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## 1 Overview

### 1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2010/11. These accounts set out, in accordance with approved guidelines, the financial results of the Council's activities for the year ending 31st March 2011. 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 2010/11 accounts see the introduction of International Financial Reporting Standards (IFRS). This brings Local Authority accounting much more into line with much of the private sector and represents the most significant changes to Local Government accounting for many years. The accounts incorporate changes caused by IFRS and they are longer and involve more analysis than previously because of this.

The Statement of Accounts shows the Council's financial performance for 2010/11 prescribed in line with accounting regulations. We have produced a separate Outturn Report that reflects the Council's management accounts and gives a clearer view of the overall budgetary position. We have also produced an Annual Report that sets out our non-financial performance. These reports and details about all other Council activities can be found on our website at [www.coventry.gov.uk](http://www.coventry.gov.uk).

### 1.2 An Overview of the Council's Financial Performance in 2010/11

#### Revenue

In December 2009, the Council set a 2010/11 revenue budget of £269.4 million for ongoing costs such as salaries and energy. Funding for this came from Formula Grant of £153 million from Government and Council Tax income of £116.4 million.

The final level of actual expenditure for 2010/11 was £263.7 million, resulting in an under-spend of £5.7 million compared with the original budget. Further analysis of expenditure analysed between individual services is shown within the reconciliation of budget to net expenditure in section 3.3.

There is one area where the Council has spent significantly more than we planned to within the year. Like many areas across the country, Coventry has continued to receive a high number of children into our social care services. One of the impacts of this is the need to provide a high level of external residential and foster placements for looked after children resulting in costs of £5.8 million over budget within 2010/11. An increase in this budget has been approved for 2011/12 and measures are being taken to reduce the cost pressure where this is appropriate.

Significant irregular costs have been incurred for two specific reasons within 2010/11. A large number of employees have left the Council or are due to leave shortly in response to the very large reduction in Government funding that started within the year and which will affect the Council's 2011/12 and future years' financial positions. The redundancy and early retirement costs incurred as a result of this have amounted to £8.9 million in 2010/11. The funding for this cost has been identified from existing budgets and reserves set aside for this purpose. In addition, the Council has paid out equal pay claims and associated costs of £4.4 million in relation to the negotiated settlement reported to Council in December 2010. The funding for this has been provided from the provision set aside for this purpose within the 2008/09 financial year.

The City Council spent less than it planned to in a wide number of areas. In particular, costs have been less than originally forecast in the amount that we planned to pay for the interest costs on

the repayment of our outstanding debt, the 2010/11 employees pay award, energy costs and the Street Lighting Private Finance Initiative contract. The final position has enabled the City Council to establish a reserve designed to manage pressures arising from the fall-out of specific grant funding in 2011/12, early retirement and voluntary redundancy costs and any other costs arising from the very fast pace of budget reductions being experienced currently. In addition, the Council holds a General Fund reserve of £5.5 million (2% of budget), which is at the level recommended within our Medium Term Financial Strategy. In overall terms, Council usable reserves re-stated under IFRS, have remained stable at £73m. This reserves position is further explained in section 2.3, the Movement in Reserves Statement.

## Capital

The Capital budget for 2010/11 for expenditure incurred on major one-off items such as school extensions and major highways repairs was £77 million. During the year there has been a net increase within the programme of £12 million resulting in a final revised budget for the year of £89 million.

Final capital spending of £76 million was £13 million below budget due to spending that is now planned will be undertaken in 2011/12. Funding for the capital programme is shown in section 3.25, Capital Expenditure and Capital Financing. The main sources of funding are external grant (74% of the programme) and borrowing (18% of the programme).

Within the Capital Programme £41 million was spent on services for children & young people, mostly on schools and related projects. £23 million was spent within the City Services and Development Directorate, including schemes relating to highways, property and a range of regeneration projects. The remainder was spent on schemes relating to parks and library schemes, social housing grants and private sector housing renewal schemes and other services.

## The Impact of IFRS

The introduction of IFRS has changed fundamentally the way that the local authority accounts work. The City Council's Statement of Accounts now show that any surplus or deficit that arises 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 £51m deficit within the Comprehensive Income and Expenditure Account (section 2.2) matches a £51m reduction in the value of the Balance Sheet (section 2.4) and the reduction reflected in the Movement in Reserves Statement (section 2.3).

It is difficult to demonstrate the financial impact of IFRS because no accounts have been prepared for 2010/11 on the old basis. Section 3.40 describes the impact of IFRS on previous years' accounts, the largest of which by far relates to changes in the treatment of Government and Non-Government Grants. Grant funding of capital expenditure was previously accumulated on the balance sheet as a liability. By 2009/10 this presentation made it look like £285m of funding had been borrowed by the City Council and would need to be repaid.

Under IFRS this balance is no longer shown as a liability and the Council's start year net asset position has increased by £285m as a result. Of this amount £256m has been spent on capital assets and £29m has been received as grant funding and will be spent in the future. This £29m is now classed as usable reserves and the start year balance of reserves has increased from £44m to £73m as a result. The Council's management accounts will continue to show a usable reserves figure net of this grant funding.

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

It is important to understand why the accounts as a whole are different to the headline position in the management accounts, an underspend of £5.7m. The key reasons for the difference are an £89 million improvement in the Council's pension liability (section 3.35) and a £140 million reduction in the value of our long term assets as a result mostly of impairment and derecognition (sections 3.23 and 3.24).

- The key reason for the improved pensions' position is the change introduced by the Government to increase public service pensions by the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This will reduce the level of pensions for individuals in the future and reduces the calculated size of employer liabilities accordingly. Pension calculations are subject to a number of factors that can have a significant impact on the accounts and the future effect of these is difficult to predict.
- Impairment reviews reflect changes in circumstances such as a decline in the market value of assets and any transfers of assets to other organisations. In 2010/11 £56m of impairment relates to schools/colleges transferring to trust status. Further significant transfers are anticipated in relation to academy schools in 2011/12 and the wider impact of impairment will continue to be an area of volatility in the coming years.
- IFRS requires the value of assets to be split into several individual components necessitating assessments of the value of each component part of each asset. One consequence of the detailed look at assets in this way has been that £71m of asset value has been derecognised and removed from the balance sheet.

These changes and a range of others within the Statement have not affected the Council's flows of income and expenditure in 2010/11. Instead they are either events that will never result in a reduced level of income or increased need to spend or at worst will only do so many years in the future. For this reason they do not form part of the management accounts which reflect a more current view of the need to spend and to finance this spend through grants, taxation and charges.

## The Main Financial Statements

These accounts contain a set of main Financial Statements with accompanying notes and the City Council's Group Accounts. The main statements incorporate the Comprehensive Income and Expenditure Account, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement and 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 subsidiaries (North Coventry Holdings Ltd and Coventry North Regeneration Ltd) and its joint ventures (the Coventry and Solihull Waste Disposal Company and Arena Coventry Ltd).

## The Main Issues within the Accounts

### Equal Pay

In recent years, the single most significant financial issue facing the Council has been that of legal claims that the Council has received relating to equal pay. To meet the potential risk of needing to pay such claims a provision of £30 million was established which the Government allowed the Council to treat as capital expenditure to be funded from prudential borrowing. Claims costing £4.4 million have been settled in 2010/11, funded from this provision. Some further costs are expected to be incurred in 2011/12 within the levels approved by the Council in December 2010. In addition, some legal proceedings in relation to Equal Pay remain outstanding. For these

reasons, the remaining provision of £25.6 million has been retained on the balance sheet. More detail is provided in the note on Provisions to the accounts in section 3.20.

### Redundancy and Early Retirement Costs

Cuts in Government resources and the ending of grant funded schemes are leading to job losses across the whole of the public sector, including local government. These accounts include the cost of redundancy and early retirement payments to 460 individuals who have left or will shortly be leaving the City Council as a result of redundancy and early retirement decisions that had been made by 31<sup>st</sup> March 2011. The cost of these decisions within 2010/11 is nearly £9 million, the funding for which was identified in a report approved by Council in October 2010.

### 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' pension schemes are shown in the Comprehensive Income & Expenditure Account, the Balance Sheet and sections 3.34 and 3.35. The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall of £353 million between the forecast cost of future pensions and the current level of assets built up in the pension fund, an improvement of £89 million in 2010/11. Some changes to pension arrangements have been introduced in recent years and others are planned to be introduced shortly in the light of the Hutton Report on the future of Public Sector Pensions and the Government's Spending Review. Together these arrangements for tackling the deficit over time mean that the financial position of the authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions and other changes to the scheme over the remaining working life of employees, as assessed by the scheme actuary. For the teachers' scheme, finance is only required to be raised to cover the cost when pensions are actually paid.

### Future Financial Position

The Council set its Revenue and Capital budgets for 2011/12 on the 15th February 2011.

Prior to this the Government had given firm indications through the Spending Review announced in the autumn of 2010 and the subsequent Local Government Financial Settlement in January 2011 that the Council would be faced with year on year reductions in Government grant over the next few years. To help deliver savings and achieve a balanced budget in these circumstances, the Council is committed to continuing its ABC Programme - A Better Council for A Bolder Coventry - a programme of reviews designed to improve the services that we provide and reduce cost. Savings are already being delivered through ABC and the Council intends to roll out the programme over an increasing number of service areas over the next few years.

The net revenue budget for 2011/12 is £277 million - a decrease of £16m or 5.5% on the equivalent 2010/11 budget after taking account of changes to how the Government has asked us to treat some specific grants. This will be funded from £158 million of Formula Grant and £119 million of Council Tax income. The Council has identified savings within its budget from the Transformation Project described above in response to an overall loss of Government Formula Grant and specific grants totalling over £40m.

The Capital Programme of £65 million represents a decrease of 16% on the equivalent original 2010/11 programme with the main funding coming from grants (£36 million) and borrowing (£20 million). The Council has to identify revenue budgets to repay any borrowing and the debt financing costs of some of it is funded by savings or budgets within specific schemes. However, an overall shortage of capital resources has meant that the City Council has little option but to borrow £8 million temporarily in order to balance the programme. Over the medium term we will seek to repay this borrowing from future capital receipts. Future capital programme approvals will be strictly limited in line with the value of resources that we can identify.

## Changes in Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31st March 2011. The Council is required to prepare an annual Statement of Accounts by the 'Accounts and Audit Regulations 2011' in accordance with proper accounting practices. These practices primarily comprise the Code of Practice [COP] on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11 supported by the International Financial Reporting Standards (IFRS).

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

Section 3.40 provides an analysis of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

The Council has made a number of changes to its accounting policies as a result of the move from the UK GAAP based Statement of Recommended Practice [SORP] to the IFRS based Code of Practice [COP]. The changes are summarised below:

- Property, Plant and Equipment (PPE) is the new IFRS term for fixed assets. IFRS has an increased emphasis on component accounting compared with the SORP. IFRS recognises that an asset may include different components with varying useful economic lives and should be depreciated and valued separately. A componentisation policy has been adopted and the asset register has been reviewed accordingly.
- Capital grants are no longer deferred and matched to offset depreciation. As a result the Government Grants Deferred account has been removed. There have also been some changes to the treatment of impairment charges.
- Historically any unspent grant was held on the balance sheet as a creditor and only recognised as revenue when it was used. Under the COP, Government Grants and Contributions are recognised in the Comprehensive Income and Expenditure Account when there is reasonable assurance that the Authority will comply with the conditions attached to the grant and the grants or contributions will be received. Where outstanding conditions exist at the balance sheet date, grants will be included as a liability.
- Leases - Both the COP and SORP require leases to be classified as finance leases or operating leases. However the criteria for classification have changed leading to an increase in the number of finance leases. In addition the Code requires that a lease of land and buildings is split at inception of the lease into a separate lease of land and a lease of buildings. Unless title is expected to pass to the lessee at the end of the lease term, the Council has classified the leases of land as operating leases. Under the SORP, the lease of land and buildings are considered together
- Under the COP, the council is required to accrue for any annual leave earned but not taken at the end of the financial year. This was not required under UK GAAP. The accounting policies relating to employee benefits have been expanded to cover the treatment of this accrual.
- Group Accounts - under UK GAAP the test used to determine which entities need to be included in the council's group accounts was based on the ability to 'exercise influence'. However, under IFRS the test is based on the power to participate in the financial and operating policy decisions of the entity. This change has been incorporated within the accounting policies, although it has not led to a change in the entities included in the council's 2010/11 group account's.

- In 2011/12 the Code of Practice will adopt a new heritage asset standard. The Council does not have the management information currently to make reasonable estimates of the heritage assets it holds and has not adopted this standard within the 2010/11 accounts.

## 1.3 Statement of Responsibilities

### Coventry City Council's Responsibilities

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

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

### The Director of Finance and Legal Services' Responsibilities

The Director of Finance and Legal Services is responsible for the preparation of the City Council's Statement of Accounts. In accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), the accounts are required to present a true and fair view of the City Council's financial position at the accounting date and the income and expenditure for the year (ended 31st March 2011).

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

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

The Director of Finance and Legal Services has also:

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

### Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2011 and its income and expenditure for the year ended 31st March 2011, and that the accounts are authorised for issue.



