benefit adjustments debited or credited to the CIES</i>	(20,545)
711	<i>Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)</i>	701
489	<i>Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)</i>	820
6,242	<i>Movements in the market value of Investment Properties</i>	0
(83)	<i>Finance Lease Principal Receipt</i>	0
(844)	<i>Provision of Closed Landfill Site Costs - Capitalisation</i>	0
0	<i>Disinvestment of Available for Sale Assets</i>	(151)
0	<i>Adjustment to Management of Capital Reserve</i>	6
7,500	<i>Equal Pay Claim Reversal of Provision</i>	15,000
77	<i>Other movements</i>	72
	Inclusion of items not debited or credited to the CIES	
15,551	<i>Statutory provision for the financing of capital investment</i>	14,705
629	<i>Repayment of Transferred Debt Principal</i>	692
5,707	<i>Capital expenditure charged against the General Fund balance.</i>	12,897
0	<i>Finance Lease Repayment as Revenue Income</i>	(79)
(81,009)	Subtotal of adjustments affecting Unusable Reserves	(47,205)
(81,438)	Total Adjustments	(47,351)

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	Vehicles, Plant & Equip't	Infra- structure Assets	Community Assets	Under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1st April 2013	897,970	35,432	312,384	14,249	1,775	1,261,810
<i>Additions</i>	10,936	3,329	25,673	1,059	1,608	42,605
<i>Revaluation increase/(decreases) to RR*</i>	(1,232)	0	0	0	0	(1,232)
<i>Revaluation increase/(decrease) to SDPS*</i>	(2,428)	0	0	0	0	(2,428)
<i>Disposals</i>	(499)	0	0	0	0	(499)
<i>Derecognition</i>	(2,532)	(20)	(15,169)	(1,012)	0	(18,733)
<i>Reclassifications</i>	1,894	0	0	0	0	1,894
31st March 2014	904,109	38,741	322,888	14,296	3,383	1,283,417
Depreciation and Impairment						
1st April 2013	373,731	21,105	79,476	0	0	474,312
<i>Depreciation Charge</i>	19,715	1,987	5,855	0	0	27,557
<i>Disposals</i>	0	0	0	0	0	0
<i>Depreciation written out to the RR*</i>	(1,505)	0	0	0	0	(1,505)
<i>Depreciation written out to the SDPS*</i>	(2,188)	0	0	0	0	(2,188)
<i>Impairment losses/reversals to RR*</i>	8,457	0	0	0	0	8,457
<i>Impairment losses/reversals to SDPS*</i>	27,741	0	0	0	0	27,741
<i>Reclassifications</i>	(82)	0	0	0	0	(82)
31st March 2014	425,869	23,092	85,331	0	0	534,292
Net Book Value						
31st March 2014	478,240	15,649	237,557	14,296	3,383	749,125
1st April 2013	524,239	14,327	232,908	14,249	1,775	787,498

* RR = Revaluation Reserve

* SDPS = Surplus/Deficit on the Provision of Services

Changes to brought forward balances as at 1st April 2013

Following the implementation of a new financial system in 2013 it has been necessary to incorporate some changes to the brought forward balances for Cost and Depreciation. However, these changes net to zero and, as a result, have no impact on the balance sheet. These changes are summarised in the table below:

Other Land & Buildings		£000
<i>Cost or Valuation</i>	<i>Original amount</i>	905,504
	<i>Impact</i>	(7,534)
	Restated amount	897,970
<i>Depreciation and Impairment</i>	<i>Original amount</i>	381,265
	<i>Impact</i>	(7,534)
	Restated amount	373,731

Revaluation of Fixed Assets is undertaken within a 5 year rolling programme. This is a re-assessment of asset valuations and has been undertaken by qualified City Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". A key objective of the valuation process is to ensure that the overall carrying value of the Council's assets is not materially different to their fair value. The measurement bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.6.

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 2013/14 which has realigned the total value of our portfolio of property assets (see summary table note 3.11). £36.2m of impairment relates to Property, Plant & Equipment, £33.4m of which is in respect of eight schools transferring to academy status. School assets are specialised and belong to the 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).

Property, Plant & Equipment has been realigned to reflect derecognitions of £18.7m 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.

The basis upon which depreciation is charged for the different asset types is detailed in the accounting policies, see section 5.6.

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 was undertaken at the Transport Museum in 2013 which has resulted in a reduced valuation of the collection. The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2013 and the carried forward balance on 31st March 2014. 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 2013 £000	31st March 2014 £000
<i>Transport Museum Collection</i>	11,049	6,933
<i>Scientific</i>	20	20
<i>Clocks</i>	265	265
<i>Arms & Armour</i>	35	35
<i>Textiles</i>	5,035	5,035
<i>Silver</i>	375	375
<i>General</i>	132	132
<i>Natural History</i>	40	40
<i>Works of Art</i>	232	232
<i>Furniture</i>	140	140
<i>Visual Arts</i>	12,438	12,438
<i>Civic Regalia</i>	248	248
Total	30,009	25,893

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

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

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

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

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

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

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

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

Artefacts and archaeology relating to the Pottery and Ceramics Industry - The Authority holds a significant collection of pottery and ceramics at various sites that have been obtained via collection and archaeological finds. None of these collections satisfy the authority's capital de minimis policy and, although they warrant recognition in terms of their contribution to knowledge and culture, this is the reason they are not included in the Balance Sheet. One of the most significant collections of historic importance to Coventry is the collection from the Lunt Roman Fort which is now located at the Whitefriars site, circa 40 complete or near complete Roman "pots".

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

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

3.10 Non-Operational Assets

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

	Investment Property £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction £000	Total £000
Cost or Valuation					
1st April 2013	273,281	21,439	30,009	0	324,729
<i>Additions</i>	1,664	0	0	44	1,708
<i>Revaluation increase/(decrease) to RR*</i>	0	0	(3,836)	0	(3,836)
<i>Revaluation increase/(decrease) to SDPS*</i>	347	3,521	(280)	0	3,588
<i>Disposals</i>	(1,255)	(6,369)	0	0	(7,624)
<i>Derecognition</i>	0	0	0	0	0
<i>Reclassifications</i>	(933)	(961)	0	0	(1,894)
31st March 2014	273,104	17,630	25,893	44	316,671
Depreciation and Impairment					
1st April 2013	104,806	7,562	0	0	112,368
<i>Depreciation Charge</i>	0	0	0	0	0
<i>Disposals</i>	0	0	0	0	0
<i>Depreciation written out to the RR*</i>	0	0	0	0	0
<i>Depreciation written out to the SDPS*</i>	0	0	0	0	0
<i>Impairment losses/reversals to RR*</i>	0	0	0	0	0
<i>Impairment losses/reversals to SDPS*</i>	1,143	0	0	0	1,143
<i>Reclassifications</i>	0	81	0	1	82
31st March 2014	105,949	7,643	0	1	113,593
Net Book Value					
31st March 2014	167,155	9,987	25,893	43	203,078
1st April 2013	168,475	13,877	30,009	0	212,361

* RR = Revaluation Reserve

* SDPS = Surplus/Deficit on the Provision of Services

Changes to Brought Forward Balances as at 1st April 2013

Following the implementation of a new financial system in 2013 it has been necessary to incorporate some changes to the brought forward balances for Cost and Depreciation. Those changes are summarised in the tables below:

	Investment Property £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction £000	Total £000
Cost or Valuation					
<i>Original amount</i>	288,058	24,868	30,009	0	342,935
<i>Impact</i>	(14,777)	(3,429)	0	0	(18,206)
Restated amount	273,281	21,439	30,009	0	324,729
Depreciation and Impairment					
<i>Original amount</i>	119,583	10,991	0	0	130,574
<i>Impact</i>	(14,777)	(3,429)	0	0	(18,206)
Restated amount	104,806	7,562	0	0	112,368

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.

£1.1m impairment of Investment Property in 2013/14 reflects a decline in the market value of City Council assets, the majority of which are located in the City Centre. A further £7.6m 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 & Equipment Total £000	Non-Operational Assets Total £000	Total £000
Cost or Valuation			
1st April 2013	1,261,810	324,729	1,586,539
<i>Additions</i>	42,605	1,708	44,313
<i>Revaluation Increases/(decreases) to RR*</i>	(1,232)	(3,836)	(5,068)
<i>Revaluation Increases/(decreases) to SDPS*</i>	(2,428)	3,588	1,160
<i>Disposals</i>	(499)	(7,624)	(8,123)
<i>Derecognitions</i>	(18,733)	0	(18,733)
<i>Reclassifications</i>	1,894	(1,894)	0
31st March 2014	1,283,417	316,671	1,600,088
Depreciation and Impairment			
1st April 2013	474,312	112,368	586,680
<i>Depreciation Charge</i>	27,557	0	27,557
<i>Disposals</i>	0	0	0
<i>Depreciation written out to RR*</i>	(1,505)	0	(1,505)
<i>Depreciation written out to SDPS*</i>	(2,188)	0	(2,188)
<i>Impairment losses/reversals to RR*</i>	8,457	0	8,457
<i>Impairment losses/reversals to SDPS*</i>	27,741	1,143	28,884
<i>Reclassifications</i>	(82)	82	0
31st March 2014	534,292	113,593	647,885
Net Book Value			
31st March 2014	749,125	203,078	952,203
1st April 2013	787,498	212,361	999,859

* RR = Revaluation Reserve

* SDPS = Surplus/Deficit on the Provision of Services

3.12 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 3.33 Associated Company Interest and Holdings.

31st March 2013 £000	Long Term Investments	31st March 2014 £000
22,913	<i>Birmingham Airport Holdings Ltd</i>	22,913
7,550	<i>Coventry Solihull Waste Disposal Co (CSWDC)</i>	51,817
0	<i>University of Warwick Science Park Innovation Centre Ltd</i>	0
19	<i>Coventry Venture Capital</i>	5
0	<i>North Coventry Holdings Limited</i>	0
30,482	Total Long Term Investments	74,735

During 2013/14 £2.4m of preference shares in the Coventry and Solihull Waste Disposal Company were redeemed at par. Following this redemption, a valuation exercise undertaken by BDO LLP during 2013/14 has valued the City Council's combined interest of ordinary and preference shares in the company at £51.8m, an increase of £46.7m

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 recent exercise undertaken in 2014 has indicated that there is no material change in this valuation.

Following the sale of its interests in the BECTA/CAFCASS Building on the University of Warwick Science Park there was no further reason for Coventry Venture Capital to continue to trade. The Council received a special dividend of £26,505 in 2013/14 with the initial shareholder investment of £5,000 being repaid in 2014/15

3.13 Long Term Debtors

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

31st March 2013 £000	Long Term Debtors	31st March 2014 £000
199	Museum of British Road Transport	101
86	Housing Loans	86
1,066	Binley Innovation Centre	1,066
325	Pathways to Care Loans	292
806	Residential Property Debts	858
5	Coventry North Regeneration Ltd	5
138	Mortgages	123
298	Belgrade Theatre	292
30	Spon End Building Preservation Trust	28
37	Commercial Property	36
4,762	City College Car Park	4,685
2	Car Loans	2
2,430	Kickstart	2,412
14,289	Arena Coventry Limited Loan	14,173
0	Coombe	6,307
24,473	Total Long Term Debtors	30,466

3.14 Short Term Debtors

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

31st March 2013 £000	Debtors	31st March 2014 £000
8,766	Central Government Bodies	12,161
1,426	Other Local Authorities	853
7,226	NHS Bodies	12,668
1,093	Public Corporations	31
22,917	All Other Bodies	22,796
11,195	Debts Relating to Local Taxation	14,091
7,438	Payments in Advance	11,171
(19,646)	Impairment Allowance Account (Bad Debt Provision)	(21,313)
40,415	Total Debtors	52,458

3.15 Short Term Creditors

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

31st March 2013 £000	Creditors	31st March 2014 £000
(10,674)	Central Government Bodies	(9,121)
(6,626)	Other Local Authorities	(2,655)
(568)	NHS Bodies	(1,979)
(200)	Public Corporations	(43)
(30,945)	All Other Bodies	(38,051)
(1,805)	Creditors relating to taxation	(3,930)
(11,934)	Receipts in Advance	(7,230)
(62,752)	Total Creditors	(63,009)

3.16 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2013/14 is explained below:

Provisions	Self-Insurance and other provisions £000	Provision for Legal Claims £000	Total £000
1st April 2013	(8,665)	(15,559)	(24,224)
<i>Increase in provision</i>	(5,530)	0	(5,530)
<i>Amounts used</i>	964	74	1,038
<i>Unused amounts reversed</i>	822	15,000	15,822
31st March 2014	(12,409)	(485)	(12,894)

The split between short and long term provisions, as at 31st March 2014, is provided in the following table:

Provisions	Self-Insurance and other provisions £000	Provision for Legal Claims £000	Total £000
<i>Short Term Provisions</i>	(2,487)	(485)	(2,972)
<i>Long Term Provisions</i>	(9,922)	0	(9,922)
Total	(12,409)	(485)	(12,894)

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. The provision is used when insurance claims require settlement, the timing of which is uncertain. The level of this provision has gone down by £255k in 2013/14 and now stands at £5,966k. The Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the Movement in Reserves Statement in Section 2.3.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2013-14 and earlier financial years. As a result, the Council has estimated that a provision of £4,993k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This is included within the Self-Insurance and Other Provisions column, with £2,307k relating to short-term provisions and £2,686k relating to long-term provisions.

There is a further specific area relating to Equal Pay Claims where existing legal claims against the City Council have led to a financial provision being established. The Council has agreed claims that have cost £74k within 2013/14 in addition to previous settled claims amounting to £6,941k. As a result of the dismissal of the outstanding Employment Appeals Tribunal appeal against the Council in September 2013, the uncertainty that existed in this area has diminished significantly and the level of known outstanding claims are at a very low level. On balance the Council has determined that this is an appropriate time to reduce the overall level of remaining provision by £15,000k. This leaves a provision amounting to £485k in place, a level that is considered to be prudent relative to the likely maximum liability that the City Council might face.

3.17 Financial Instruments

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

	31st March 2013			31st March 2014		
	Long Term £000	Current £000	Total £000	Long Term £000	Current £000	Total £000
Liabilities at Amortised Cost						
<i>PWLB</i>	226,844	16,228	243,072	221,344	8,598	229,942
<i>Market Loans</i>	59,909	597	60,506	59,901	10,613	70,514
<i>Stock Issue</i>	12,004	233	12,237	12,004	236	12,240
<i>Other Local Authorities</i>	18,265	776	19,041	17,410	854	18,264
<i>PFI</i>	52,846	1,597	54,443	62,202	1,726	63,928
<i>Liabilities under Finance Leases</i>	10	5	15	0	0	0
Subtotal	369,878	19,436	389,314	372,861	22,027	394,888
<i>Creditors</i>	0	31,145	31,145	0	38,094	38,094
<i>Other</i>	0	663	663	0	569	569
Total Borrowings	369,878	51,244	421,122	372,861	60,690	433,551
Loans and Receivables						
<i>Long Term Debtors</i>	24,473	0	24,473	30,466	0	30,466
<i>Short Term Debtors</i>	0	14,605	14,605	0	14,582	14,582
<i>Fixed Term Cash Deposits</i>	0	15,819	15,819	0	40,060	40,060
<i>Other</i>	0	17	17	0	17	17
<i>Cash in Hand</i>	0	39,697	39,697	0	39,393	39,393
	24,473	70,138	94,611	30,466	94,052	124,518
<i>Available for Sale Financial Assets</i>	30,482	19,253	49,735	28,068	17,236	45,304
Total Investments	54,955	89,391	144,346	58,534	111,288	169,822

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 (£57,313k) is the total of current 'Fixed Term Cash Deposits' (£40,060k), plus 'Other' (£17k) plus 'Available for Sale Financial Assets' (£17,236k).

The 2013/14 Comprehensive Income and Expenditure Account include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets	
	measured at amortised cost	Loans and receivables	Available for sale assets	Total
	£000	£000	£000	£000
<i>Interest expense</i>	21,056	0	0	21,056
<i>Losses on derecognition</i>	0	0	0	0
<i>Impairment (gains) / losses</i>	0	(1,160)	0	(1,160)
Interest payable and similar charges	21,056	(1,160)	0	19,896
<i>Interest income</i>	0	(1,599)	(5,915)	(7,514)
Interest and investment income	0	(1,599)	(5,915)	(7,514)
<i>Gains on revaluation</i>	0	0	(46,804)	(46,804)
<i>Amounts recycled to the Income & Expenditure Account after impairment</i>	8	0	0	8
Surplus arising on revaluation of financial assets	8	0	(46,804)	(46,796)
Net (gain) / loss for the year	21,064	(2,759)	(52,719)	(34,414)

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 2014
- 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
- for PFI long term liabilities using corporate bond yields as indicative interest rates. Fair value at 31st March 2013 has been restated on this basis.
- 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 2013		31st March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<i>Financial Liabilities</i>				
▪ <i>PWLB</i>	243,072	312,987	229,942	281,446
▪ <i>Market Loans</i>	60,506	83,869	70,514	74,017
▪ <i>Stock Issue</i>	12,237	19,913	12,240	19,208
▪ <i>Other Local Authorities</i>	19,041	24,561	18,264	21,250
▪ <i>PFI</i>	54,443	117,954	63,928	110,523
▪ <i>Liabilities under Finance Leases</i>	15	15	0	0
▪ <i>Creditors</i>	31,145	31,145	38,094	38,094
▪ <i>Other</i>	663	663	569	569
Total Liabilities	421,122	591,107	433,551	545,107
Loans and Receivables	96,877	96,877	124,518	124,518

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 2013/14 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 2014 the policy limited the maximum that can be deposited with an institution at any point in time to £8m. Under the Treasury Management Strategy the Executive Director Resources will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

Deposits	Amounts as at 31st March 2014	Historical experience of default	Historical experience adjusted for market conditions as at 31st March 2014	Estimated maximum exposure to default & uncollectability
	£000	%	%	£000
	A	B	C	(A x C)
<i>Banks & Building Societies –AA Rated</i>	18,829	0.03%	0.03%	6
<i>Money Market & Collective Pooled Funds -AAA Rated</i>	42,298	0.00%	0.00%	0
<i>Collective Pooled Funds -Not Rated</i>	3,000	0.00%	0.00%	0
<i>UK Central & Local Government</i>	31,041	0.00%	0.00%	0
<i>Trade Debtors</i>	19,102	0.70%	0.70%	134
	114,270			140

The deposits set out above as at 31st March 2014 were held with financial institutions domiciled in a number of countries:-

Country	£000
<i>United Kingdom</i>	64,900
<i>Ireland</i>	30,268
Total	95,168

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 £5,438k of the £19,102k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
<i>Three to six months</i>	3,834
<i>Six months to one year</i>	967
<i>More than one year</i>	637
Total	5,438

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturity of Financial Liabilities	31st March 2013 £000	31st March 2014 £000
<i>Less than one year</i>	13,776	16,355
<i>Between one and two years</i>	6,354	12,825
<i>Between two and five years</i>	21,495	17,244
<i>Between six and ten years</i>	26,633	24,316
<i>More than ten years</i>	261,630	255,374
Total	329,888	326,114

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 value of variable interest rate exposure to £80.8m in 2013/14. 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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
<i>Increase in interest payable on variable rate borrowings</i>	590
<i>Increase in interest receivable on variable rate investments</i>	(550)
<i>Increase in government grant receivable for financing costs</i>	(2,056)
<i>Decrease in fair value of fixed rate investment assets</i>	0
Impact on Comprehensive Income and Expenditure Account	(2,016)
<i>Decrease in fair value of fixed rate borrowings liabilities.</i>	45,329

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 2013/14

Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £74,735k in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

All movements in the value of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general value of shares (positive or negative) would thus have resulted in a £3,737k gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2013/14.