C West, CPFA

Director of Finance and Legal Services

20th September 2011

This Statement of Accounts was approved by the Audit Committee of Coventry City Council on 20th September 2011.



Cllr D Chater

Chair of Audit Committee

20th September 2011

## 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, facilitating the effective exercise of its functions, and 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 or can be obtained from Democratic Services.

This statement explains how Coventry City Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and 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, cost effective services.

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 ongoing process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood 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 2011 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 as follows:

There is a governance / internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in the published policy documents listed below:

- Coventry Sustainable Community Strategy
- Corporate Plan

These high level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.

Coventry's Sustainable Community Strategy was adopted in March 2008 and sets the long term strategic objectives and outcomes for the city and short term priorities to help deliver them. The Sustainable Community Strategy was drawn up by the Coventry Partnership (Coventry's Local Strategic Partnership), after consultation with local organisations, communities, and local people. It is based on a strategic assessment of the needs of the community; - a twenty year vision for Coventry and the strategies, plans and mechanisms that will achieve the agreed long term outcomes for the city. The Strategy was refreshed in 2011 and priorities for the next three years were agreed.

The Council is an active participant in the Coventry Partnership, which recognises that it cannot deliver the aims of the Sustainable Community Strategy Plan without the support of a range of other groups and organisations. The Partnership involves many organisations and individuals with different aims and working arrangements, but linked together through a commitment to deliver the Sustainable Community Strategy. The Council is involved in a number of partnerships, of varying significance and is in the process of developing protocols covering all aspects of partnership working.

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

Throughout this process, clear channels of communications exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users. The Council adopted its "Inform, Consult and Involve" Strategy in April 2009, which aims to improve the engagement of local people and communities in the Council's decision making.

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, shows 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 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 Chief Executive's Strategy Group.

The Council, through its Whistleblowing and Complaints Policies, has procedures 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.

An Audit 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.

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2011:

- 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 2010, did not highlight any significant concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has appointed RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2010. Its 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 has appointed RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2010.
- 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 2010.

## 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- Regular and detailed monitoring of the Council's performance, by both Management Board and members against targets and objectives set out in the Plan.
- Ongoing reviews of the Council's Constitution, overseen by the Standards Committee. This review includes areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

The review of effectiveness has also been informed by:

- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2010-11. The Service works to a risk based audit plan, which is approved annually by the Council's Audit Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the 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.
- The work plan and reports submitted to both the Audit Committee and the Standards Committee during 2010-11.
- Reports from the external auditors and other inspection agencies.

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

## Significant Governance Issues

All significant control / governance issues are included on the Council's corporate and directorate risk registers. These registers also include appropriate management actions to minimise the risk. The Corporate Risk Register is also subject to regular review by the Chief Executive's Strategy Group

Furthermore, the Council is seeking to continuously improve its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. Key challenges include:

- a) Ensuring the delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy.
- b) Continuing to progress the City Council's transformational improvement ('abc') programme. The five year abc programme comprises a series of fundamental service delivery and infrastructure reviews and a range of other one off, projects that are looking critically at what we do and how we do it.

From a governance perspective, there is an ongoing need to:

Access the effectiveness of governance arrangements.

- Completing the rolling programme of reviews assessing the governance arrangements in the Council's significant partnerships.
- Ensure that the Council has effective governance / project management arrangements in place to oversee all key projects.
- Continue to embed systems covering corporate governance arrangements within the Council, such as declarations of interests and hospitality registers. This will also include gaining assurance that effective arrangements are in place to oversee such activities.

The review of internal control has also highlighted a number of areas for improvement. In each case, actions plans have been agreed to address issues identified and, where appropriate, audit reviews planned to assess progress made. These include:

- a) Addressing the recommendations highlighted in the Audit Commission's Annual Audit Letter.
- b) Developing processes to support the implementation across Coventry schools of the proposed new Schools Financial Value Standard.
- c) Ensuring the effectiveness of arrangements in place to oversee the Council's ICT requirements, post the implementation of the Council's new ICT Service.
- d) Ensuring that the Council's key financial systems continue to provide adequate safeguards against the risk of fraud, especially in the current economic climate.

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 of effectiveness and will monitor their implementation and operation, as part of our next annual review.

## 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 statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with 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' (ie 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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

#### Balance Sheet (section 2.4)

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

The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves 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'.

The value of assets in excess of liabilities equals the Council's equity position. The total equity as at 31st March 2011 stood at £418.5 million. This was £50.8 million lower than the position at the beginning of the financial year (£469.3 million as at 1st April 2010).

The £50.8 million decrease was the net result of a number of significant movements. The largest movements were a £140 million reduction in the value of our long term assets and a £89 million improvement in our pension liability.

## **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 (ie 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 and Fire Authorities. The difference between these two amounts is then a (surplus) or a deficit which is shared between the Council and the West Midlands Police and Fire Authorities.

## 2.2 COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

Note 3.1 presents an analysis of the amounts included in Other Operating Expenditure, Finance & Investment Income & Expenditure and Taxations & Non-Specific Grant Income.

| SERVICE ANALYSIS   | 2010/2011                 |                      |                         |
|--|---------------------------|----------------------|-------------------------|
|  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| Adult Social Care  | 101,700                   | (17,484)             | 84,216                  |
| Central Services to the Public   | 83,780                    | (42,444)             | 41,336                  |
| Children's & Education Services  | 461,139                   | (320,099)            | 141,040                 |
| Exceptional item as a result of schools transferring to academy status   | 56,068                    | 0                    | 56,068                  |
| Cultural, Environmental, Regulatory & Planning Services                  | 87,679                    | (17,082)             | 70,597                  |
| Highways and Transport Services  | 35,445                    | (7,623)              | 27,822                  |
| Housing services   | 143,042                   | (127,946)            | 15,096                  |
| Corporate and democratic core  | 10,400                    | 0                    | 10,400                  |
| Non-distributed costs  | 919                       | 0                    | 919                     |
| Exceptional item as a result of changes in pension liability             | 0                         | (66,665)             | (66,665)                |
| <b>Cost of Services</b>  | <b>980,172</b>            | <b>(599,343)</b>     | <b>380,829</b>          |
| Other Operating Expenditure  |                           |                      | 17,086                  |
| Finance and Investment Income and Expenditure                            |                           |                      | 25,191                  |
| Profit or Loss on Discontinued Operations                                |                           |                      | 0                       |
| Taxations and Non-Specific Grant Income                                  |                           |                      | (346,185)               |
| <b>(Surplus)/Deficit on the Provision of Services</b>                    |                           |                      | <b>76,921</b>           |
| (Surplus)/deficit arising on revaluation of non current assets           |                           |                      | 12,040                  |
| (Surplus)/deficit on revaluations of available for sale financial assets |                           |                      | (1,565)                 |
| Actuarial (gains)/losses on pension assets and liabilities               |                           |                      | (35,695)                |
| Other gains or losses  |                           |                      | (940)                   |
| <b>Sub-total of other comprehensive Income and Expenditure</b>           |                           |                      | <b>(26,160)</b>         |
| <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>      |                           |                      | <b>50,761</b>           |

## Comparative Year's Figures

| SERVICE ANALYSIS   | Gross<br>Expenditure<br>£000 | 2009/10<br>Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
|--|------------------------------|------------------------------------|----------------------------|
| Adult Social Care  | 105,803                      | (20,566)                           | 85,237                     |
| Central Services to the Public   | 90,038                       | (44,800)                           | 45,238                     |
| Children's & Education Services  | 447,827                      | (299,447)                          | 148,380                    |
| Cultural, Environmental, Regulatory & Planning Services                  | 114,594                      | (19,853)                           | 94,741                     |
| Highways and Transport Services  | 22,124                       | (7,498)                            | 14,626                     |
| Housing services   | 138,500                      | (132,632)                          | 5,868                      |
| Corporate and democratic core  | 10,458                       | 0                                  | 10,458                     |
| Non-distributed costs  | 1,794                        | 0                                  | 1,794                      |
| <b>Cost of Services</b>  | <b>931,138</b>               | <b>(524,796)</b>                   | <b>406,342</b>             |
| Other Operating Expenditure  |                              |                                    | 11,490                     |
| Finance and Investment Income and Expenditure                            |                              |                                    | 34,651                     |
| Profit or Loss on Discontinued Operations                                |                              |                                    | 0                          |
| Taxations and Non-Specific Grant Income                                  |                              |                                    | (330,974)                  |
| <b>(Surplus)/Deficit on the Provision of Services</b>                    |                              |                                    | <b>121,509</b>             |
| (Surplus)/deficit arising on revaluation of non current assets           |                              |                                    | (21,256)                   |
| (Surplus)/deficit on revaluations of available for sale financial assets |                              |                                    | (9,106)                    |
| Actuarial (gains)/losses on pension assets and liabilities               |                              |                                    | 125,698                    |
| Other gains or losses  |                              |                                    | (60)                       |
| <b>Sub-total of other comprehensive Income and Expenditure</b>           |                              |                                    | <b>95,276</b>              |
| <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>      |                              |                                    | <b>216,785</b>             |

## 2.3 MOVEMENT IN RESERVES STATEMENT

Note 3.39 presents a description of the usable reserves and a detailed analysis of the Authority's unusable reserves.

|  | General Fund Reserves<br>£000 | Schools Reserves<br>£000 | Insurance Fund Reserves<br>£000 | Other Earmarked Reserves<br>£000 | Mgmt. of Capital<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves of the Authority<br>£000 |
|--|-------------------------------|--------------------------|---------------------------------|----------------------------------|--------------------------|--|-------------------------------|---------------------------------|---|
| <b>Balance at 31 March 2010</b>  | (5,316)                       | (11,913)                 | (6,452)                         | (44,311)                         | (1,973)                  | (3,100)                                  | <b>(73,065)</b>               | (396,207)                       | <b>(469,272)</b>                        |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 76,921                        | 0                        | 0                               | 0                                | 0                        | 0  | <b>76,921</b>                 | <b>0</b>                        | <b>76,921</b>                           |
| Other Comprehensive Income and Expenditure                               | 0                             | 0                        | 0                               | 0                                | 0                        | 0  | <b>0</b>                      | (26,160)                        | (26,160)                                |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>76,921</b>                 | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>0</b>                                 | <b>76,921</b>                 | (26,160)                        | <b>50,761</b>                           |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (75,903)                      | 0                        | 0                               | 0                                | 0                        | 1,577                                    | <b>(74,326)</b>               | <b>74,326</b>                   | <b>0</b>                                |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>1,018</b>                  | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>1,577</b>                             | <b>2,595</b>                  | <b>48,166</b>                   | <b>50,761</b>                           |
| Transfers (to) / from Earmarked Reserves                                 | (1,243)                       | (2,166)                  | 2,389                           | 4,090                            | (3,070)                  | 0  | <b>0</b>                      | <b>0</b>                        | <b>0</b>                                |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(225)</b>                  | <b>(2,166)</b>           | <b>2,389</b>                    | <b>4,090</b>                     | <b>(3,070)</b>           | <b>1,577</b>                             | <b>2,595</b>                  | <b>48,166</b>                   | <b>50,761</b>                           |
| <b>Balance at 31 March 2011</b>  | <b>(5,541)</b>                | <b>(14,079)</b>          | <b>(4,063)</b>                  | <b>(40,221)</b>                  | <b>(5,043)</b>           | <b>(1,523)</b>                           | <b>(70,470)</b>               | <b>(348,041)</b>                | <b>(418,511)</b>                        |

### Comparative Year's Figures

|  | General Fund Reserves<br>£000 | Schools Reserves<br>£000 | Insurance Fund Reserves<br>£000 | Other Earmarked Reserves<br>£000 | Mgmt. of Capital<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves of the Authority<br>£000 |
|--|-------------------------------|--------------------------|---------------------------------|----------------------------------|--------------------------|--|-------------------------------|---------------------------------|---|
| <b>Balance at 31 March 2009</b>  | (5,340)                       | (11,228)                 | (8,088)                         | (42,762)                         | (3,740)                  | (1,747)                                  | <b>(72,905)</b>               | (613,152)                       | <b>(686,057)</b>                        |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 126,509                       | 0                        | 0                               | 0                                | 0                        | 0  | <b>126,509</b>                | (5,000)                         | <b>121,509</b>                          |
| Other Comprehensive Income and Expenditure                               | (12)                          | 0                        | 0                               | 0                                | 0                        | 0  | <b>(12)</b>                   | <b>95,288</b>                   | <b>95,276</b>                           |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>126,497</b>                | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>0</b>                                 | <b>126,497</b>                | <b>90,288</b>                   | <b>216,785</b>                          |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (125,304)                     | 0                        | 0                               | 0                                | 0                        | (1,353)                                  | <b>(126,657)</b>              | <b>126,657</b>                  | <b>0</b>                                |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>1,193</b>                  | <b>0</b>                 | <b>0</b>                        | <b>0</b>                         | <b>0</b>                 | <b>(1,353)</b>                           | <b>(160)</b>                  | <b>216,945</b>                  | <b>216,785</b>                          |
| Transfers (to) / from Earmarked Reserves                                 | (1,169)                       | (685)                    | 1,636                           | (1,549)                          | 1,767                    | 0  | <b>0</b>                      | <b>0</b>                        | <b>0</b>                                |
| <b>(Increase) / Decrease in Year</b>                                     | <b>24</b>                     | <b>(685)</b>             | <b>1,636</b>                    | <b>(1,549)</b>                   | <b>1,767</b>             | <b>(1,353)</b>                           | <b>(160)</b>                  | <b>216,945</b>                  | <b>216,785</b>                          |
| <b>Balance at 31 March 2010</b>  | <b>(5,316)</b>                | <b>(11,913)</b>          | <b>(6,452)</b>                  | <b>(44,311)</b>                  | <b>(1,973)</b>           | <b>(3,100)</b>                           | <b>(73,065)</b>               | <b>(396,207)</b>                | <b>(469,272)</b>                        |