Foreign Exchange Risk

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

3.18 Pension Costs

Figures in brackets relate to 2012/13.

Officers

In 2013/14 the City Council paid an employer's contribution of £21,675k, (£21,334k in 2012/13) representing 16.4% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2014/15 are estimated to be £25,490k. 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 2013/14, this amounted to £4,954k (£3,320k in 2012/13).

Further details on pension liabilities are provided in note 3.19.

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

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

Teaching Staff

In 2013/14 the City Council paid £11,679k (£12,599k in 2012/13) 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 2013/14 these amounted to £2,652k (£2,640k in 2012/13), representing 2.4% of pensionable pay.

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

NHS Staff

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

In 2013/14 the City Council paid £107k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14% of pensionable pay.

3.19 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.

All 2012/13 figures in note 3.19 have been restated. This is due to changes to IAS 19 which became compulsory for financial years beginning on or after 1 January 2013. 2012/13 figures were therefore restated to allow for meaningful comparisons between years.

Summary of Outcome

The overall decrease in the deficit is analysed as follows:

2012/13 *Restated				2013/14		
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
(391,940)	(32,842)	(424,782)	<i>Deficit b/fwd</i>	(492,904)	(35,900)	(528,804)
(24,657)	0	(24,657)	<i>Current Service Cost</i>	(31,255)	0	(31,255)
24,650	2,640	27,290	<i>Employer Contributions</i>	26,624	2,652	29,276
(38)	0	(38)	<i>Past Service Gain (Cost)</i>	(61)	0	(61)
35,846	0	35,846	<i>Return on Assets</i>	34,011	0	34,011
(54,362)	(1,450)	(55,812)	<i>Interest on Pension Liabilities</i>	(53,983)	(1,279)	(55,262)
(84,547)	(4,248)	(88,795)	<i>Remeasurements</i>	83,441	(1)	83,440
2,532	0	2,532	<i>Curtailment Gain /(Loss)</i>	3,140	0	3,140
(388)	0	(388)	<i>Administration Expenses</i>	(394)	0	(394)
(492,904)	(35,900)	(528,804)	Surplus/(Deficit)	(431,381)	(34,528)	(465,909)

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

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

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

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

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

2012/13 *Restated				2013/14		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
<u>Net Cost of Services</u>						
24,657	0	24,657	Current Service Cost	31,255	0	31,255
38	0	38	Past Service Costs (Gain)	61	0	61
(2,532)	0	(2,532)	Settlements and curtailments	(3,140)	0	(3,140)
388	0	388	Administration Expenses	394	0	394
<u>Financing and Investment Income and Expenditure</u>						
54,362	1,450	55,812	Interest cost	53,983	1,279	55,262
(35,846)	0	(35,846)	Expected return on scheme assets	(34,011)	0	(34,011)
41,067	1,450	42,517	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	48,542	1,279	49,821
<u>Other Post Employment Benefit Charged to CIES</u>						
84,547	4,248	88,795	Actuarial (gains) and losses	(83,441)	1	(83,440)
125,614	5,698	131,312	Total Post Employment Benefit Charged to the CIES	(34,899)	1,280	(33,619)
<u>Movement in Reserves Statement</u>						
(41,067)	(1,450)	(42,517)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(48,542)	(1,279)	(49,821)
<u>Actual amount charged against the General Fund for pensions in the year:</u>						
24,650		24,650	Employers contributions payable to scheme	26,624		26,624
	2,640	2,640	Retirement benefits payable to pensioners		2,652	2,652

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2014 is a loss of £26.777m.

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

<u>Local Government Pension Scheme</u>	2012/13	2013/14
	£000	£000
Opening balance at 1st April	736,658	816,341
Expected rate of return	35,846	34,011
Actuarial gains and losses	54,387	1,651
Employer contributions	24,650	26,624
Contributions by scheme participants	8,284	8,306
Benefits paid	(41,236)	(47,406)
Settlements	(1,860)	(472)
Administration Expenses	(388)	(394)
Closing balance at 31st March	816,341	838,661

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 £24.760m. (£89.845m in 2012/13)

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

<u>Reconciliation of present value of the scheme liabilities (defined benefit obligation):</u>	<u>2012/13</u> <u>£000</u>	<u>2013/14</u> <u>£000</u>
<i>LGPS & Teachers</i>		
Opening Balance at 1st April	1,161,440	1,345,145
Current Service Cost	24,657	31,255
Interest Cost	55,812	55,262
Contributions from scheme participants	8,284	8,306
<i>Remeasurement (gains) and losses:</i>		
(Gain)/loss arising from changes in financial assumptions	129,947	(103,282)
(Gain)/loss arising from changes in demographic assumptions	13,235	8,551
Experience (gain)/loss	0	12,942
Past service cost	38	61
Losses/(gains) on curtailment	867	2,961
Liabilities assumed on entity combinations	0	0
Benefits paid	(43,876)	(50,058)
Liabilities extinguished on settlements	(5,259)	(6,573)
Closing balance at 31st March	1,345,145	1,304,570

Basis for Estimating Assets and Liabilities

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

<u>The main assumptions used in the actuarial calculation are:</u>	<u>31st March</u> <u>2013</u>	<u>31st March</u> <u>2014</u>
Rate of CPI inflation	2.40%	2.40%
Rate of increase in salaries	4.15%	4.15%
Rate of increase in pensions	2.40%	2.40%
Discount rate	4.20%	4.40%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	22.1	22.9
Women	24.8	25.5
Longevity at 65 for future pensioners in 20 years time		
Men	23.9	25.1
Women	26.7	27.8

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

<u>Asset Categories</u>	<u>31st March 2013</u>		<u>31st March 2014</u>	
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Equities	452,415	55.4%	488,267	58.2%
Bonds	164,739	20.2%	159,011	19.0%
Property	69,715	8.5%	75,564	9.0%
Cash / Liquidity	27,021	3.3%	22,643	2.7%
Other	102,451	12.6%	93,176	11.1%
Total	816,341		838,661	

History of experience gains and losses

The actuarial gains / losses identified as movements in the pension reserve in 2013/14 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2014 Previous years figures are shown for comparison purposes.

	2009/10	2010/11	2011/12	2012/13	2013/14
<i>LGPS</i>					
<i>Asset Gain / (Loss)</i>	18.7%	1.0%	(4.5%)	5.6%	0.2%
<i>Liability Gain / (Loss)</i>	(22.8%)	2.7%	(3.3%)	(10.6%)	6.4%
<i>Unfunded Teachers</i>					
<i>Liability Gain / (Loss)</i>	0.0%	0.8%	3.3%	11.8%	0.0%

	2009/10	2010/11	2011/12	2012/13	2013/14
Scheme History	£000's	£000's	£000's	£000's	£000's
Present value of liabilities					
<i>LGPS</i>	(1,086,332)	(1,053,876)	(1,128,598)	(1,309,245)	(1,270,042)
<i>Teachers</i>	(34,609)	(32,658)	(32,842)	(35,900)	(34,528)
Fair value of assets					
<i>LGPS</i>	679,378	733,787	736,658	816,341	838,661
<i>Teachers</i>	0	0	0	0	0
Surplus/(deficit) in scheme					
<i>LGPS</i>	(406,954)	(320,089)	(391,940)	(492,904)	(431,381)
<i>Teachers</i>	(34,609)	(32,658)	(32,842)	(35,900)	(34,528)
TOTAL (deficit)	(441,563)	(352,747)	(424,782)	(528,804)	(465,909)

3.20 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:

2012/13 £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2013/14 £000
(32,613)	Depreciation	(27,557)
(71,944)	Impairment and Valuation Movements	(37,341)
(27,732)	Derecognition of Non-current Assets	(18,733)
6,242	Movement in the market value of Investment Properties	(4,082)
(2,091)	Amortisation	(1,712)
11,286	(Increase)/ Decrease in Impairment Provision for Bad Debts	(1,667)
11,605	(Increase)/ Decrease in Creditors and Provisions	8,360
(13,116)	Increase/ (Decrease) in Debtors	15,817
(129)	Increase/ (Decrease) in Inventory	74
(15,249)	Pension Liability	(20,545)
(454)	Non Cash items charged to the Net Surplus or Deficit on the Provision of Services	1,706
(134,195)	Total	(85,680)

2012/13 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2013/14 £000
41,225	Net Application of grants to capital financing	18,011
(2,764)	Council Tax & Business Rates Adjustments	994
38,461	Total	19,005

2012/13 £000	Net Cash Flows from Investing Activities	2013/14 £000
43,524	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	41,657
8,736	Other Payments for Investing Activities	0
(3,778)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(8,123)
(2,434)	Proceeds from Short Term & Long Term Investments	(2,400)
(42,670)	Other Receipts from Investing Activities *	(38,185)
3,378	Total	(7,051)