## 2.4 BALANCE SHEET

| As at<br>31st March<br>2009<br>£000 | As at<br>31st March<br>2010<br>£000 | Balance Sheet                               | As at<br>31st March<br>2011<br>£000 | Section<br>Ref. |
|-------------------------------------|-------------------------------------|---|-------------------------------------|-----------------|
| 1,089,794                           | 1,020,458                           | Property, Plant and Equipment               | 895,316                             | 3.23            |
| 207,888                             | 222,323                             | Investment Property                         | 206,536                             | 3.24            |
| 817                                 | 434                                 | Intangible Assets                           | 0                                   | 3.28            |
| 0                                   | 0                                   | Assets Held for Sale                        | 0                                   | 3.24            |
| 22,644                              | 31,750                              | Long Term Investments                       | 33,315                              | 3.15            |
| 0                                   | 0                                   | Investment in Associates and Joint Ventures | 0                                   |                 |
| 7,115                               | 9,890                               | Long Term Debtors                           | 9,405                               | 3.16            |
| <b>1,328,258</b>                    | <b>1,284,855</b>                    | <b>Long Term Assets</b>                     | <b>1,144,572</b>                    |                 |
| 17,733                              | 17,884                              | Short Term Investments                      | 42,230                              |                 |
| 601                                 | 541                                 | Inventories                                 | 562                                 | 3.17            |
| 84,052                              | 73,590                              | Short Term Debtors                          | 62,287                              | 3.18            |
| 8,689                               | 19,207                              | Cash and Cash Equivalents                   | 1,068                               | 2.5             |
| 45,366                              | 12,009                              | Assets held for Sale                        | 11,470                              | 3.24            |
| <b>156,441</b>                      | <b>123,231</b>                      | <b>Current Assets</b>                       | <b>117,617</b>                      |                 |
| 0                                   | 0                                   | Bank Overdraft                              | 0                                   | 2.5             |
| (23,465)                            | (11,459)                            | Short Term Borrowing                        | (7,776)                             |                 |
| (66,267)                            | (73,965)                            | Short Term Creditors                        | (74,538)                            | 3.19            |
| 0                                   | 0                                   | Short Term Provisions                       | 0                                   | 3.20            |
| 0                                   | 0                                   | Liabilities in Disposal Groups              | 0                                   |                 |
| <b>(89,732)</b>                     | <b>(85,424)</b>                     | <b>Current Liabilities</b>                  | <b>(82,314)</b>                     |                 |
| 0                                   | 0                                   | Long Term Creditors                         | 0                                   |                 |
| (34,216)                            | (36,674)                            | Long Term Provisions                        | (33,095)                            | 3.20            |
| (372,980)                           | (370,885)                           | Long Term Borrowing                         | (367,356)                           | 3.37            |
| (300,608)                           | (441,541)                           | Other Long Term Liabilities                 | (352,725)                           | 3.34            |
| 0                                   | 0                                   | Donated Assets Account                      | 0                                   |                 |
| (1,106)                             | (4,290)                             | Capital Grants Receipts in Advance          | (8,188)                             |                 |
| <b>(708,910)</b>                    | <b>(853,390)</b>                    | <b>Long Term Liabilities</b>                | <b>(761,364)</b>                    |                 |
| <b>686,057</b>                      | <b>469,272</b>                      | <b>Net Assets</b>                           | <b>418,511</b>                      |                 |
| (72,905)                            | (73,065)                            | Usable Reserves                             | (70,470)                            | 2.3             |
| (613,152)                           | (396,207)                           | Unusable Reserves                           | (348,041)                           | 3.39            |
| <b>(686,057)</b>                    | <b>(469,272)</b>                    | <b>Total Reserves</b>                       | <b>(418,511)</b>                    |                 |

The unaudited accounts were issued on the 30th June 2011 and the audited accounts were authorised for issue on the 20th September 2011.

## 2.5 CASHFLOW STATEMENT

Note 3.5 presents an analysis of the amounts included in the provision of services for noncash movements and items included in investing and financing activities.

| 2009/2010     | Cashflow Statement   | 2010/2011     |
|---------------|--|---------------|
| £m            |  | £m            |
| 121.5         | Net (Surplus) or Deficit on the Provision of Services  | 76.9          |
| (194.4)       | Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements  | (139.0)       |
| 40.6          | Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 45.3          |
| <b>(32.3)</b> | <b>Net Cash Flows from Operating Activities</b>  | <b>(16.8)</b> |
| 7.5           | Investing Activities   | 8.1           |
| 14.3          | Financing Activities   | 26.8          |
| <b>(10.5)</b> | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>   | <b>18.1</b>   |
| (8.7)         | Cash and Cash Equivalents at the Beginning of the Reporting Period   | (19.2)        |
| (19.2)        | Cash and Cash Equivalents at the End of the Reporting Period   | (1.1)         |

## 2.6 COLLECTION FUND

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

| 2009/10<br>£000  | Collection Fund   | 2010/2011<br>£000 |
|------------------|---|-------------------|
|                  | <b>INCOME</b>   |                   |
| (99,487)         | Billed to Council Tax payers  | (100,651)         |
| (28,416)         | Council Tax Benefit   | (29,761)          |
| 2                | Council Tax Transitional Relief   | 4                 |
| (108,947)        | Business Rates Collectable  | (105,793)         |
| (1)              | Adjustment of previous years' Community Charges                                   | 0                 |
| <b>(236,849)</b> | <b>Total Income</b>   | <b>(236,201)</b>  |
|                  | <b>EXPENDITURE</b>  |                   |
|                  | Precepts:   |                   |
| 114,575          | Coventry City Council   | 117,265           |
| 8,683            | West Midlands Police  | 8,809             |
| 4,156            | West Midlands Fire  | 4,237             |
| <b>127,414</b>   | <b>Total Precepts</b>   | <b>130,311</b>    |
|                  | Distribution of Business Rates collected:   |                   |
| 108,553          | Payment to National Pool  | 105,413           |
| 394              | Costs of collection allowance   | 380               |
| <b>108,947</b>   | <b>Total Distribution of Business Rates Collected</b>                             | <b>105,793</b>    |
|                  | Contribution (to) / from previous years' surplus / deficit                        |                   |
| (2,100)          | Coventry City Council   | (896)             |
| (160)            | West Midlands Police  | (68)              |
| (77)             | West Midlands Fire  | (33)              |
| 2,337            | Less Provision for surplus / deficit distribution                                 | 997               |
| <b>0</b>         | <b>Total Contribution (to) / from previous years' surplus / deficit</b>           | <b>0</b>          |
| <b>236,361</b>   | <b>Total Expenditure</b>  | <b>236,104</b>    |
| <b>(488)</b>     | <b>(Surplus) / Deficit for the year</b>   | <b>(97)</b>       |
| 1,275            | Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax       | (583)             |
| <b>787</b>       | <b>Movement on Surplus Holding Account for year</b>                               | <b>(680)</b>      |
| 2,478            | Total (Surplus) / Deficit brought forward at previous year end                    | 928               |
| (2,337)          | Surplus / (Deficit) committed from previous year                                  | (997)             |
| 787              | Movement in Surplus / Deficit   | (680)             |
| <b>928</b>       | <b>Carried forward balance</b>  | <b>(749)</b>      |
| (997)            | Surplus / (Deficit) already assumed in setting the Council Tax                    | 1,029             |
| <b>(69)</b>      | <b>Excess (Surplus) / Deficit carried forward to following years' Tax Setting</b> | <b>280</b>        |

## Income from business rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2010/11 was 98.1%. The Government determines the level of rates payable, which was 41.4 per £ of rateable value (48.5p in 2009/10). The Valuation Office Agency sets the rateable value of each property and the total was £300,267,030 at 31st March 2011 (£267,324,537 at 31st March 2010). 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 ons in 2010/11 of £0.2m and the provision for bad and doubtful debts has risen by £0.8 million to £3.6 million in 2010/11.

## Calculation of the council tax base

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

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 132,162 of which 5,294 are exempt. Details of the taxbase calculation are shown in the table below:

| Valuation Band                               | Number of Dwellings subject to tax | Band D Equivalent (after adjustments) |
|--|------------------------------------|---------------------------------------|
| Band A entitled to disabled relief           | 111                                | 56.4                                  |
| A  | 52,005                             | 29,414.1                              |
| B  | 37,901                             | 26,203.8                              |
| C  | 20,969                             | 16,902.8                              |
| D  | 8,226                              | 7,537.1                               |
| E  | 4,128                              | 4,711.8                               |
| F  | 2,117                              | 2,864.5                               |
| G  | 1,319                              | 2,068.7                               |
| H  | 92                                 | 167.7                                 |
| <b>Total</b>                                 | <b>126,868</b>                     | <b>89,926.9</b>                       |
| Estimated eventual collection rate           |                                    | 98.5%                                 |
| Total Council Tax Base at Band D for 2010/11 |                                    | 88,578.0                              |
| Total Council Tax Base at Band D for 2009/10 |                                    | 88,623.8                              |

## Provisions and Write Offs

| Level of Provisions & Write Offs      | Council Tax    |                       | Community Charge    |
|---------------------------------------|----------------|-----------------------|---------------------|
|                                       | £000           | £000                  | £000                |
| Provision Brought forward             |                | (6,358)               | (532)               |
| Written off in year                   | 1,890          |                       |                     |
| (Increase) / decrease in provision    | <u>(1,307)</u> |                       |                     |
|                                       |                | 583                   |                     |
| <b>Provision Carried Forward</b>      |                | <b><u>(5,775)</u></b> | <b><u>(532)</u></b> |
| <b>Gross Debtors Before Provision</b> |                | <b><u>12,339</u></b>  | <b><u>532</u></b>   |

## Precepts and Demands on the Collection Fund

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

| 2009/2010             |                            | 2010/2011                            |                   |                       |
|-----------------------|----------------------------|--------------------------------------|-------------------|-----------------------|
| Total                 | Precept / Demand           | Share of 2010/11 surplus / (deficit) | Total             |                       |
| £000                  | £000                       | £000                                 | £000              |                       |
| 113,867               | Coventry City Council      | 117,265                              | 612               | 117,877               |
| 4,131                 | West Midlands Fire Service | 4,237                                | 22                | 4,259                 |
| 8,629                 | West Midlands Police       | 8,809                                | 46                | 8,855                 |
| <b><u>126,627</u></b> | <b>Total</b>               | <b><u>130,311</u></b>                | <b><u>680</u></b> | <b><u>130,991</u></b> |

### 3 Notes to the Main Financial Statements

#### 3.1 Notes to the Comprehensive Income and Expenditure Account

An analysis of the amounts included in Other Operating Expenditure, Finance & Investment Income & Expenditure and Taxation & Non Specific Grant Income of the Comprehensive Income and Expenditure Statement are detailed below:

| 2009/2010<br>Net<br>Expenditure<br>£000 | OTHER OPERATING EXPENDITURE                                 | 2010/2011<br>Net<br>Expenditure<br>£000 |
|---|---|---|
| (5,000)                                 | Profit on Disposal of Fixed Assets                          | 0                                       |
| 16,471                                  | Levy Payments to Other Bodies                               | 16,735                                  |
| 14                                      | Contribution of Housing Capital Receipts to Government Pool | 18                                      |
| 5                                       | Precepts of Local Precepting Authorities                    | 5                                       |
| 0                                       | Other Income and Expenditure                                | 328                                     |
| <b>11,490</b>                           | <b>Total Operating Expenditure</b>                          | <b>17,086</b>                           |

| 2009/2010<br>Net<br>Expenditure<br>£000 | FINANCE AND INVESTMENT INCOME AND EXPENDITURE              | 2010/2011<br>Net<br>Expenditure<br>£000 |
|---|--|---|
| 19,214                                  | Interest Payable and Similar Charges                       | 18,221                                  |
| (542)                                   | External Investment Income                                 | (889)                                   |
| 24,035                                  | Pension Interest Cost and Return on Assets                 | 16,321                                  |
| (7,941)                                 | Net (Surplus)/Deficit from Trading Operations              | (8,347)                                 |
| (115)                                   | Dividends and Interest Receivable                          | (115)                                   |
| <b>34,651</b>                           | <b>Total Finance and Investment Income and Expenditure</b> | <b>25,191</b>                           |

| 2009/2010<br>Net<br>Expenditure<br>£000 | TAXATION AND NON SPECIFIC GRANT INCOME              | 2010/2011<br>Net<br>Expenditure<br>£000 |
|---|---|---|
| (113,867)                               | Net Council Tax Income                              | (117,877)                               |
| (121,421)                               | Contribution from Non-Domestic Rate Pool            | (133,623)                               |
| (54,630)                                | Revenue Support Grant                               | (55,661)                                |
| (41,056)                                | Capital Grant                                       | (39,024)                                |
| <b>(330,974)</b>                        | <b>Total Taxation and Non Specific Grant Income</b> | <b>(346,185)</b>                        |