* The most significant element of this cash flow was £38m of grant income during 2013/14

2012/13 £000	Net Cash Flows from Financing Activities	2013/14 £000
989	Cash Receipts of Short and Long Term Borrowing	13,094
2,764	Council Tax & Business Rates Adjustments	(994)
2,127	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	1,511
706	Repayments of Short and Long Term Borrowing	762
(3,850)	Other Payments for Financing Activities *	22,181
2,736	Total	36,554

* The most significant element of this cash flow was a £24m net increase in short term cash deposits during 2013/14

2012/13 £000	Cash Flows from Interest and Dividends	2013/14 £000
(2,459)	<i>Interest received</i>	(1,574)
19,671	<i>Interest paid</i>	20,498
(686)	<i>Dividends received</i>	(1,371)
16,526	Total	17,553

2012/13 £000	Breakdown of Cash and Cash Equivalents	2013/14 £000
(127)	<i>Cash held by the council</i>	(146)
(8,140)	<i>Bank current accounts</i>	(1,325)
(31,430)	<i>On call deposits</i>	(37,922)
(39,697)	Total	(39,393)

3.21 Private Finance Initiative (PFI)

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

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

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

Caludon Castle School PFI Contract

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

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

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

In 2013/14 expenditure on unitary charge payments to the contractor was £3,220k, compared with £3,239k in 2012/13. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2014/15	1,029	854	1,098	2,981
2015/16 - 2018/19	4,930	3,038	3,890	11,858
2019/20 - 2023/24	7,466	3,521	3,905	14,892
2024/25 - 2028/29	8,841	3,480	2,965	15,286
2029/30 - 2033/34	10,539	3,570	1,920	16,029
2034/35	2,253	370	(120)	2,503
Total	35,058	14,833	13,658	63,549

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

The liability held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2013/14 are shown in the table below.

Loans	£000
Liability brought forward	(15,675)
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	842
Liability carried forward (breakdown below)	(14,833)
Long term liability	(13,979)
Current (liability) / debtor	(854)

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 period of the contract.

In 2013/14 expenditure on unitary charge payments to the contractor was £6,474k, compared with £6,365k in 2012/13. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2014/15	4,814	872	900	6,586
2015/16 - 2018/19	21,448	3,359	3,312	28,119
2019/20 - 2023/24	31,925	4,179	3,401	39,505
2024/25 - 2028/29	37,686	4,900	2,384	44,970
2029/30 - 2032/33	27,017	4,127	1,324	32,468
Total	122,890	17,437	11,321	151,648

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 2013/14 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
<i>Brought forward</i>	22,202
<i>Carried forward</i>	22,202
Depreciation and Impairments	
<i>Brought forward</i>	(13,748)
<i>Charged this year</i>	(188)
<i>Carried forward</i>	(13,936)
Balance Sheet carried forward	8,266
Balance Sheet brought forward	8,454
Long Term Loans	£000
Liability brought forward	(17,903)
<i>Adjustment to brought forward position</i>	0
<i>Unitary Charge (Lease repayment)</i>	466
Liability carried forward (breakdown below)	(17,437)
<i>Long term liability</i>	(16,565)
<i>Current (liability) / debtor</i>	(872)

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 period of the contract.

In 2013/14 expenditure on unitary charge payments to the contractor was £5,853k, compared with £5,073k in 2012/13. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2014/15	2,967	(117)	3,582	6,432
2015/16 - 2018/19	8,394	3,319	17,436	29,149
2019/20 - 2023/24	11,192	7,119	19,786	38,097
2024/25 - 2028/29	12,333	11,312	16,364	40,009
2029/30 - 2033/34	14,364	17,311	10,497	42,172
2034/35 - 2035/36	4,666	7,449	1,760	13,875
Total	53,916	46,393	69,425	169,734

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 2013/14 are shown in the tables below.

Operational Assets - Infrastructure	£000
Cost or Valuation	
<i>Brought forward</i>	24,530
<i>Assets transferred to operator</i>	0
<i>Initial recognition</i>	10,981
<i>Asset derecognition</i>	(478)
<i>Carried forward</i>	<u>35,033</u>
Depreciation and Impairments	
<i>Brought forward</i>	(255)
<i>Charged this year</i>	(578)
<i>Carried forward</i>	<u>(833)</u>
Balance Sheet carried forward	<u>34,200</u>
Balance Sheet brought forward	<u>24,275</u>

Long Term Loans	£000
Liability brought forward	(20,865)
<i>Liability to be recognised in year</i>	(10,981)
<i>Unitary Charge (Lease repayment)</i>	305
Liability carried forward (breakdown below)	<u>(31,541)</u>
<i>Long term liability</i>	(31,658)
<i>Current (liability) / debtor</i>	117

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

3.22 Officers' Remuneration (including exit packages)

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

The Council is required to disclose the number of employees whose remuneration during 2013/14 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:

2012/13		Remuneration Band - £	2013/14	
Schools staff	Other staff		Schools staff	Other staff
85	33	£50,000 - £54,999	68	44
38	41	£55,000 - £59,999	44	39
34	12	£60,000 - £64,999	23	13
14	6	£65,000 - £69,999	19	7
15	10	£70,000 - £74,999	7	6
3	3	£75,000 - £79,999	4	7
5	16	£80,000 - £84,999	5	10
2	0	£85,000 - £89,999	1	4
1	1	£90,000 - £94,999	3	0
1	0	£95,000 - £99,999	0	4
1	1	£100,000 - £104,999	0	2
1	0	£105,000 - £109,999	1	1
0	2	£110,000 - £114,999	1	0
0	0	£115,000 - £119,999	0	1
0	3	£120,000 - £124,999	0	2
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	1
0	1	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	1
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	1
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	0	£190,000 - £194,999	0	0
0	1	£195,000 - £199,999	0	1
200	130	Total	176	144

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 allowances; compensation for loss of employment; and pension contributions (employer's contributions and any other emoluments). The tables below provide the required disclosure:

Senior Employees -	Salary Inc Fees & Allowances	Loss of Office	Pension Contributions	Total Remuneration
2013/14	£	£	£	£
CHIEF EXECUTIVE				
<i>Martin Reeves</i>	175,000	0	28,788	203,788
MANAGEMENT BOARD				
<i>Executive Director Resources</i>	115,760	0	19,043	134,803
<i>Executive Director Place</i>	124,295	0	20,447	144,742
<i>Executive Director People</i>	130,101	0	21,402	151,503
<i>Director of Public Health</i>	123,517	0	16,800	140,317
<i>Director of Children, Learning & Young People</i>	51,790	0	8,519	60,309
<i>Director of Customer & Workforce Services</i>	45,944	152,109	7,558	205,611
TOTAL	766,407	152,109	122,557	1,041,073

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

Senior officers have not received any bonuses, expenses or benefits in kind during 2013/14

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
2013/14							£000	£000
£0 - £20,000	37	27	110	158	147	185	1,153	1,725
£20,001 - £40,000	8	4	35	57	43	61	1,230	1,675
£40,001 - £60,000	1	0	6	20	7	20	318	1,003
£60,001 - £80,000	0	0	5	11	5	11	336	771
£80,001 - £100,000	0	0	1	4	1	4	94	375
£100,000 - £150,000	0	0	1	7	1	7	127	880
£150,001 - £200,000	0	1	1	3	1	4	169	642
Totals in bandings	46	32	159	260	205	292	3,427	7,071
Add: Amounts provided for in CIES not included in bandings							2,062	529
Total cost included in CIES	46	32	159	260	205	292	5,489	7,600

3.23 Members' Allowances

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

Financial Year	2012/13	2013/14
	£000's	£000's
Basic Allowances	685	691
Other Allowances	275	277
Expenses	7	6
Total	967	974

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2013/14 no works or services were commissioned from companies in which members had an interest.

3.24 Related Party Transactions

The City Council is required to disclose the value of its material transactions with organisations and individuals deemed to be its related parties. A related party is one which has the potential to control or influence the Council or to be controlled or influenced by the Council. Transactions with related parties are disclosed to allow users of the financial statements to judge their impact on the accounts.

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the main transactions between the Council and government departments are set out in the income and expenditure account and in sections 3.30 and 3.31.

Other Public Bodies

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

- Pension contributions are made to the West Midlands Metropolitan Authorities Pension Fund, the Teachers Pensions Agency and NHS Business Services Authority. Further details of these payments are included in section 3.18.
- Precept payments are made to the West Midlands Police 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 Council has a combination of financial investment interests and/or group company interests in the following three companies with which there is judged to be a Related Party relationship

Coventry & Solihull Waste Disposal Company (CSWDC)

CSWDC is a company set up by Coventry City Council and Solihull Metropolitan Borough Council for the disposal of waste arising from the two authorities. During the year, the Council made payments of £6,053,718 to the company for services received and in return provided services to the value of £105,426 of which £6,362 was unpaid at 31st March 2014

In addition the Council received Business Rates payments of £631,140, dividends of £940,000 and a receipt of £2.4m from the company for the redemption of a proportion of the Council's preference shares.

Coventry North Regeneration Ltd (CNR)

There is a balance outstanding of £5,000 on cash flow assistance to CNR. In addition the City Council makes contributions to the company to support its payments. During the year contributions of £7,217 were made towards their expenses. As at 31st March 2014 the Council still owed CNR £1,827

Arena Coventry Ltd (ACL)

During the year the Council made payments of £17,584, to ACL for services received and in return provided services to the value of £97,030 of which £14,840 was unpaid as at 31st March 2014.