## 3.2 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 Best Value Accounting 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 2010-11

| Directorate Income & Expenditure 2010/11 | Chief Executive's | City Services & Development | Children, Learning & Young People | Community Services | Customer & Workforce Services | Finance & Legal Services | Contingency & Central Budgets | Total            |
|--|-------------------|-----------------------------|-----------------------------------|--------------------|-------------------------------|--------------------------|-------------------------------|------------------|
|  | £000              | £000                        | £000                              | £000               | £000                          | £000                     | £000                          | £000             |
| General Income                           | (198)             | (32,550)                    | (31,245)                          | (25,789)           | (5,048)                       | (5,360)                  | (68,242)                      | <b>(168,432)</b> |
| Re-charges                               | (3,444)           | (52,073)                    | (2,588)                           | (5,477)            | (28,540)                      | (14,476)                 | (20)                          | <b>(106,618)</b> |
| Government Grants                        | (57)              | (7,142)                     | (283,758)                         | (15,126)           | (272)                         | (154,311)                | (30,770)                      | <b>(491,436)</b> |
| Reserves                                 | (1,791)           | 409                         | (1,293)                           | 679                | (64)                          | (766)                    | 823                           | <b>(2,003)</b>   |
| Debt Repayment                           |                   |                             |                                   |                    |                               |                          | 15,217                        | <b>15,217</b>    |
| <b>Total Income</b>                      | <b>(5,490)</b>    | <b>(91,356)</b>             | <b>(318,884)</b>                  | <b>(45,713)</b>    | <b>(33,924)</b>               | <b>(174,913)</b>         | <b>(82,992)</b>               | <b>(753,272)</b> |
| Employee Expenses                        | 4,845             | 46,809                      | 247,043                           | 49,887             | 15,871                        | 15,058                   | 5,162                         | <b>384,675</b>   |
| Running Expenses                         | 5,710             | 75,272                      | 141,683                           | 109,763            | 17,707                        | 164,117                  | 116,584                       | <b>630,836</b>   |
| RCCO*                                    | 0                 | 383                         | 746                               | 212                | 104                           | 0                        | 0                             | <b>1,445</b>     |
| <b>Total Expenditure</b>                 | <b>10,555</b>     | <b>122,464</b>              | <b>389,472</b>                    | <b>159,862</b>     | <b>33,682</b>                 | <b>179,175</b>           | <b>121,746</b>                | <b>1,016,956</b> |
| Deficit / (Surplus)                      | 0                 | 0                           | 0                                 | 0                  | 0                             | 0                        | 0                             | <b>0</b>         |
| <b>Net Expenditure</b>                   | <b>5,065</b>      | <b>31,108</b>               | <b>70,588</b>                     | <b>114,149</b>     | <b>(242)</b>                  | <b>4,262</b>             | <b>38,754</b>                 | <b>263,684</b>   |

\*RCCO is Revenue Contribution to Capital Outlay

## Amounts Reported for Resource Allocation Decisions 2009-10 (previous year comparatives)

| Directorate Income & Expenditure 2009/10 | Chief Executive's | City Services & Development | Children, Learning & Young People | Community Services | Customer & Workforce Services | Finance & Legal Services | Contingency & Central Budgets | Total            |
|--|-------------------|-----------------------------|-----------------------------------|--------------------|-------------------------------|--------------------------|-------------------------------|------------------|
|  | £000              | £000                        | £000                              | £000               | £000                          | £000                     | £000                          | £000             |
| General Income                           | (1,947)           | (36,738)                    | (30,905)                          | (27,360)           | (6,221)                       | (7,051)                  | (1,084)                       | <b>(111,306)</b> |
| Re-charges                               | (3,821)           | (50,866)                    | (3,000)                           | (5,869)            | (29,015)                      | (15,455)                 | 0                             | <b>(108,026)</b> |
| Government Grants                        | (44)              | (5,080)                     | (265,090)                         | (27,728)           | (335)                         | (145,777)                | (23,484)                      | <b>(467,538)</b> |
| Reserves                                 | 0                 | (410)                       | 907                               | (24)               | 94                            | (1,174)                  | (2,259)                       | <b>(2,866)</b>   |
| Debt Repayment                           | 0                 | 0                           | 0                                 | 0                  | 0                             | 0                        | 13,535                        | <b>13,535</b>    |
| <b>Total Income</b>                      | <b>(5,812)</b>    | <b>(93,094)</b>             | <b>(298,088)</b>                  | <b>(60,981)</b>    | <b>(35,477)</b>               | <b>(169,457)</b>         | <b>(13,292)</b>               | <b>(676,201)</b> |
| Employee Expenses                        | 3,249             | 51,405                      | 238,871                           | 46,784             | 14,326                        | 15,632                   | 2,980                         | <b>373,247</b>   |
| Running Expenses                         | 4,015             | 80,912                      | 126,496                           | 115,381            | 17,971                        | 159,047                  | 58,208                        | <b>562,030</b>   |
| RCCO                                     | 70                | 257                         | 255                               | 64                 | 325                           | 90                       | 130                           | <b>1,191</b>     |
| <b>Total Expenditure</b>                 | <b>7,334</b>      | <b>132,574</b>              | <b>365,622</b>                    | <b>162,229</b>     | <b>32,622</b>                 | <b>174,769</b>           | <b>61,318</b>                 | <b>936,468</b>   |
| Deficit / (Surplus)                      | 0                 | 0                           | 0                                 | 0                  | 0                             | 0                        | 0                             | <b>0</b>         |
| <b>Net Expenditure</b>                   | <b>1,522</b>      | <b>39,480</b>               | <b>67,534</b>                     | <b>101,248</b>     | <b>(2,855)</b>                | <b>5,312</b>             | <b>48,026</b>                 | <b>260,267</b>   |

## Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

|  | 2009/10<br>£000 | 2010/11<br>£000 |
|--|-----------------|-----------------|
| <b>Net Expenditure in the Directorate Analysis</b>   | <b>260,267</b>  | <b>263,684</b>  |
| Net Expenditure of Services and Support Services not included in the Analysis                            | 0               | 0               |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis | 155,692         | 173,450         |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | (9,617)         | (56,305)        |
| <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>406,342</b>  | <b>380,829</b>  |

## 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 2010/11 | Service Analysis<br>£000 | Not Reported to Mgmt.<br>£000 | Not Included in I&E<br>£000 | Net Cost of Services<br>£000 | Corporate Amounts<br>£000 | Total<br>£000      |
|---|--------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------|--------------------|
| Fees, charges & other service income          | (261,836)                |                               | 46,908                      | <b>(214,928)</b>             | (46,908)                  | <b>(261,836)</b>   |
| Interest & Investment Income                  |                          |                               | 1,004                       | <b>1,004</b>                 | (1,004)                   | <b>0</b>           |
| Income from Council Tax                       |                          |                               |                             | <b>0</b>                     | (117,877)                 | <b>(117,877)</b>   |
| Non-domestic Rate Pool                        |                          |                               |                             | <b>0</b>                     | (133,623)                 | <b>(133,623)</b>   |
| Government Grants and contributions           | (491,436)                |                               | 36,258                      | <b>(455,178)</b>             | (94,685)                  | <b>(549,863)</b>   |
| <b>Total Income</b>                           | <b>(753,272)</b>         | <b>0</b>                      | <b>84,170</b>               | <b>(669,102)</b>             | <b>(394,097)</b>          | <b>(1,063,199)</b> |
| Employee Expenses                             | 384,675                  |                               | (69,304)                    | <b>315,371</b>               | 16,321                    | <b>331,692</b>     |
| Other Service Expenses                        | 630,836                  | 173,450                       | (33,377)                    | <b>770,909</b>               | 38,889                    | <b>809,798</b>     |
| Support Service recharges                     |                          |                               |                             | <b>0</b>                     |                           | <b>0</b>           |
| Depreciation, Amortisation and Impairment     | 1,445                    |                               | (1,445)                     | <b>0</b>                     |                           | <b>0</b>           |
| Interest Payments                             |                          |                               | (19,015)                    | <b>(19,015)</b>              | 18,221                    | <b>(794)</b>       |
| Precepts & Levies                             |                          |                               | (16,740)                    | <b>(16,740)</b>              | 16,740                    | <b>0</b>           |
| Payments to Housing Capital Receipts Pool     |                          |                               |                             | <b>0</b>                     | 18                        | <b>18</b>          |
| (Gain) or Loss on Disposal of Fixed Asset     |                          |                               | (594)                       | <b>(594)</b>                 | 0                         | <b>(594)</b>       |
| <b>Total Expenditure</b>                      | <b>1,016,956</b>         | <b>173,450</b>                | <b>(140,475)</b>            | <b>1,049,931</b>             | <b>90,189</b>             | <b>1,140,120</b>   |
| (Surplus) or Deficit                          | <b>263,684</b>           | <b>173,450</b>                | <b>(56,305)</b>             | <b>380,829</b>               | <b>(303,908)</b>          | <b>76,921</b>      |

| Reconciliation to Subjective<br>Analysis 2009/10<br>(previous year comparatives) | Service<br>Analysis | Not Reported<br>to Mgmt. | Not Included<br>in I&E | Net Cost of<br>Services | Corporate<br>Amounts | Total            |
|--|---------------------|--------------------------|------------------------|-------------------------|----------------------|------------------|
|  | £000                | £000                     | £000                   | £000                    | £000                 | £000             |
| Fees, charges & other service income   | (208,663)           |                          | 47,748                 | <b>(160,915)</b>        | (47,748)             | <b>(208,663)</b> |
| Interest & Investment Income   |                     |                          | 351                    | <b>351</b>              | (657)                | <b>(306)</b>     |
| Income from Council Tax  |                     |                          |                        | <b>0</b>                | (113,867)            | <b>(113,867)</b> |
| Non-domestic Rate Pool   |                     |                          |                        | <b>0</b>                | (121,421)            | <b>(121,421)</b> |
| Government Grants and contributions  | (467,538)           |                          | 26,605                 | <b>(440,933)</b>        | (95,686)             | <b>(536,619)</b> |
| <b>Total Income</b>  | <b>(676,201)</b>    | <b>0</b>                 | <b>74,704</b>          | <b>(601,497)</b>        | <b>(379,379)</b>     | <b>(980,876)</b> |
| Employee Expenses  | 373,247             |                          | (8,693)                | <b>364,554</b>          | 24,035               | <b>388,589</b>   |
| Other Service Expenses   | 562,030             | 155,692                  | (38,153)               | <b>679,570</b>          | 39,807               | <b>719,377</b>   |
| Support Service recharges  |                     |                          |                        | <b>0</b>                |                      | <b>0</b>         |
| Depreciation, Amortisation and Impairment  | 1,191               |                          | (1,191)                | <b>(0)</b>              |                      | <b>(0)</b>       |
| Interest Payments  |                     |                          | (19,809)               | <b>(19,809)</b>         | 19,214               | <b>(595)</b>     |
| Precepts & Levies  |                     |                          | (16,475)               | <b>(16,475)</b>         | 16,476               | <b>1</b>         |
| Payments to Housing Capital Receipts Pool  |                     |                          |                        | <b>0</b>                | 14                   | <b>14</b>        |
| (Gain) or Loss on Disposal of Fixed Asset  |                     |                          |                        | <b>0</b>                | (5,000)              | <b>(5,000)</b>   |
| <b>Total Expenditure</b>   | <b>936,468</b>      | <b>155,692</b>           | <b>(84,321)</b>        | <b>1,007,839</b>        | <b>94,546</b>        | <b>1,102,385</b> |
| (Surplus) or Deficit   | <b>260,267</b>      | <b>155,692</b>           | <b>(9,617)</b>         | <b>406,343</b>          | <b>(284,833)</b>     | <b>121,509</b>   |

### 3.3 Reconciliation of Budget to Net Expenditure

The table below details the reconciliation of the Authority's Annual Budget to the Net Expenditure detailed in note 3.2.

| 2010/11                 | Chief Executive's<br>£000 | City Services & Development<br>£000 | Children, Learning & Young People<br>£000 | Community Services<br>£000 | Customer & Workforce Services<br>£000 | Finance & Legal Services<br>£000 | Contingency & Central Budgets<br>£000 | Total<br>£000    |
|-------------------------|---------------------------|-------------------------------------|---|----------------------------|---------------------------------------|----------------------------------|---------------------------------------|------------------|
| Income                  | (5,490)                   | (91,356)                            | (318,884)                                 | (45,713)                   | (33,924)                              | (174,913)                        | (82,992)                              | <b>(753,272)</b> |
| Expenditure             | 10,555                    | 122,464                             | 389,472                                   | 159,862                    | 33,682                                | 179,175                          | 121,746                               | <b>1,016,956</b> |
| <b>Outturn Position</b> | <b>5,065</b>              | <b>31,108</b>                       | <b>70,588</b>                             | <b>114,149</b>             | <b>(242)</b>                          | <b>4,262</b>                     | <b>38,754</b>                         | <b>263,684</b>   |
| <b>Annual Budget</b>    | 5,408                     | 28,196                              | 66,309                                    | 116,840                    | (132)                                 | 4,108                            | 48,664                                | <b>269,393</b>   |
| (Surplus) / Deficit     | <b>(343)</b>              | <b>2,912</b>                        | <b>4,279</b>                              | <b>(2,691)</b>             | <b>(110)</b>                          | <b>154</b>                       | <b>(9,910)</b>                        | <b>(5,709)</b>   |

| 2009/10<br>(Comparative Figures) | Chief Executive's<br>£000 | City Services & Development<br>£000 | Children, Learning & Young People<br>£000 | Community Services<br>£000 | Customer & Workforce Services<br>£000 | Finance & Legal Services<br>£000 | Contingency & Central Budgets<br>£000 | Total<br>£000    |
|----------------------------------|---------------------------|-------------------------------------|---|----------------------------|---------------------------------------|----------------------------------|---------------------------------------|------------------|
| Income                           | (5,812)                   | (93,094)                            | (298,088)                                 | (60,981)                   | (35,477)                              | (169,457)                        | (13,292)                              | <b>(676,201)</b> |
| Expenditure                      | 7,334                     | 132,574                             | 365,622                                   | 162,229                    | 32,622                                | 174,769                          | 61,318                                | <b>936,468</b>   |
| <b>Outturn Position</b>          | <b>1,522</b>              | <b>39,480</b>                       | <b>67,534</b>                             | <b>101,248</b>             | <b>(2,855)</b>                        | <b>5,312</b>                     | <b>48,026</b>                         | <b>260,267</b>   |
| <b>Annual Budget</b>             | 2,006                     | 38,214                              | 65,964                                    | 101,800                    | (2,121)                               | 6,133                            | 49,925                                | <b>261,921</b>   |
| (Surplus) / Deficit              | <b>(484)</b>              | <b>1,266</b>                        | <b>1,570</b>                              | <b>(552)</b>               | <b>(734)</b>                          | <b>(821)</b>                     | <b>(1,899)</b>                        | <b>(1,654)</b>   |

### 3.4 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 stood at £353m at the end of the 2010/11 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.

#### Provisions

As at the end of the 2010/11 financial year the Authority has a provision of £25.6m to meet the potential cost of Equal Pay Claims. Complex legal proceedings and negotiations on potential settlement are ongoing. Future developments in these cases could result in a significant change in this provision.

### 3.5 Notes to the Cashflow

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:

| 2009/2010<br>£m | Adjust Net Surplus or Deficit on the Provision of Services for<br>Non Cash Movements    | 2010/2011<br>£m |
|-----------------|---|-----------------|
| (31.4)          | Depreciation  | (34.7)          |
| (131.1)         | Impairment and Downward Valuations  | (145.4)         |
| (1.5)           | Amortisation  | (1.9)           |
| (1.8)           | (Increase)/ Decrease in Impairment Provision for Bad Debts                              | 3.9             |
| 3.6             | (Increase)/ Decrease in Creditors   | (3.4)           |
| (17.1)          | Increase/ (Decrease) in Debtors   | (10.2)          |
| (0.1)           | Increase/ (Decrease) in Stock   | 0.0             |
| (15.3)          | Pension Liability   | 53.0            |
| 0.0             | Carrying Amount of Non Current Asset Sold   | 0.0             |
| 0.3             | Other Non Cash items charged to the Net Surplus or Deficit on the Provision of Services | (0.3)           |
| <b>(194.4)</b>  | <b>Total</b>  | <b>(139.0)</b>  |

| 2009/2010<br>£m | Adjust for Items included in the Net Surplus or Deficit on the<br>Provision of Services that are Investing and Financing Activities | 2010/2011<br>£m |
|-----------------|---|-----------------|
| 39.7            | Application of grants to capital financing  | 40.6            |
| 0.9             | Net increase / decrease in other liquid resources   | 4.7             |
| <b>40.6</b>     | <b>Total</b>  | <b>45.3</b>     |

| 2009/2010<br>£m | Net Cash Flows from Investing Activities   | 2010/2011<br>£m |
|-----------------|--|-----------------|
| 57.3            | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets               | 58.6            |
| 0.0             | Purchase of Short Term and Long Term Investments   | 0.0             |
| 11.7            | Other Payments for Investing Activities  | 17.8            |
| (5.0)           | Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (5.4)           |
| 0.0             | Proceeds from Short Term and Long Term Investments   | 0.0             |
| (56.5)          | Other Receipts from Investing Activities   | (62.9)          |
| <b>7.5</b>      | <b>Total</b>   | <b>8.1</b>      |

| 2009/2010<br>£m | Net Cash Flows from Financing Activities  | 2010/2011<br>£m |
|-----------------|---|-----------------|
| 0.0             | Cash Receipts of Short and Long Term Borrowing  | (0.1)           |
| (0.9)           | Other Receipts from Financing Activities  | (4.7)           |
| 1.2             | Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts | 1.8             |
| 14.0            | Repayments of Short and Long Term Borrowing   | 5.6             |
| 0.0             | Other Payments for Financing Activities   | 24.2            |
| <b>14.3</b>     | <b>Total</b>  | <b>26.8</b>     |

| 2009/2010<br>£m | Cash Flows from Interest and Dividends | 2010/2011<br>£m |
|-----------------|--|-----------------|
| (0.2)           | Interest received                      | (0.5)           |
| 18.7            | Interest paid                          | 18.2            |
| (0.1)           | Dividends received                     | (0.1)           |
| <b>18.4</b>     | <b>Total</b>                           | <b>17.6</b>     |

| 2009/2010<br>£m | Breakdown of Cash and Cash Equivalents | 2010/2011<br>£m |
|-----------------|--|-----------------|
| 0.2             | Cash held by the council               | 0.1             |
| 14.0            | Bank current accounts                  | (6.1)           |
| 5.0             | On call deposits                       | 7.1             |
| <b>19.2</b>     | <b>Total</b>                           | <b>1.1</b>      |

### 3.6 Trading Account Summary

The Best Value Accounting Code of Practice requires that significant trading operations be disclosed. A number of services that were previously subject to Compulsive Competitive Tendering legislation are now accounted for within the net cost of services in the Comprehensive Income & Expenditure Account. However, a number of services which trade with external organisations are still classified wholly or partially as trading and are therefore shown within the net surplus / deficit from trading operations in the Comprehensive Income & Expenditure Account.

| 2009/10  |  | 2010/11       |                 |  |
|--|--|---------------|-----------------|--|
| (Surplus) /<br>Deficit before<br>Reserve<br>Movement | Trading Accounts                                       | Expenditure   | Income          | (Surplus) /<br>Deficit before<br>Reserve<br>Movement |
| £000   |  | £000          | £000            | £000   |
| 176  | Building Cleaning                                      | 3,814         | (3,468)         | 346  |
| 773  | Building Services                                      | 5,263         | (5,084)         | 179  |
| (9,088)  | Commercial Property                                    | 6,179         | (16,439)        | (10,260)   |
| (71)   | Major Projects   | 513           | (637)           | (124)  |
| 804  | Catering Services                                      | 7,369         | (6,719)         | 650  |
| (1,021)  | Commercial Waste Services                              | 0             | 0               | 0  |
| 836  | Ground Services  | 3,813         | (3,813)         | 0  |
| (350)  | Fleet & Workshops                                      | 10,350        | (9,970)         | 380  |
| 0  | Stores   | 68            | 0               | 68   |
| 0  | Emergency Services Unit                                | 1,192         | (778)           | 414  |
| <b>(7,941)</b>                                       | <b>(Surplus) / Deficit from Trading<br/>Operations</b> | <b>38,561</b> | <b>(46,908)</b> | <b>(8,347)</b>                                       |

Note - Emergency Services Unit (ESU) added to Trading Operations Return in 2010/11.

Note - Commercial Waste Services no longer classed as a trading area.

### 3.7 Audit Note

In 2010/11 Coventry City Council incurred the following fees relating to external audit and inspection:

| 2009/2010<br>£000 | Audit Fees  | 2010/2011<br>£000 |
|-------------------|---|-------------------|
| 413               | Fees payable to the external auditors in respect of statutory external audit services             | 410               |
| 17                | Fees payable to the Audit Commission in respect of statutory inspection                           | 0                 |
| 82                | Fees payable to the external auditors in respect of the certification of grant claims and returns | 89                |
| 0                 | Fees payable in respect of other services provided by the external auditors                       | 0                 |
| <b>512</b>        | <b>Total Fees</b>   | <b>499</b>        |

### 3.8 Pooled Budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under Section 31 of the Health Act 1999 to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2010/11 gross income and expenditure is set out below.

| 2009/10<br>£       | First Partnership Agreement | 2010/11<br>£       |
|--------------------|-----------------------------|--------------------|
|                    | <b>INCOME</b>               |                    |
| (672,151)          | PCT                         | (805,374)          |
| (814,327)          | Coventry City Council       | (882,849)          |
| (29,269)           | Government Grants           | (43,732)           |
| <b>(1,515,747)</b> | <b>Total Income</b>         | <b>(1,731,955)</b> |
| <b>1,515,747</b>   | <b>Gross Expenditure</b>    | <b>1,731,955</b>   |

A second partnership agreement with the Coventry Teaching Primary Care Trust was signed in March 2005, also using powers under Section 75 of the NHS Act 2006, to facilitate the provision of joint services for people with learning disabilities in Coventry. The 2010/11 gross income and expenditure is set out below.

| 2009/10<br>£     | Second Partnership Agreement     | 2010/11<br>£     |
|------------------|----------------------------------|------------------|
|                  | <b>INCOME</b>                    |                  |
| 0                | PCT                              | 0                |
| (271,965)        | Coventry City Council            | (271,000)        |
| <b>(271,965)</b> | <b>Total Income</b>              | <b>(271,000)</b> |
| <b>270,386</b>   | <b>Gross Expenditure</b>         | <b>243,295</b>   |
| <b>(1,579)</b>   | Coventry City Council underspend | <b>(27,705)</b>  |

### 3.9 Senior Officers' Remuneration

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

The Council is required to disclose the number of employees whose remuneration during 2010/11 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:

| 2009/10                   |             | Remuneration Band - £ | 2010/11                   |             |
|---------------------------|-------------|-----------------------|---------------------------|-------------|
| Staff employed by schools | Other staff |                       | Staff employed by schools | Other staff |
| 86                        | 28          | £50,000 - £54,999     | 95                        | 36          |
| 45                        | 47          | £55,000 - £59,999     | 47                        | 55          |
| 28                        | 13          | £60,000 - £64,999     | 30                        | 19          |
| 22                        | 8           | £65,000 - £69,999     | 27                        | 8           |
| 5                         | 12          | £70,000 - £74,999     | 10                        | 12          |
| 3                         | 8           | £75,000 - £79,999     | 4                         | 8           |
| 3                         | 9           | £80,000 - £84,999     | 3                         | 12          |
| 3                         | 2           | £85,000 - £89,999     | 4                         | 1           |
| 3                         | 1           | £90,000 - £94,999     | 4                         | 1           |
| 3                         | 3           | £95,000 - £99,999     | 2                         | 4           |
| 0                         | 3           | £100,000 - £104,999   | 1                         | 0           |
| 0                         | 2           | £105,000 - £109,999   | 0                         | 1           |
| 0                         | 2           | £110,000 - £114,999   | 1                         | 5           |
| 0                         | 3           | £115,000 - £119,999   | 0                         | 1           |
| 1                         | 1           | £120,000 - £124,999   | 0                         | 1           |
| 0                         | 1           | £125,000 - £129,999   | 1                         | 0           |
| 0                         | 0           | £130,000 - £134,999   | 0                         | 0           |
| 0                         | 0           | £135,000 - £139,999   | 0                         | 0           |
| 0                         | 0           | £140,000 - £144,999   | 0                         | 0           |
| 0                         | 0           | £145,000 - £149,999   | 0                         | 1           |
| 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                         | 1           | £165,000 - £169,999   | 0                         | 1           |
| 0                         | 0           | £170,000 - £174,999   | 0                         | 0           |
| 0                         | 0           | £175,000 - £179,999   | 0                         | 0           |
| 0                         | 0           | £180,000 - £184,999   | 0                         | 0           |
| 0                         | 0           | £185,000 - £189,999   | 0                         | 1           |
| 0                         | 1           | £190,000 - £194,999   | 0                         | 0           |
| <b>202</b>                | <b>145</b>  | <b>Total</b>          | <b>229</b>                | <b>167</b>  |

The above table includes senior officer's remuneration, which is detailed in the following table.