In addition the Council received Business Rates payments of £295,712 (£10,568 still owed at 31st March 2014) and loan repayments of £828,474 (£14,289,474 balance outstanding at 31st March 2014)

Officers

Salaries and other payments made to the Council's most senior officers are shown in note 3.22. Officers and close family members are also required to declare any other transactions with the Council or interests that they hold in companies or other similar organisations. A number of senior officers represent the Council on the boards of related companies and other organisations linked with the Council including NCH, 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 2013		31st March 2014		2013/14	
	Debtors	Creditors	Debtors	Creditors	Receipts from	Payments to
	£	£	£	£	£	£
<i>Cov & Warks Local Enterprise Partnership</i>	0	0	20,084	0	(34,967)	482,521
<i>Coventry Citizens Advice Bureau</i>	91	0	1,952	0	(6,305)	479,545
<i>Coventry Mysteries</i>	0	0	0	0	0	41,099
<i>Coventry University</i>	62,873	(12,869)	179,674	(25,090)	(319,074)	182,487
<i>Holy Trinity P C C</i>	0	0	0	0	200	(8)
<i>Living Environmental Trust</i>	0	0	325	0	0	(157)
<i>Old Coventrians Rugby Club</i>	0	0	0	0	(55)	0
<i>Rising Stars</i>	0	0	0	0	0	0
<i>Solace Enterprises Ltd</i>	0	0	0	0	790	0
<i>Sustainability West Midlands</i>	0	0	86	0	0	(72)
<i>Whitefairs Housing Group</i>	192,760	(502)	58,242	(26,209)	(413,569)	680,866

3.25 Contingent Liabilities

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

A Judicial Review held in June 2014 considered the Council's decision on 15th January 2013 to make a loan to Arena Coventry Limited. The initial judgement on the review found in the City Council's favour although a subsequent application has been made to the Court of Appeal. As a result uncertainty remains whether the final judgement will find for or against the City Council, whether or not it might result in a financial penalty for the City Council and what the size of that penalty might be. The Council's position is that it has acted lawfully in all respects and it will continue to strongly defend the claim. However, given the nature and significance of this issue it is appropriate to record it as a contingent liability.

3.26 Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the school Finance (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 2013/14 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
		1	2	3
A	Final DSG for 2013/14 before Academy Recoupment	30,739	227,732	258,471
B	Academy figure recouped for 2013/14	152	60,369	60,521
C	Total DSG after Academy Recoupment for 2013/14	30,587	167,363	197,950
D	Brought forward from 2012/13	3,815	0	3,815
E	Carry forward to 2013/14 agreed in advance	0	0	0
F	Agreed initial budgeted distribution in 2013/14	30,587	167,363	197,950
G	In year adjustments	206	(206)	0
H	Final budgeted distribution for 2013/14	30,793	167,157	197,950
I	Less: Actual central expenditure	28,929	0	28,929
J	Less: Actual ISB deployed to schools	0	167,157	167,157
K	Plus: Local authority contribution for 2013/14	0	0	0
L	Carry forward to 2014/15	1,864	0	1,864

Notes

A: DSG figure as announced by the Department in July 2013. (This does not include the Early Years January 2014 adjustment)

B: Figure recouped from the authority in 2013/14 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after DfE Academy recoupment for 2013/14.

D: Figure brought forward from 2012/13 as agreed with the Department.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2014/15 rather than distribute in 2013/14 - this may be the difference between estimated and final DSG for 2013/14, or a figure (positive or negative) brought forward from 2012/13 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.

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

I: Actual amount of central expenditure items in 2013/14.

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 2013/14 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2014/15, ie: For central expenditure, difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution. For ISB, difference between final budgeted distribution and amount actually deployed to schools, plus any local authority contribution. Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2014/15 already agreed.

3.27 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2013/14 has been financed:

31st March 2013 £000		31st March 2014 £000
439,430	<i>Opening Capital Financing Requirement</i>	427,228
	<u>Capital Investment</u>	
42,473	<i>Property, Plant and Equipment</i>	42,605
197	<i>Investment Properties</i>	1,707
2,091	<i>Intangible Assets</i>	1,712
8,736	<i>Revenue Expenditure Funded from Capital Under Statute</i>	12,790
14,400	<i>Debtors</i>	6,651
67,897	<i>Total Capital Investment</i>	65,465
	<u>Sources of Finance</u>	
(6,694)	<i>Capital Receipts</i>	(10,777)
(41,225)	<i>Government Grants and Other Contributions</i>	(30,795)
(5,707)	<i>Revenue Contributions</i>	(12,897)
(15,551)	<i>Revenue Provision for Debt Repayment</i>	(14,705)
(10,922)	<i>Other Adjustments</i>	(15,782)
(80,099)	<i>Total from Sources of Finance</i>	(84,956)
427,228	<i>Closing Capital Financing Requirement</i>	407,737
	<u>Explanation of movement in year</u>	
(15,551)	<i>Revenue Provision for Debt Repayment</i>	(14,705)
(629)	<i>Repayment of Transferred Debt Principal</i>	(692)
0	<i>Capital Investment funded by borrowing</i>	2,321
0	<i>Capital Receipts Applied to Repay Debt</i>	(2,312)
14,271	<i>Assets acquired under PFI/PPP contracts</i>	10,981
(7,500)	<i>Reduction of Capitalised Provision</i>	(15,000)
(2,793)	<i>Restatement of Historic Debt Liability</i>	(84)
(12,202)	Increase/(decrease) in Capital Financing Requirement	(19,491)

The Capital Financing Requirement includes a reduction of £15,000k in respect of a provision for equal pay costs which was capitalised in 2008/09, but is no longer required.

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£54,484k), includes all the items recorded under capital investment above (£65,465k) less new assets recorded as part of the Street Lighting PFI contract (£10,981k).

3.28 Revaluation of Non-Current Assets

The following statement shows the total value of the revaluations carried out in the financial years 2009/10 to 2013/14. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies.

Year of revaluation	Revaluation of Property, Plant & Equipment £000	Revaluation of Non-Operational Assets £000	Total Value of Revaluations £000
<i>Valued at historical cost</i>	0	0	0
<i>Valued at current value in:</i>			
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
2013/14	34	(247)	(213)
Total	15,489	36,798	52,287

3.29 Capital Commitments

The City Council has an approved capital programme for 2014/15 of £141.6m and a provisional programme of £96.1m for 2015/16 and £59.4m for 2016/17. The following are significant contracts legally committed to finish projects already started on 31st March 2014

Significant Capital Commitments 2013/14	Outstanding Commitment £000	Contract Value £000	Date for Completion
<i>Nuckle - Sable Leigh Consultancy Limited</i>	954	1,400	01/10/2015
<i>Far Gosford Street Phase 2 - Mazing Limited</i>	1,019	1,038	30/06/2015
<i>Fargo Village - Mazing Limited</i>	2,963	3,368	30/06/2015
<i>Bridge Deck - Costains</i>	9,505	9,505	30/06/2015
<i>AT7 Centre - Willmott Dixon</i>	2,598	7,518	18/08/2014
<i>Increasing Pupil Places 2014 - Patnering Contractor</i>	6,598	12,454	05/09/2014
	23,637	35,283	

3.30 Analysis of Capital Grants

2012/13 £000	Grant / Grant Body	2013/14 £000
16,086	Education Funding Agency	11,437
4,925	Department for Transport	7,417
1,784	Homes & Communities Agency	77
0	Department for Energy & Climate Change	421
852	Department of Health	637
1,291	Department for Communities & Local Government	1,607
11,897	Department for Business, Innovation & Skills	1,673
1,706	European Regional Development Fund	3,051
195	Heritage Lottery Fund	1
918	Centro Highways & Transportation Grants & Contributions	1,810
377	Other Capital Grants & Contributions (Gov)	0
1,194	Other Capital Grants & Contributions (Non-Gov)	2,664
41,225	Total	30,795

2013/14 Capital Grant total of £30,795k is comprised of £30,649k received in year (see section 2.2) and £146k applied from reserves (see section 2.3)

In addition the Council's Balance Sheet (as at 31st March 2014) reflects Capital Grants received in advance of £9,769k.

3.31 Analysis of Revenue Grants

2012/13 £000	Grant	2013/14 £000
202,559	Dedicated Schools Grant (DSG) *	197,846
110,499	Contribution from Non-Domestic Rate Pool	0
128,997	Housing Benefit Subsidy	131,233
38,575	Revenue Support Grant (Formula Grant element)	106,183
29,132	Council Tax Benefit Subsidy	0
15,684	Early Intervention Grant	0
0	EFA School Sixth Form Grant	7,480
10,427	Skills Funding Agency Grants	6,134
8,607	Private Finance Initiative Grants	8,607
7,916	Pupil Premium Grant	11,318
0	Education Support Grant	5,332
0	Primary Care Trust Contribution	5,462
0	Public Health Grant	17,832
25,633	Other revenue grants & contributions (Govt.)	27,836
16,121	Other revenue grants & contributions (Non-Govt.)	2,565
594,150	Total	527,828

* Section 3.26 identifies a total DSG funded budget of £197,950k. This includes a separate £104k of resources provided through an alternative route.