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

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

| Senior Employees - 2010/11                    | Salary<br>(Including<br>Fees &<br>Allowances) | Loss of Office | Pension<br>Contributions | Total<br>Remuneration<br>2010/11 |
|---|---|----------------|--------------------------|----------------------------------|
|   | £   | £              | £                        | £                                |
| <b>CHIEF EXECUTIVE</b>                        |   |                |                          |                                  |
| Martin Reeves                                 | 186,301                                       | 0              | 30,553                   | <b>216,854</b>                   |
| <b>MANAGEMENT BOARD</b>                       |   |                |                          |                                  |
| Director of Children, Learning & Young People | 124,295                                       | 0              | 20,384                   | <b>144,679</b>                   |
| Director of City Services and Development     | 113,488                                       | 0              | 18,612                   | <b>132,100</b>                   |
| Director of External Partnerships             | 86,320  | 0              | 14,156                   | <b>100,476</b>                   |
| Director of Community Services                | 118,890                                       | 0              | 19,498                   | <b>138,388</b>                   |
| Director of Customer & Workforce Services     | 110,266                                       | 0              | 18,084                   | <b>128,350</b>                   |
| Director of Finance & Legal Services          | 110,266                                       | 0              | 18,084                   | <b>128,350</b>                   |
| Assistant Chief Executive                     | 99,983  | 0              | 16,397                   | <b>116,380</b>                   |
| <b>TOTAL</b>                                  | <b>949,809</b>                                | <b>0</b>       | <b>155,768</b>           | <b>1,105,577</b>                 |

| Senior Employees - 2009/10                    | Salary<br>(Including<br>Fees &<br>Allowances) | Loss of Office | Pension<br>Contributions | Total<br>Remuneration<br>2009/10 |
|---|---|----------------|--------------------------|----------------------------------|
|   | £   | £              | £                        | £                                |
| <b>CHIEF EXECUTIVE</b>                        |   |                |                          |                                  |
| Martin Reeves                                 | 192,093                                       | 0              | 29,856                   | <b>221,949</b>                   |
| <b>MANAGEMENT BOARD</b>                       |   |                |                          |                                  |
| Director of Children, Learning & Young People | 125,646                                       | 0              | 20,229                   | <b>145,875</b>                   |
| Director of City Services and Development     | 107,111                                       | 0              | 17,245                   | <b>124,356</b>                   |
| Director of City Services                     | 50,588  | 72,957         | 7,801                    | <b>131,346</b>                   |
| Director of External Partnerships             | 117,658                                       | 0              | 18,943                   | <b>136,601</b>                   |
| Director of Community Services                | 93,559  | 0              | 15,063                   | <b>108,622</b>                   |
| Director of Customer & Workforce Services     | 110,857                                       | 0              | 17,848                   | <b>128,705</b>                   |
| Director of Finance & Legal Services          | 108,178                                       | 0              | 17,417                   | <b>125,595</b>                   |
| Assistant Chief Executive                     | 97,421  | 0              | 15,685                   | <b>113,106</b>                   |
| <b>TOTAL</b>                                  | <b>1,003,111</b>                              | <b>72,957</b>  | <b>160,087</b>           | <b>1,236,155</b>                 |

**Notes**

- Senior Officers have not received any bonuses, expenses or benefits in kind during 2010/11.

- The remuneration for 2009/10 includes compensation for the loss of office for the Director of City Services post.
- The Director of City Services and Development post was created due to the combining of the two directorates, and a replacement of the previous two Director posts.
- The Director of External Partnership took early retirement at the end of 2010.

### 3.10 Movement in Cash & Cash Equivalents

|  | 31st March<br>2010<br>£m | 31st March<br>2011<br>£m | Movement      |
|--|--------------------------|--------------------------|---------------|
| Cash balances                                | 19.2                     | 1.1                      | (18.1)        |
| Cash overdrawn                               | 0.0                      | 0.0                      | 0.0           |
| <b>Increase in cash and cash equivalents</b> | <b>19.2</b>              | <b>1.1</b>               | <b>(18.1)</b> |

### 3.11 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   | 2009/10        | 2010/11        |
|------------------|----------------|----------------|
| Basic Allowances | 689,431        | 688,888        |
| Other Allowances | 249,934        | 259,147        |
| Expenses         | 17,954         | 11,024         |
| <b>Total</b>     | <b>957,319</b> | <b>959,059</b> |

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2010/11, work and services to the value of £120 were commissioned from a company in which two members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

### 3.12 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 has control 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 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.

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

- Pension contributions are made to the West Midlands Metropolitan Authorities Pension Fund and the Teachers Pensions Agency. Further details of these payments are included in section 3.34.
- 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 main Income and Expenditure Account, see section 2.2.

Coventry City Council and Solihull Metropolitan Borough Council are, as major shareholders in the Coventry & Solihull Waste Disposal Company (CSWDC), considered related parties as defined by FRS 8. Coventry's contribution for the provision of waste disposal services was £3,862,849 (£3,942,987 - 2010). During the year Coventry City Council provided various services to the waste disposal company, the costs of these services amounted to £111,082 (£88,053 – 2010). The amounts due to Coventry City Council at the year end were £25,377 (£21,509 – 2010).

The balance outstanding on cash flow assistance to CNR by the City Council is £5,000 (£5,000 2009/10). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £12,949 (£13,531 2009/10) were made. At 31<sup>st</sup> March 2011 the Council owed CNR £3,469 (£5,157 CNR owed the Council 2009/10).

During the year the City Council provided services to the University of Warwick Science Park Ltd totalling £51,978 (£48,841 2009/10) and £nil was outstanding as at 31<sup>st</sup> March 2011 (£721 2009/10). In addition, under the terms of certain leases, rents are payable to the City Council by the University of Warwick Science Park Ltd and this totalled £491,441 (£613,278 2009/10).

During the year, ACL had rates and operating expenses to the value of £297,242 (2010 - £314,850) and £17,772 was outstanding at 31<sup>st</sup> March 2011 (2010 - £61,666).

Salaries and other payments made to the Council's most senior officers are shown in note 3.9. Officers 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). Details of other related parties (together with any 2010/11 transactions) are as follows: Coventry Solihull and Warwickshire Partnership (Payments of £5,970k, including a one-off VAT payment of £1.9m); Coventry University (Payments £381k, Receipts £16k) and Coventry Citizens Advice Bureau (Payments £334k, Receipts £14k).

### 3.13 Business Improvement District (BID)

The Council is the billing authority for the City Centre business improvement district managed by CV One, which provides cleaner, safer and more attractive areas and marketing for the city centre. The Council collects a levy from the business rate payers on behalf of the BID body but is not commissioned to provide any services in the area.

| <b>2009/10</b>  |   | <b>2010/11</b> |                 |
|-----------------|---|----------------|-----------------|
| <b>£000</b>     |   | <b>£000</b>    | <b>£000</b>     |
| (284)           | BID levy income                         |                | (286)           |
| 13              | Cost of collecting levy                 | 13             |                 |
| 271             | Payments made from the BID account      | 273            |                 |
| 0               | Increased provision for bad debts       | 0              |                 |
| <u>284</u>      | Total Expenditure                       | <u>0</u>       | 286             |
| <u><b>0</b></u> | <b>(Surplus) / Deficit for the year</b> |                | <u><b>0</b></u> |

The Council is also the billing authority for the City-wide business improvement district managed by Coventry Best for Business. The objectives are:

- to improve perceptions of Coventry and its business community so they are recognised as vibrant and enterprising and to raise their reputation nationally and internationally;
- to enhance quality of life for Coventry's residents and employees in Coventry's business;
- to promote a better image for the city to help recruit and retain high quality staff, create new trading opportunities as prosperity increases and new businesses move in, and build Coventry as the place to do business.

The Council collects a levy from the business rate payers on behalf of the BID body but is not commissioned to provide any services in the area.

| <b>2009/10</b>  |   | <b>2010/11</b> |                 |
|-----------------|---|----------------|-----------------|
| <b>£000</b>     |   | <b>£000</b>    | <b>£000</b>     |
| (2,249)         | BID levy income                         |                | (2,241)         |
| 33              | Cost of collecting levy                 | 52             |                 |
| 2,216           | Payments made from the BID account      | 2,189          |                 |
| 0               | Increased provision for bad debts       | 0              |                 |
| <u>2,249</u>    | Total Expenditure                       | <u>0</u>       | 2,241           |
| <u><b>0</b></u> | <b>(Surplus) / Deficit for the year</b> |                | <u><b>0</b></u> |

### 3.14 Events after the Balance Sheet Date

The Statement of Accounts were signed by the Director of Finance and Legal Services and authorised for issue on the 30<sup>th</sup> June 2011. The financial statements and notes have not been adjusted for the following events which took place after 31st March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

#### CVOne

CVOne is a company that has provided city centre management services on behalf of the Council since 2002. In November 2010 the Council's Cabinet approved a review of the contract with CVOne for delivery of car park services and events management with a view to bringing these services back in-house. As a result, these services and the associated staff and assets were transferred back to the Council on 1st April 2011, along with the associated Council contract grant payment of £2.5m. In March 2011 the Council and the CVOne Board agreed to transfer all remaining services under the CVOne contract back to the Council by March 2012. This will involve the remaining associated staff, assets and Council contract grant payment of £2.3m.

#### ICT Contract Arrangements

In November 2010, the City Council approved the final arrangements by which the external Information and Communications Technology (ICT) contract with Serco would be ended, bringing these services back in house. The new arrangements came into force on 1st April 2011 at which point the City Council became responsible for direct provision of its own ICT services and took on ownership of the full range of assets connected with the contract. The Council has identified annual savings of £5m in connection with the ending of the contract and the streamlining of its new ICT service.

#### Transfer of Schools to Academy Status

The following schools transferred to Academy status after the 31st March 2011:

| School Name  | Date Transferred |
|--|------------------|
| Whitley Abbey Business and Enterprise College            | 01/07/2011       |
| Tile Hill Wood School and Language College               | 11/07/2011       |
| Blue Coat Church of England School and Music College     | 12/07/2011       |
| The Westwood School - a Technology College               | 01/08/2011       |
| Finham Park Designated Mathematics and Computing College | 01/08/2011       |
| Woodlands Secondary School and Sports College            | 01/08/2011       |

The transfers have the effect of diluting the relationship between the schools and the local authority and this has a range of implications for the City Council. In the future, the City Council's accounts will no longer reflect any assets relating to the school grounds and buildings or the day

to day costs and funding of the schools. Funding relating to these schools will no longer be reflected in the Council's accounts in the future.

### 3.15 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 note 3.36 Associated Company Interest and Holdings.

| 31st March<br>2009<br>£000 | 31st March<br>2010<br>£000 | Long Term Investments                                    | 31st March<br>2011<br>£000 |
|----------------------------|----------------------------|--|----------------------------|
| 11,650                     | 20,756                     | Birmingham Airport Holdings Ltd                          | 20,756                     |
| 9,950                      | 9,950                      | Coventry Solihull Waste Disposal Co (CSWDC)              | 9,950                      |
| 0                          | 0                          | University of Warwick Science Park Innovation Centre Ltd | 0                          |
| 1,025                      | 1,025                      | University of Warwick Science Park Ltd                   | 2,590                      |
| 19                         | 19                         | Coventry Venture Capital                                 | 19                         |
| 0                          | 0                          | North Coventry Holdings Limited                          | 0                          |
| <b>22,644</b>              | <b>31,750</b>              | <b>Total Long Term Investments</b>                       | <b>33,315</b>              |

On 6th August 2010 a report was issued from BDO Stoy Hayward, that detailed the valuation of the ordinary shares and preference shares held by Coventry City Council in Birmingham Airport Holdings Ltd, as at 31st March 2010. The value of these shares had increased from £11.7m to £20.8m. An exercise was undertaken by BDO in July 2011 to establish whether this valuation remained valid as at 31st March 2011. This work concluded that there has been no material change and as a result the existing valuation has been retained in the accounts.

### 3.16 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<br>2009<br>£000 | 31st March<br>2010<br>£000 | Long Term Debtors                    | 31st March<br>2011<br>£000 |
|----------------------------|----------------------------|--------------------------------------|----------------------------|
| 171                        | 180                        | Museum of British Road Transport     | 189                        |
| 1,084                      | 4                          | Wide Area Network                    | 0                          |
| 147                        | 122                        | Housing Loans                        | 97                         |
| 1,098                      | 1,142                      | Science Park Debentures              | 1,174                      |
| 1,066                      | 1,066                      | Binley Innovation Centre             | 1,066                      |
| 677                        | 512                        | Pathways to Care Loans               | 512                        |
| 1,208                      | 1,085                      | Residential Property Debts           | 760                        |
| 833                        | 0                          | Coventry North Regeneration Ltd      | 5                          |
| 218                        | 200                        | Mortgages                            | 170                        |
| 124                        | 64                         | Further Education College Debt       | 0                          |
| 319                        | 331                        | Belgrade Theatre                     | 335                        |
| 85                         | 67                         | Spon End Building Preservation Trust | 58                         |
| 85                         | 75                         | John White Community Centre          | 75                         |
| 0                          | 42                         | Commercial Property                  | 36                         |
| 0                          | 5,000                      | City College Car Park                | 4,926                      |
| 0                          | 0                          | Car Loans                            | 2                          |
| <b>7,115</b>               | <b>9,890</b>               | <b>Total Long Term Debtors</b>       | <b>9,405</b>               |

### 3.17 Inventories

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

| 31st March<br>2010<br>£000 | Consumable Stores                           | 31st March<br>2011<br>£000 |
|----------------------------|---|----------------------------|
| 471                        | <b>Balance outstanding at start of year</b> | 541                        |
| 5,593                      | Purchases                                   | 4,897                      |
| (5,523)                    | Recognised as an expense in the year        | (4,867)                    |
| 0                          | Written off balances                        | (9)                        |
| 0                          | Reversal of write offs in previous years    | 0                          |
| <b>541</b>                 | <b>Balance outstanding at year end</b>      | <b>562</b>                 |

### 3.18 Short Term Debtors

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

| Debtors   | 31st March<br>2009<br>£000 | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|---|----------------------------|----------------------------|----------------------------|
| Central Government Bodies                         | 19,340                     | 15,949                     | 5,719                      |
| Other Local Authorities                           | 11,085                     | 4,802                      | 2,759                      |
| NHS Bodies  | 1,465                      | 3,579                      | 1,559                      |
| Public Corporations / Trading                     | 770                        | 798                        | 348                        |
| All Other Bodies                                  | 35,238                     | 40,480                     | 36,278                     |
| Debts Relating to Local Taxation                  | 12,080                     | 12,639                     | 11,636                     |
| Payments in Advance                               | 16,638                     | 10,162                     | 18,509                     |
| Impairment Allowance Account (Bad Debt Provision) | (12,564)                   | (14,819)                   | (14,521)                   |
| <b>Total Debtors</b>                              | <b>84,052</b>              | <b>73,590</b>              | <b>62,287</b>              |

### 3.19 Short Term Creditors

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

| Creditors                   | 31st March<br>2009<br>£000 | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| Central Government Bodies   | (9,206)                    | (7,036)                    | (9,038)                    |
| Other Local Authorities     | (7,705)                    | (5,889)                    | (9,166)                    |
| NHS Bodies                  | (864)                      | (660)                      | (949)                      |
| Public Corporations/Trading | (457)                      | (349)                      | (275)                      |
| All Other Bodies            | (60,851)                   | (48,546)                   | (41,101)                   |
| Receipts in Advance         | 12,816                     | (11,485)                   | (14,009)                   |
| <b>Total Creditors</b>      | <b>(66,267)</b>            | <b>(73,965)</b>            | <b>(74,538)</b>            |

## 3.20 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that we will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2010/2011 is explained below:

| Provisions                            | Self-Insurance<br>and other<br>provisions<br>£000 | Provision for<br>Legal Claims<br>£000 | Total<br>£000   |
|---------------------------------------|---|---------------------------------------|-----------------|
| <b>Balance at 1st April 2009</b>      | <b>(4,011)</b>                                    | <b>(30,205)</b>                       | <b>(34,216)</b> |
| <b>Balance at 1st April 2010</b>      | <b>(6,320)</b>                                    | <b>(30,354)</b>                       | <b>(36,674)</b> |
| Additional Provisions made in 2010/11 | (1,257)   | 0                                     | (1,257)         |
| Amounts used in 2010/11               | 104   | 4,378                                 | 4,482           |
| Unused amounts reversed in 2010/11    | 0   | 354                                   | 354             |
| <b>Balance at 31st March 2011</b>     | <b>(7,473)</b>                                    | <b>(25,622)</b>                       | <b>(33,095)</b> |

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. The provision is used when insurance claims require settlement. The Council also maintains an insurance earmarked reserve, called the Insurance Fund that is set aside for claims that have been incurred but not yet received as detailed within the Usable and Unusable Reserves note in section 3.39.

There is a further specific area relating to Equal Pay Claims where existing legal claims against the City Council have caused us to set aside a financial provision. The Council has agreed claims that have cost £4.4m within 2010/11. Further claims remain outstanding and a provision amounting to £25.6m remains in place in compliance with Local Authority Accounting Panel (LAAP) Bulletin 68. This allows the provision to be capitalised in line with a formal Capitalisation Direction granted by the Government to the City Council in September 2008 such that the full cost is spread over 20 years, with the first setting aside of a minimum revenue provision (for future repayment of borrowing debt) being made in 2009/10. It should be stressed that this provision is not an admission of liability. Complex legal proceedings and negotiations on potential settlement of Equal Pay claims are ongoing.

The Equal Pay Claims provision represents what we view to be a reasonable estimate of the likely maximum liability that the City Council might face. Notwithstanding this, a Contingent Liability has been recorded in this area, the details of which are included in section 3.21.

## 3.21 Contingent Liabilities

Details of a provision that has been made in relation to Equal Pay Claims have been included in note 3.20 to the accounts. The provision represents what we view to be a reasonable estimate of the likely maximum liability that faces the City Council. However, significant uncertainty remains nationally in relation to Equal Pay Claims due to continued changes in the interpretation of the legal basis upon which such claims are being made and the application of how successful claims have been settled.

Claims settled within 2010/11 have been accompanied by a waiver from employees to future claims in respect of equal pay including claims against the pay protection scheme. This limits the total potential liability that could face the City Council. Nevertheless, the Council faces ongoing risks of further claims being made against it both in terms of historic Equal Pay issues and, if there is a change to the existing judgement on pay protection which goes in favour of the Trade Unions, from the five year pay protection scheme introduced by the Council as part of Single Status.

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

### 3.22 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 (DfE), 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 2008. 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 2010/11 are as follows:

| Notes | Schools Budget Funded by Dedicated Schools Grant        | Central Expenditure<br>£ | Individual Schools Budget<br>£ | Total<br>£         |
|-------|---|--------------------------|--------------------------------|--------------------|
|       |   | 1                        | 2                              | 3                  |
| A     | Final DSG for 2010/11                                   | 22,918,986               | 174,785,015                    | 197,704,001        |
|       | DSG Exceptional Circumstances Grant received in 2010/11 | 949,000                  | 0                              | 949,000            |
|       | <b>Total DSG for 2010/11</b>                            | <b>23,867,986</b>        | <b>174,785,015</b>             | <b>198,653,001</b> |
| B     | Brought forward from 2009/10                            | 982,069                  | 0                              | 982,069            |
| C     | Carry forward to 2011/12 agreed in advance              | 1,158,069                | 0                              | 1,158,069          |
| D     | Agreed budgeted distribution in 2010/11                 | 23,691,986               | 174,785,015                    | 198,477,001        |
| E     | Actual Central Expenditure                              | 24,991,046               | 0                              | 24,991,046         |
| F     | Actual ISB deployed to schools                          | 0                        | 175,080,478                    | 175,080,478        |
| G     | Local authority contribution for 2010/11                | 1,664,193                | 295,463                        | 1,959,656          |
| H     | <b>Carry forward to 2011/12</b>                         | <b>365,133</b>           | <b>0</b>                       | <b>1,523,202</b>   |

#### Notes

A: DSG figure as issued by DCSF in 2010/11

B: Figure brought forward from 2009/10 as agreed with DCSF.

C: Any amount which the authority decided after consultation with the schools forum to carry forward to 2011/12 rather than distribute in 2010/11 - this will be the difference between estimated and final DSG for 2010/11, or a figure (positive or negative brought forward from 2009/10 which the authority is carrying forward again).

D: Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum. If the budgeted central expenditure exceeded the statutory limit, and this was agreed by the Secretary of State rather than the schools forum, a footnote should be added to that effect.

E: Actual amount of central expenditure items in 2010/11.

F: 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).

G: Any contribution from the local authority in 2010/11 which will have the effect of substituting for DSG in funding the Schools Budget.

H: Carry forward to 2011/12, ie:

- For central expenditure, difference between budgeted distribution of DSG (D1) and actual expenditure (E1), plus any local authority contribution (G1).
- For ISB, difference between budget (D2) and amount actually deployed to schools (F2), plus any local authority contribution (G2). Over or under deployment on ISB can arise from transfers from central expenditure during the year, eg for contingencies; or from adjustments to schools' budget shares during the year, eg for named SEN pupils or excluded pupils.
- Total is carry forward on central expenditure (H1) plus carry forward on ISB (H2) plus/minus any carry forward to 2011/12 already agreed (C3).

### 3.23 Property, Plant and Equipment

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

|   | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Under Construction<br>£000 | Total<br>£000    |
|---|--------------------------------|-------------------------------------|--------------------------------|--------------------------|----------------------------|------------------|
| <b>Cost or Valuation</b>                                  |                                |                                     |                                |                          |                            |                  |
| <b>At 1st April 2010</b>                                  | <b>896,315</b>                 | <b>24,193</b>                       | <b>307,399</b>                 | <b>14,995</b>            | <b>21,308</b>              | <b>1,264,210</b> |
| Adjustments between cost/<br>value & depn/impairment      | (3,619)                        | 0                                   | 0                              | 0                        | 0                          | (3,619)          |
| <b>Adjusted 1st April balance</b>                         | <b>892,696</b>                 | <b>24,193</b>                       | <b>307,399</b>                 | <b>14,995</b>            | <b>21,308</b>              | <b>1,260,591</b> |
| Additions   | 40,674                         | 2,595                               | 12,577                         | 952                      | (1,351)                    | 55,447           |
| Donations   | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Revaluation<br>increase/(decreases) to RR                 | (12,887)                       | 0                                   | 0                              | 0                        | 0                          | (12,887)         |
| Revaluation<br>increase/(decrease) to SDPS                | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Disposals                                 | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Other                                     | (31,434)                       | (268)                               | (28,946)                       | (852)                    | (8,853)                    | (70,353)         |
| Reclassified to / from Assets<br>Held for Sale            | (365)                          | 0                                   | 0                              | 0                        | 0                          | (365)            |
| Other Reclassifications                                   | 5,395                          | 9,050                               | 551                            | 29                       | (10,304)                   | 4,721            |
| <b>At 31 March 2011</b>                                   | <b>894,079</b>                 | <b>35,570</b>                       | <b>291,581</b>                 | <b>15,124</b>            | <b>800</b>                 | <b>1,237,154</b> |
| <b>Depreciation and Impairment</b>                        |                                |                                     |                                |                          |                            |                  |
| <b>At 1st April 2010</b>                                  | <b>171,183</b>                 | <b>14,408</b>                       | <b>58,159</b>                  | <b>0</b>                 | <b>0</b>                   | <b>243,750</b>   |
| Adjustments between cost/<br>value & depn/impairment      | (3,619)                        | 0                                   | 0                              | 0                        | 0                          | (3,619)          |
| <b>Adjusted 1st April balance</b>                         | <b>167,564</b>                 | <b>14,408</b>                       | <b>58,159</b>                  | <b>0</b>                 | <b>0</b>                   | <b>240,131</b>   |
| Depreciation Charge                                       | 25,336                         | 2,361                               | 7,018                          | 0                        | 0                          | 34,715           |
| Impairment losses/reversals<br>to RR                      | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Impairment losses/reversals<br>to SDPS                    | 66,978                         | 13                                  | 0                              | 0                        | 0                          | 66,991           |
| Derecognition - Disposals                                 | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Other                                     | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Eliminated on reclassification<br>to Assets Held for Sale | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Reclassifications   | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| <b>At 31 March 2011</b>                                   | <b>259,878</b>                 | <b>16,782</b>                       | <b>65,177</b>                  | <b>0</b>                 | <b>0</b>                   | <b>341,837</b>   |
| <b>Net Book Value</b>                                     |                                |                                     |                                |                          |                            |                  |
| <b>At 31 March 2011</b>                                   | <b>634,201</b>                 | <b>18,788</b>                       | <b>226,404</b>                 | <b>15,124</b>            | <b>800</b>                 | <b>895,317</b>   |
| <b>At 1st April 2010</b>                                  | <b>725,132</b>                 | <b>9,785</b>                        | <b>249,240</b>                 | <b>14,995</b>            | <b>21,308</b>              | <b>1,020,460</b> |

Note - The carrying amount for Other Land and Buildings is presented on a revaluations basis. The carried forward amount that would have been recognised if presented at cost is £492m.