3.32 Leases

Authority as Lessee

Finance Leases

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

	31st March 2013 £000	31st March 2014 £000
<i>Other Land and Buildings</i>	1,705	1,705
<i>Vehicles, Plant, Furniture and Equipment</i>	70	24
	1,775	1,729

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 2013 £000	31st March 2014 £000
<i>Finance lease liabilities :</i>		
- current	5	0
- non-current	10	0
<i>Finance costs payable in future years</i>	277	291
Minimum Lease Payments	292	291

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

	31st March 2013 £000	31st March 2014 £000
<i>Not later than one year</i>	15	0
<i>Later than one year and not later than five years</i>	10	24
<i>Later than five years</i>	267	267
	292	291

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 2013/14 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 2013 £000	31st March 2014 £000
<i>Not later than one year</i>	339	196
<i>Later than one year and not later than five years</i>	687	583
<i>Later than five years</i>	33	8
	1,059	787

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 2013 £000	31st March 2014 £000
<i>Finance lease debtor (net present value of minimum lease payments):</i>		
- current	87	92
- non-current	4,675	4,584
<i>Unearned finance income</i>	4,013	3,775
<i>Unguaranteed residual value of property</i>	0	0
Gross Investment in the lease	8,775	8,451

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

	31st March 2013 £000	31st March 2014 £000
<i>Not later than one year</i>	325	325
<i>Later than one year and not later than five years</i>	1,300	1,300
<i>Later than five years</i>	7,150	6,826
	8,775	8,451

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 2013/14, no contingent rents were receivable by the Authority.

Operating Leases

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

	31st March 2014 £000
<i>Not later than one year</i>	1,800
<i>Later than one year and not later than five years</i>	4,800
<i>Later than five years</i>	5,500
Total	12,100

3.33 Associated Company Interests & Holdings

The City Council maintains investments and/or interests in a number of companies. The following summarises the latest information and where applicable the latest audited accounts.

Companies in which the City Council maintain investments as shown in note 3.12.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
Arena Coventry Ltd (Company Registration Number: 0440684)		31st March 2013	31st March 2014
<i>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.</i>	<i>Net Assets(liabilities)</i>	7,906	6,049
	<i>Profit (loss) before taxation</i>	1,290	(992)
	<i>Profit (loss) after taxation</i>	1,290	(992)
Arena Coventry (2006) Ltd (Company Registration Number: 05675263)			
<i>ACL owns 100% of shares in a subsidiary - Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.</i>		<i>Consolidated into ACL accounts above</i>	
International Events Centre Experience Ltd (Company Registration Number: 08039699)			
<i>ACL owns 77% of shares in its subsidiary International Events Centre Experience Ltd. IECE is a conference, convention and exhibition centre.</i>		<i>Consolidated into ACL accounts above</i>	
<i>Copies of ACL's, International Events Centre Experience Ltd's and Arena Coventry (2006) Ltd's accounts can be acquired from: Company Secretary, Arena Coventry Ltd, Ricoh Arena,, Phoenix Way, Foleshill, Coventry , CV6 6GE</i>			
Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)		31st March 2013	31st March 2014
<i>The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns :</i>	<i>Net Assets</i>	263,489	196,327
<i>5.8% of the 324m ordinary shares</i>	<i>Profit before taxation</i>	16,496	18,774
<i>£1.8 million preference shares</i>	<i>Profit after taxation</i>	10,849	12,462
Coventry North Regeneration Ltd (Company Registration Number: 4523598)		31st March 2013	31st March 2014
<i>NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Ltd (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.</i>	<i>Net Assets</i>	0	0
	<i>Profit (loss) before taxation</i>	0	0
	<i>Profit (loss) after taxation</i>	0	0
<i>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. Post completion, the Company's principal activity is to act as landlord of the Arena.</i>			
<i>Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR</i>			
Coventry Venture Capital Ltd (Company Registration Number: 02108107)		31st March 2013	31st March 2014
<i>The company has sold it's investment in a property on the University of Warwick Science Park and is in the process of being wound up, as a consequence no audited accounts are being produced for 2013-14</i>	<i>Net Assets(liabilities)</i>	29	29
	<i>Profit before taxation</i>	2	9
<i>The Council holds; 5,000 preferred ordinary shares (17.53%)</i>	<i>Profit after taxation</i>	2	8

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)		31st March	31st March
		2013	2014
<i>The company's business is the disposal of waste. It is jointly owned by CCC and Solihull Metropolitan Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.</i>	Net Assets	9,089	13,290
<i>The City Council owns:</i>	Profit before taxation	6,119	7,085
<i>66% of the ordinary share capital</i>	Profit (loss) after taxation	4,660	5,614
<i>66% of the preference share capital</i>			
<i>The preference shares are redeemable at the option of the company and the two Councils at their par value (£7.7m). 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.</i>			
North Coventry Holdings Ltd (Company Registration Number: 4931967)		31st March	31st March
		2013	2014
<i>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.</i>	Net Assets	0	0
	Loss before taxation	0	0
	Loss after taxation	0	0
<i>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 Ltd. 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.</i>			
<i>Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR</i>			
University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)		31st Jul	31st Jul
		2012	2013
<i>This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.</i>	Net Assets/(liabilities)	(1,750)	(2,045)
	Profit (loss) before taxation	(100)	(296)
	Profit (loss) after taxation	(100)	(296)
<i>The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.</i>			

Where not specifically stated above, copies of company accounts can be obtained directly from Companies House (www.companieshouse.gov.uk)

3.34 Other Funds

The City Council administers a number of funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and purposes. The balance on these funds as at 31st March 2014 was £9,771k (£10,199k as at 31st March 2013) and is held on the balance sheet as a creditor. The main funds held relate to:

- Developers contributions of £7,673k (£8,199k as at 31st March 2013) - e.g. Section 106 amounts;
- Tenants contributions of £1,640k (£1,663k as at 31st March 2013) - towards essential repair and maintenance of common areas in multi occupied buildings;
- Social Services Clients Funds of £129k (£129k as at 31st March 2013) – funds held on behalf of Social Services clients;
- Other funds of £329k (£208k as at 31st March 2013), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

3.35 Audit Note

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

2012/13 £000	Audit Fees	2013/14 £000
230	<i>Fees payable in respect of external audit services</i>	235
32	<i>Fees payable in respect of certification of grant claims and returns</i>	18
18	<i>Fees payable in relation to other services</i>	0
280	Total Fees	253

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

3.36 Prior Period Restatements

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

- Issue 1: Changes to the accounting standards for employee benefits (IAS 19)
- Issue 2: Reclassification of the reversal of the equal pay provision.
- Issue 3: Rental income had been incorrectly accrued.

These have resulted in changes to the accounting treatment for financial years starting on or after 1 January 2013.

The impact of these issues on the main financial statements is detailed below

Issues 1 and 2 have required restatement of the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement, Cash Flow Statement and the associated disclosure notes (i.e. IAS 19 - Retirement Benefits). Issue 1 has also resulted in a change to the accounting policies in relation to employee benefits. There is no associated change in the overall income and expenditure position as a result of either Issue 1 or 2. The restatements resulting from these issues are exemplified in the following tables:

EXTRACT FROM THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT		Gross Expenditure £000	2012/13 Gross Income £000	Net Expenditure £000
<i>Non-distributed costs</i>	<i>Original amounts</i>	25,721	(8,406)	17,315
	Impact of Issue 1	388	0	388
	Impact of Issue 2	(7,500)	(77)	(7,577)
	Restated amounts	18,609	(8,483)	10,126
<i>Cost of Services (sub-total)</i>	<i>Original amounts</i>	874,165	(525,370)	348,795
	Impact of Issue 1	388	0	388
	Impact of Issue 2	(7,500)	(77)	(7,577)
	Restated amounts	867,053	(525,447)	341,606
Pension Interest Cost and Return on Assets	<i>Original amount</i>			12,327
	Impact of Issue 1			(12,327)
	Restated amount (category removed)			0
<i>Net interest on the net defined benefit liability</i>	<i>Original amount</i>			0
	Impact of Issue 1			20,556
	Restated amount (new category)			20,556
<i>Finance and Investment Income and Expenditure (sub-total)</i>	<i>Original amount</i>			20,841
	Impact of Issue 1			8,229
	Restated amount			29,070
<i>(Surplus)/Deficit on the Provision of Services</i>	<i>Original amount</i>			72,773
	Impact of Issue 1			8,617
	Impact of Issue 2			(7,577)
	Restated amount (also in MiRS and CFS)			73,813
Actuarial (gains)/losses on pension assets and liabilities	<i>Original amount</i>			97,412
	Impact Issue 1			(97,412)
	Restated amount (category removed)			0

	<i>Original amount</i>	0
<i>Remeasurement of the net defined benefit liability</i>	Impact of Issue 1	88,795
	Restated amount (new category)	88,795
	<i>Original amount</i>	89,444
<i>Sub-total of other comprehensive Income & Expenditure</i>	Impact of Issue 1	(8,617)
	Impact of Issue 2	7,577
	Restated amount	88,404

Extract from Movement in Reserves Statement (MiRS)	General Fund	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000
	<i>Original amount</i>	(80,398)	(79,969)
Adjustments between Accounting Basis and Funding Basis under Resolutions	Impact of Issue 1	(8,617)	8,617
	Impact of Issue 2	7,577	(7,577)
	Restated amount	(81,438)	81,009

Extract from Cash Flow Statement (CFS)	£000
	<i>Original amount</i>
Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(133,155)
	Impact of Issue 1
	(8,617)
	Impact of Issue 2
	7577
	Restated amount
	(134,195)

Issue 3 has required a correction to the treatment of rental income. Property rent had previously been accrued on the basis of invoices raised, rather than when the income was receivable. This had resulted in £2,266k of income being incorrectly accrued. This treatment is historic and, as such, has led to an overstatement of the reserves and short term debtors.

This issue has required restatement of the Balance Sheet and Movement in Reserves Statement

Extract from Balance Sheet as at 31st March 2013	£000
	<i>Original amount</i>
<i>Short Term Debtors</i>	42,681
	Impact of Issue 3
	(2,266)
	Restated amount
	40,415

	<i>Original amount</i>	(73,531)
<i>Usable Reserves</i>	Impact of Issue 3	2,266
	Restated amount	(71,265)

Extract from Movement in Reserves	£000
	<i>Original amount</i>
<i>General Fund Reserves as at 31/03/12</i>	(6,032)
	Impact of Issue 3
	2,266
	Restated amount
	(3,766)

	<i>Original amount</i>	(9,570)
<i>General Fund Reserves as at 31/03/13</i>	Impact of Issue 3	2,266
	Restated amount	(7,304)

3.37 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 2014.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IAS 1 Presentation of Financial Statements

There has also been a change in the guidance regarding the recognition of schools on the Council's Balance Sheet. Currently 65 schools are recognised. The changes could result in a further 30 schools being added.

The Authority will consider the impact of these changes and reflect them as necessary in its financial statements.

4. Additional Financial Statements – Group Accounts

4.1 Overview of Group Accounts

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

Note 3.33 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and 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 2014 have been used and draft accounts as at 31st March 2014 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

Gross Expenditure <i>*Restated</i> £000	2012/13 Gross Income <i>*Restated</i> £000	Net Expenditure <i>*Restated</i> £000	SERVICE ANALYSIS	Gross Expenditure £000	2013/14 Gross Income £000	Net Expenditure £000
119,413	(40,316)	79,097	Adult Social Care	104,153	(27,859)	76,294
58,737	(40,376)	18,361	Central Services to the Public	28,461	(6,817)	21,644
395,412	(272,539)	122,873	Children's & Education Services	368,237	(253,034)	115,203
25,822	(2,192)	23,630	Cultural & Related Services	22,133	(2,027)	20,106
26,833	(7,428)	19,405	Environmental & Regulatory Services	28,078	(5,051)	23,027
17,187	(4,188)	12,999	Planning Services	13,009	(4,267)	8,742
45,511	(12,722)	32,789	Highways and Transport Services	38,067	(13,503)	24,564
149,091	(137,193)	11,898	Housing Services	149,991	(137,403)	12,588
0	0	0	Public Health	23,826	(18,314)	5,512
10,438	(10)	10,428	Corporate and democratic core	15,818	(1,284)	14,534
18,609	(8,483)	10,126	Non-Distributed Costs *	(8,346)	(6,927)	(15,273)
0	(20,089)	(20,089)	Turnover Joint Venture	0	(20,669)	(20,669)
15,529	0	15,529	Cost of Sales Joint Venture	15,964	0	15,964
882,582	(545,536)	337,046	Cost of Services	799,391	(497,155)	302,236
		17,480	Other Operating Expenditure			16,952
		29,070	Finance and Investment Income and Expenditure *			23,498
		0	Profit or Loss on Discontinued Operations			0
		(314,517)	Taxations and Non-Specific Grant Income			(309,893)
		69,079	(Surplus) / Deficit on the Provision of Services *			32,793
		302	Associates and JV's accounted for on Equity Basis			277
		972	Tax Expenses			981
		70,353	Group (Surplus) or Deficit			34,051
		(196)	(Surplus)/Deficit on revaluation of non current assets			(3,869)
		(195)	(Surplus)/Deficit on revaluation of available for sale financial assets			(137)
		88,795	Actuarial (gains) or losses on pension assets and liabilities *			(83,440)
		(748)	Share of other comprehensive income and expenditure of associates & joint ventures			1,608
		87,656	Sub-total of other comprehensive Income and Expenditure *			(85,838)
		158,009	Total Comprehensive Income and Expenditure (Surplus)/Deficit			(51,787)

*Restated 2012/13 figures as per section 3.36

4.3 GROUP MOVEMENT IN RESERVES STATEMENT

GROUP USABLE RESERVES AND OVERALL POSITION 2013/14

	General Fund Reserves	School Reserves	Insurance Fund Reserves	Other Earmarked Reserves	Mgmt. of Capital	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2013	(7,304)	(19,395)	(4,154)	(33,957)	(5,553)	(902)	(71,265)	(114,491)	(185,756)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis)</i>	37,476	0	0	0	0	0	37,476	(3,425)	34,051
<i>Other Comprehensive Income and Expenditure</i>	0	0	0	0	0	0	0	(85,838)	(85,838)
Total Comprehensive Income and Expenditure	37,476	0	0	0	0	0	37,476	(89,263)	(51,787)
<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	(47,351)	0	0	0	0	146	(47,205)	47,205	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(9,875)	0	0	0	0	146	(9,729)	(42,058)	(51,787)
<i>Transfers (to) / from Earmarked Reserves</i>	9,851	896	806	(15,237)	3,684	0	0	0	0
(Increase) / Decrease in Year	(24)	896	806	(15,237)	3,684	146	(9,729)	(42,058)	(51,787)
31st March 2014	(7,328)	(18,499)	(3,348)	(49,194)	(1,869)	(756)	(80,994)	(156,549)	(237,543)

GROUP UNUSABLE RESERVES 2013/14

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Profit & Loss	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2013	(472,718)	(176,070)	2,192	(1,323)	528,804	5,116	(11,317)	10,825	(114,491)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis)</i>	0	0	0	0	0	0	0	(3,425)	(3,425)
<i>Other Comprehensive Income and Expenditure</i>	0	(3,869)	0	0	(83,440)	0	(137)	1,608	(85,838)
Total Comprehensive Income and Expenditure	0	(3,869)	0	0	(83,440)	0	(137)	(1,817)	(89,263)
<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	8,079	20,055	(104)	(701)	20,545	(820)	151	0	47,205
(Increase) / Decrease in Year	8,079	16,186	(104)	(701)	(62,895)	(820)	14	(1,817)	(42,058)
31st March 2014	(464,639)	(159,884)	2,088	(2,024)	465,909	4,296	(11,303)	9,008	(156,549)

GROUP USABLE RESERVES AND OVERALL POSITION 2012/13 COMPARATIVES (Restated)

	General Fund Reserves	School Reserves	Insurance Fund Reserves	Other Earmarked Reserves	Mgmt. of Capital	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	*Restated £000	£000	£000	£000	£000	£000	*Restated £000	*Restated £000	*Restated £000
31st March 2012	(3,766)	(20,312)	(4,389)	(29,839)	(4,432)	(1,331)	(64,069)	(279,696)	(343,765)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis) *</i>	73,813	0	0	0	0	0	73,813	(3,460)	70,353
<i>Other Comprehensive Income and Expenditure *</i>	0	0	0	0	0	0	0	87,656	87,656
Total Comprehensive Income and Expenditure *	73,813	0	0	0	0	0	73,813	84,196	158,009
<i>Adjustments between Accounting Basis and Funding Basis under Regulations *</i>	(81,438)	0	0	0	0	429	(81,009)	81,009	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(7,625)	0	0	0	0	429	(7,196)	165,205	158,009
<i>Transfers (to) / from Earmarked Reserves</i>	4,087	917	235	(4,118)	(1,121)	0	0	0	0
(Increase) / Decrease in Year	(3,538)	917	235	(4,118)	(1,121)	429	(7,196)	165,205	158,009
31st March 2013	(7,304)	(19,395)	(4,154)	(33,957)	(5,553)	(902)	(71,265)	(114,491)	(185,756)

*Restated 2012/13 figures as per section 3.36

GROUP UNUSABLE RESERVES 2012/13 COMPARATIVES (Restated)

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Profit & Loss	Total Unusable Reserves
	£000	£000	£000	£000	*Restated £000	£000	£000	£000	*Restated £000
31st March 2012	(531,700)	(184,021)	2,361	(612)	424,760	5,605	(11,122)	15,033	(279,696)
<i>(Surplus) or Deficit on Provision of Services (Accounting Basis)</i>	0	0	0	0	0	0	0	(3,460)	(3,460)
<i>Other Comprehensive Income and Expenditure *</i>	0	(196)	0	0	88,795	0	(195)	(748)	87,656
Total Comprehensive Income and Expenditure *	0	(196)	0	0	88,795	0	(195)	(4,208)	84,196
<i>Adjustments between Accounting Basis and Funding Basis under Regulations *</i>	58,982	8,147	(169)	(711)	15,249	(489)	0	0	81,009
(Increase) / Decrease in Year	58,982	7,951	(169)	(711)	104,044	(489)	(195)	(4,208)	165,205
31st March 2013	(472,718)	(176,070)	2,192	(1,323)	528,804	5,116	(11,317)	10,825	(114,491)

*Restated 2012/13 figures as per section 3.36

4.4 GROUP BALANCE SHEET

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

As at 31st March 2013 £000	Balance Sheet	As at 31st March 2014 £000	Section Ref.
787,498	Property, Plant and Equipment	749,125	
30,009	Heritage Assets	25,893	
168,475	Investment Property	167,198	
22,932	Long Term Investments	22,918	
29,914	Investment in Associates and Joint Ventures	29,331	4.9
24,473	Long Term Debtors	30,466	
1,063,301	Long Term Assets	1,024,931	
35,089	Short Term Investments	57,313	
425	Inventories	499	
40,426	Short Term Debtors	52,467	
39,697	Cash and Cash Equivalents	39,393	
13,877	Assets held for Sale	9,987	
129,514	Current Assets	159,659	
(20,099)	Short Term Borrowing	(22,596)	
(62,758)	Short Term Creditors	(63,013)	
(1,591)	Short Term Provisions	(2,972)	
0	Liabilities in Disposal Groups	0	
(84,448)	Current Liabilities	(88,581)	
(22,633)	Long Term Provisions	(9,922)	
(369,883)	Long Term Borrowing	(372,866)	
(528,804)	Other Long Term Liabilities	(465,909)	
(1,291)	Capital Grants Receipts in Advance	(9,769)	
(922,611)	Long Term Liabilities	(858,466)	
185,756	Net Assets	237,543	
(71,265)	Usable Reserves	(80,994)	
(114,491)	Unusable Reserves	(156,549)	4.9
(185,756)	Total Reserves	(237,543)	

4.5 GROUP CASH FLOW STATEMENT

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

Note 3.20 presents an analysis of the amounts included in the provision of services for noncash movements, items included in the provision of services that are investing and financing activities, investing activities and financing activities.

2012/13 <i>*Restated</i> £000's	Cash Flow Statement	2013/14 £000's
70,353	<i>Net (Surplus) or Deficit on the Provision of Services*</i>	34,051
(130,735)	<i>Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*</i>	(82,255)
38,461	<i>Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</i>	19,005
(21,921)	Net Cash Flows from Operating Activities	(29,199)
3,378	<i>Investing Activities</i>	(7,051)
2,736	<i>Financing Activities</i>	36,554
(15,807)	Net (Increase) or Decrease in Cash and Cash Equivalents	304
(23,890)	<i>Cash and Cash Equivalents at the Beginning of the Reporting Period</i>	(39,697)
(39,697)	<i>Cash and Cash Equivalents at the End of the Reporting Period</i>	(39,393)

*Restated 2012/13 figures as per section 3.36

4.6 RECONCILIATION OF SINGLE ENTITY TO GROUP ACCOUNTS

Income and Expenditure Surplus / Deficit

2012/13 <i>*Restated</i> £000	Reconciliation of Single Entity to Group (Surplus) / Deficit	2013/14 £000
73,813	<i>(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year*</i>	37,476
(8)	<i>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</i>	(7)
73,805	<i>(Surplus) / Deficit in the Group Income & Expenditure attributable to the Authority*</i>	37,469
	<i>Add: (Surplus) / Deficit arising from other entities included in the Group Accounts</i>	
8	<i>Subsidiaries</i>	7
(3,460)	<i>Joint Ventures</i>	(3,425)
70,353	Group Account (Surplus) / Deficit for the year*	34,051

*Restated 2012/13 figures as per section 3.36

Adjustment for Non Cash Items in the Cash Flow Statement

2012/13 <i>*Restated</i> £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	2013/14 £000
(134,195)	<i>Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*</i>	(85,680)
3,460	<i>Total Non Cash Adjustments included in the Group Accounts</i>	3,425
(130,735)	<i>Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*</i>	(82,255)

*Restated 2012/13 figures as per section 3.36

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.

2012/13 £000	Group Tax Expense	2013/14 £000
CURRENT TAX:		
1,137	<i>Current Tax Expense / (Income)</i>	1,093
<u>(17)</u>	<i>Adjustment Recognised in the Period for Current Tax of Prior Periods</i>	<u>(8)</u>
1,120	Total Current Tax	1,085
DEFERRED TAX:		
(105)	<i>Origination and Reversal of Temporary Differences</i>	27
(43)	<i>Changes in Tax Rates or the Imposition of New Taxes</i>	(131)
<u>0</u>	<i>Adjustment Recognised in the Period for Deferred Tax of Prior Periods</i>	<u>0</u>
(148)	Total Deferred Tax	(104)
972	Total Tax Expense	981

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 3.33 to the single entity accounts.

Financial Liabilities

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

	2012/13 £000	2013/14 £000
'A' Preference Shares of £1 each	7,550	5,150
'B' Preference Shares of £1 each	3,775	2,575
Total	11,325	7,725

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 31st March 2015.

Related Party Transactions

Details of related party transactions are provided in section 3.24.

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 2014.

Information relating to the proportion of shares held by Coventry City Council is included in note 3.33 to the single entity accounts.

Related Party Transactions

Details of related party transactions are provided in section 3.24.

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 3.24.

4.9 Notes to the Group Balance Sheet

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

The group accounts exclude the long term investment of £51,817k in CSWDC as included in the single entity accounts. The associated gain on revaluation of available for sale financial assets of £46,667k is excluded from the Group Comprehensive Income and Expenditure Account.

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

Share in Gross Assets of Joint Ventures - Made up of £38.501m for Coventry & Solihull Waste Disposal Company and £10.407m for Arena Coventry Limited.

Share in Gross Liabilities of Joint Ventures - Made up of £9.917m for Coventry & Solihull Waste Disposal Company and £9,660m for Arena Coventry Limited.

31st March 2014	CSWDC £000	ACL £000	Total £000
Share in Gross Assets of Joint Ventures	38,501	10,407	48,908
Share in Gross Liabilities of Joint Ventures	(9,917)	(9,660)	(19,577)
Total	28,584	747	29,331

31st March 2013	CSWDC £000	ACL £000	Total £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)
Total	28,183	1,731	29,914

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	2012/13 £000	2013/14 £000
Single Entity	(92,127)	(179,035)
CSWDC	(20,633)	23,233
ACL	(1,731)	(747)
Group Unusable Reserves	(114,491)	(156,549)

Additional information relating to subsidiaries and joint ventures, including net assets and results, and where accounts of the companies may be acquired are included in note 3.33 to the single entity accounts.

5. Statement of Accounting Policies

5.1 General

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

5.2 Changes in Accounting Policies

The accounting policies for Post-Employment Benefits (within section 5.14) have been amended to reflect the 2013/14 Code changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19. Section 5.14 has also been amended to reflect the transfer of NHS staff as part of the authority's additional Public Health responsibilities.

5.3 Accruals of Income and Expenditure

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

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

5.4 Provisions

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

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

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

5.5 Reserves

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

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

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

Property, Plant & Equipment

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

Investment Property

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

Assets Held for Sale

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

Recognition

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

Measurement

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

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

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.

Componentisation

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

Heritage Assets

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

Schools Assets

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

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

* 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:

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

5.7 Revenue Expenditure Funded from Capital Under Statute

Legislation allows for some expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes when it does not result in the expenditure being carried as an asset on the Balance Sheet. Expenditure that falls into this category has been charged to Cost of Services in the Comprehensive Income and Expenditure Statement. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out

the amounts charged in the Adjustments between Accounting Basis and Funding Basis under Regulation so there is no impact on the level of Council Tax.

5.8 Government Grants and Contributions

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

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

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

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

5.9 Value Added Tax (VAT)

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

5.10 Investments

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

5.11 Financial Liabilities

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

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

modified loan and the write-down to the Comprehensive Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

5.12 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).

5.13 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.

5.14 Employee Benefits

Benefits Payable during Employment

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

Post Employment Benefits - Pensions

- **Teaching Staff**

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

- **Former NHS Staff**

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

- **Other 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 2013/14 contributions were set based on a March 2013 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% based on market yields on high quality corporate bonds.

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

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

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

Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Interest on pension liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Account.

Interest on pension assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Account.

Gains / losses on settlements and curtailments – settlements which relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and curtailments which increase the liabilities in respect of past service – included within the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Remeasurements – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – included within Other Comprehensive Income and Expenditure, and transferred to the Pension Reserve.

Employer contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Administration Expenses - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement

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

Discretionary Benefits

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

5.15 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.

5.16 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).

5.17 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.

5.18 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.

5.19 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.

5.20 Contingent Assets

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

5.21 Events after the Balance Sheet Date

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

Adjusting Events

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

Non-adjusting Events

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

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

5.22 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

6 Glossary of Terms

Accruals

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

Actuarial Assumptions

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

Amortisation

The gradual write off of initial costs of intangible assets.

Bad Debt Provision

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

Business Rates

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

Capital Contract

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

Capital Adjustment Account

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

Capital Receipts

Income received from selling fixed assets.

CIPFA

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

Current Assets

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

Debtors

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

Depreciation

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

Earmarked Reserves

Money set aside for a specific purpose.

Fair Value

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

Finance Lease

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

Financial Instrument

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

Financial Year

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

Fixed Assets

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

Heritage assets

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

IFRS

International Financial Reporting Standards

Impairment

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

Intangible Assets

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

Inventories

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

Investment Properties

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

Liabilities

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

Liquid Resources

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

Levy

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

Market Value of Assets

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

Materiality

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

Movement in Reserves Statement (MIRS)

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

Net asset value

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

Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

Operating Leases

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

Precept

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

Prior Year Adjustments

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

Provisions

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

Revaluation Reserve

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

Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant (RSG)

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

Specific Revenue Grants

Grants received from Central Government in respect of specific services.

Work in Progress

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

7 Audit Certificate

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 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Account, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the 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 2013/14.

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 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, overview of the Council's financial performance in 2013/14 and the overview of group accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2014 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 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword, overview of the Council's financial performance in 2013/14 and the overview of group accounts 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 October 2013, 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 2014.

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.

Basis for qualified conclusion

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In March 2014, an inspection of services for children in need of help and protection, children looked after and care leavers and a review of the effectiveness of the local safeguarding children board by Ofsted concluded that the overall effectiveness of these services in the Coventry area were judged to be inadequate.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matter reported in the basis for qualified conclusion paragraph above, 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 ending 31 March 2014.

Delay in certification of completion of the audit

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
Birmingham
West Midlands
B4 6AT

25 September 2014



If you need this information in another
format or language please contact us:
Telephone: 024 7683 3827
Fax: 024 7683 3940
e-mail: charlotte.booth@coventry.gov.uk