## Comparative Year's Figures

|   | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Under Construction<br>£000 | Total<br>£000    |
|---|--------------------------------|-------------------------------------|--------------------------------|--------------------------|----------------------------|------------------|
| <b>Cost or Valuation</b>                                  |                                |                                     |                                |                          |                            |                  |
| <b>At 1st April 2009</b>                                  | <b>882,946</b>                 | <b>20,403</b>                       | <b>281,083</b>                 | <b>14,989</b>            | <b>50,433</b>              | <b>1,249,854</b> |
| Adjustments between cost/<br>value & depn/impairment      | (42,217)                       | 0                                   | 0                              | 0                        | 0                          | (42,217)         |
| <b>Adjusted 1st April balance</b>                         | <b>840,729</b>                 | <b>20,403</b>                       | <b>281,083</b>                 | <b>14,989</b>            | <b>50,433</b>              | <b>1,207,637</b> |
| Additions   | 54,467                         | 3,790                               | 26,316                         | 6                        | (29,125)                   | 55,454           |
| Donations   | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Revaluation<br>increase/(decreases) to RR                 | 10,504                         | 0                                   | 0                              | 0                        | 0                          | 10,504           |
| Revaluation<br>increase/(decrease) to SDPS                | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Disposals                                 | (111)                          | 0                                   | 0                              | 0                        | 0                          | (111)            |
| Derecognition - Other                                     | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Reclassified to / from Assets<br>Held for Sale            | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Other Reclassifications                                   | (9,274)                        | 0                                   | 0                              | 0                        | 0                          | (9,274)          |
| <b>At 31 March 2010</b>                                   | <b>896,315</b>                 | <b>24,193</b>                       | <b>307,399</b>                 | <b>14,995</b>            | <b>21,308</b>              | <b>1,264,210</b> |
| <b>Depreciation and Impairment</b>                        |                                |                                     |                                |                          |                            |                  |
| <b>At 1st April 2009</b>                                  | <b>100,520</b>                 | <b>11,255</b>                       | <b>48,271</b>                  | <b>0</b>                 | <b>0</b>                   | <b>160,046</b>   |
| Adjustments between cost/<br>value & depn/impairment      | (42,217)                       | 0                                   | 0                              | 0                        | 0                          | (42,217)         |
| <b>Adjusted 1st April balance</b>                         | <b>58,303</b>                  | <b>11,255</b>                       | <b>48,271</b>                  | <b>0</b>                 | <b>0</b>                   | <b>117,829</b>   |
| Depreciation Charge                                       | 22,134                         | 3,136                               | 6,413                          | 0                        | 0                          | 31,683           |
| Impairment losses/reversals<br>to RR                      | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Impairment losses/reversals<br>to SDPS                    | 90,746                         | 17                                  | 3,475                          | 0                        | 0                          | 94,238           |
| Derecognition - Disposals                                 | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Derecognition - Other                                     | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Eliminated on reclassification<br>to Assets Held for Sale | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| Reclassifications   | 0                              | 0                                   | 0                              | 0                        | 0                          | 0                |
| <b>At 31 March 2010</b>                                   | <b>171,183</b>                 | <b>14,408</b>                       | <b>58,159</b>                  | <b>0</b>                 | <b>0</b>                   | <b>243,750</b>   |
| <b>Net Book Value</b>                                     |                                |                                     |                                |                          |                            |                  |
| <b>At 31 March 2010</b>                                   | <b>725,132</b>                 | <b>9,785</b>                        | <b>249,240</b>                 | <b>14,995</b>            | <b>21,308</b>              | <b>1,020,460</b> |
| <b>At 1st April 2009</b>                                  | <b>782,426</b>                 | <b>9,148</b>                        | <b>232,812</b>                 | <b>14,989</b>            | <b>50,433</b>              | <b>1,089,808</b> |

Note - The carrying amount for Other Land and Buildings is presented on a revaluations basis. The carried forward amount that would have been recognised if presented at cost is £568m.

Note - RR stands for Revaluation Reserve

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

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

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

Impairment reflects a reduction in value of the asset below its carrying amount on the balance sheet. Impairment reviews are required where changes in circumstances have arisen e.g. a significant decline in the assets market value. An impairment review was carried out in 2010/11 which resulted in a £87m change to the value of our portfolio of property assets, £56m of which relates to schools/colleges transferring to trust status. These school assets are specialised and belong to the Children, Learning and Young People reporting segment, have no active market, and were valued on a Depreciated Replacement Cost basis in order to determine the recoverable service amount (fair value less costs to sell). The material impairment amount for each asset is: Barrs Hill £8.7m, Lyng Hall £10.6m, Stoke Park £14.4m, Westwood £11.2m, Whitley Abbey £11.2m.

Under IFRS and componentisation accounting derecognitions totalling £71m have been incorporated to write down capital expenditure 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 and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. In 2010/11 over 50% of depreciation is attributable to Children, Learning & Young People Directorate premises (predominantly schools).

Depreciation is calculated on the following basis:

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

### 3.24 Non Operational Assets

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

|  | Investment<br>Property<br>£000 | Assets Held<br>for Sale<br>£000 | Under<br>Construction<br>£000 | Total<br>£000  |
|--|--------------------------------|---------------------------------|-------------------------------|----------------|
| <b>Cost or Valuation</b>                               |                                |                                 |                               |                |
| <b>At 1st April 2010</b>                               | <b>292,605</b>                 | <b>15,984</b>                   | <b>1,249</b>                  | <b>309,838</b> |
| Adjustments between cost/value & depn/impairment       | 0                              | 0                               | 0                             | 0              |
| <b>Adjusted 1st April balance</b>                      | <b>292,605</b>                 | <b>15,984</b>                   | <b>1,249</b>                  | <b>309,838</b> |
| Additions  | 383                            | 0                               | 0                             | 383            |
| Donations  | 0                              | 0                               | 0                             | 0              |
| Revaluation increase/(decrease) to RR                  | 0                              | 782                             | 0                             | 782            |
| Revaluation increase/(decrease) to SDPS                | 13,165                         | 0                               | 0                             | 13,165         |
| Derecognition - Disposals                              | (2,649)                        | (2,457)                         | 0                             | (5,106)        |
| Derecognition - Other                                  | (937)                          | 0                               | 0                             | (937)          |
| Reclassified to/from Assets Held for Sale              | (4,495)                        | 4,860                           | 0                             | 365            |
| Other Reclassifications                                | (3,472)                        | 0                               | (1,249)                       | (4,721)        |
| <b>At 31 March 2011</b>                                | <b>294,600</b>                 | <b>19,169</b>                   | <b>0</b>                      | <b>313,769</b> |
| <b>Depreciation and Impairment</b>                     |                                |                                 |                               |                |
| <b>At 1st April 2010</b>                               | <b>71,532</b>                  | <b>3,975</b>                    | <b>0</b>                      | <b>75,507</b>  |
| Adjustments between cost/value & depn/impairment       | 0                              | 0                               | 0                             | 0              |
| <b>Adjusted 1st April balance</b>                      | <b>71,532</b>                  | <b>3,975</b>                    | <b>0</b>                      | <b>75,507</b>  |
| Depreciation Charge                                    | 0                              | 0                               | 0                             | 0              |
| Impairment losses/reversals to RR                      | 0                              | 0                               | 0                             | 0              |
| Impairment losses/reversals to SDPS                    | 16,532                         | 3,724                           | 0                             | 20,256         |
| Derecognition - Disposals                              | 0                              | 0                               | 0                             | 0              |
| Derecognition - Other                                  | 0                              | 0                               | 0                             | 0              |
| Eliminated on reclassification to Assets Held for Sale | 0                              | 0                               | 0                             | 0              |
| Reclassifications                                      | 0                              | 0                               | 0                             | 0              |
| <b>At 31 March 2011</b>                                | <b>88,064</b>                  | <b>7,699</b>                    | <b>0</b>                      | <b>95,763</b>  |
| <b>Net Book Value</b>                                  |                                |                                 |                               |                |
| <b>At 31 March 2011</b>                                | <b>206,536</b>                 | <b>11,470</b>                   | <b>0</b>                      | <b>218,006</b> |
| <b>At 1st April 2010</b>                               | <b>221,073</b>                 | <b>12,009</b>                   | <b>1,249</b>                  | <b>234,331</b> |

Note - RR stands for Revaluation Reserve

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

## Comparative Year's Figures

|  | Investment<br>Property<br>£000 | Assets Held<br>for Sale<br>£000 | Under<br>Construction<br>£000 | Total<br>£000  |
|--|--------------------------------|---------------------------------|-------------------------------|----------------|
| <b>Cost or Valuation</b>                               |                                |                                 |                               |                |
| <b>At 1st April 2009</b>                               | <b>240,683</b>                 | <b>45,936</b>                   | <b>5,893</b>                  | <b>292,512</b> |
| Adjustments between cost/value & depn/impairment       | 0                              | 0                               | 0                             | 0              |
| <b>Adjusted 1st April balance</b>                      | <b>240,683</b>                 | <b>45,936</b>                   | <b>5,893</b>                  | <b>292,512</b> |
| Additions  | 7,657                          | 48                              | (4,644)                       | 3,061          |
| Donations  | 0                              | 0                               | 0                             | 0              |
| Revaluation increase/(decrease) to RR                  | 0                              | (764)                           | 0                             | (764)          |
| Revaluation increase/(decrease) to SDPS                | 10,927                         | 0                               | 0                             | 10,927         |
| Derecognition - Disposals                              | (4,126)                        | (1,046)                         | 0                             | (5,172)        |
| Derecognition - Other                                  | 0                              | 0                               | 0                             | 0              |
| Reclassified to/from Assets Held for Sale              | 28,190                         | (28,190)                        | 0                             | 0              |
| Other Reclassifications                                | 9,274                          | 0                               | 0                             | 9,274          |
| <b>At 31 March 2010</b>                                | <b>292,605</b>                 | <b>15,984</b>                   | <b>1,249</b>                  | <b>309,838</b> |
| <b>Depreciation and Impairment</b>                     |                                |                                 |                               |                |
| <b>At 1st April 2009</b>                               | <b>38,688</b>                  | <b>570</b>                      | <b>0</b>                      | <b>39,258</b>  |
| Adjustments between cost/value & depn/impairment       | 0                              | 0                               | 0                             | 0              |
| <b>Adjusted 1st April balance</b>                      | <b>38,688</b>                  | <b>570</b>                      | <b>0</b>                      | <b>39,258</b>  |
| Depreciation Charge                                    | 0                              | 0                               | 0                             | 0              |
| Impairment losses/reversals to RR                      | 0                              | 0                               | 0                             | 0              |
| Impairment losses/reversals to SDPS                    | 32,844                         | 3,405                           | 0                             | 36,249         |
| Derecognition - Disposals                              | 0                              | 0                               | 0                             | 0              |
| Derecognition - Other                                  | 0                              | 0                               | 0                             | 0              |
| Eliminated on reclassification to Assets Held for Sale | 0                              | 0                               | 0                             | 0              |
| Reclassifications                                      | 0                              | 0                               | 0                             | 0              |
| <b>At 31 March 2010</b>                                | <b>71,532</b>                  | <b>3,975</b>                    | <b>0</b>                      | <b>75,507</b>  |
| <b>Net Book Value</b>                                  |                                |                                 |                               |                |
| <b>At 31 March 2010</b>                                | <b>221,073</b>                 | <b>12,009</b>                   | <b>1,249</b>                  | <b>234,331</b> |
| <b>At 1st April 2009</b>                               | <b>201,995</b>                 | <b>45,366</b>                   | <b>5,893</b>                  | <b>253,254</b> |

### 3.25 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2010/2011 has been financed:

| 31st March<br>2009<br>£000 | 31st March<br>2010<br>£000 |   | 31st March<br>2011<br>£000 |
|----------------------------|----------------------------|---|----------------------------|
| 55,556                     | 55,454                     | Property, Plant and Equipment                         | 55,738                     |
| 7,102                      | 3,061                      | Non-operational Assets                                | 383                        |
| 1,154                      | 1,354                      | Intangible Assets                                     | 1,717                      |
| 39,658                     | 11,667                     | Revenue Expenditure Funded from Capital Under Statute | 17,858                     |
| 1,295                      | 656                        | Debtors   | 4                          |
| <b>104,765</b>             | <b>72,192</b>              | <b>Total</b>  | <b>75,700</b>              |
|                            |                            | Paid for (Financed by):                               |                            |
| 53,886                     | 17,166                     | Borrowing   | 14,061                     |
| 40,180                     | 48,014                     | Grants and other contributions received or due        | 55,860                     |
| 3,030                      | 5,821                      | Proceeds of asset sales and other capital receipts    | 5,779                      |
| 7,669                      | 1,191                      | Revenue contributions                                 | 0                          |
| <b>104,765</b>             | <b>72,192</b>              | <b>Total</b>  | <b>75,700</b>              |

As at 31st March 2011 the Capital Financing Requirement is £448.7m.

### 3.26 Revaluation of Non Current Assets

The following statement shows the total value of the revaluations carried out in the financial years 2006/07 to 2010/11. The valuations were carried out by Andy Jack MRICS, from the Corporate Property Division – City Development Directorate. The basis for valuation is set out in the statement of accounting policies.

| Year of revaluation         | Revaluation of<br>Property, Plant<br>& Equipment<br>£000 | Revaluation of<br>Non-<br>Operational<br>Assets<br>£000 | Total Value of<br>Revaluations<br>£000 |
|-----------------------------|--|---|--|
| Valued at historical cost   | 0  | 0   | 0                                      |
| Valued at current value in: |  |   |  |
| 2006/07                     | 28,292   | 25,097  | 53,389                                 |
| 2007/08                     | 42,464   | 13,896  | 56,360                                 |
| 2008/09                     | 125,218  | 18,582  | 143,800                                |
| 2009/10                     | 10,504   | 10,163  | 20,667                                 |
| 2010/11                     | (12,887)   | 13,947  | 1,060                                  |
| <b>Total</b>                | <b>193,591</b>   | <b>81,685</b>   | <b>275,276</b>                         |

### 3.27 Capital Commitments

The City Council has an approved capital programme for 2011/12 of £65m and a provisional programme of £35m for 2012/13 and £37m for 2013/14. The following are significant contracts legally committed to finish projects already started on 31<sup>st</sup> March 2011:

| Significant Capital Commitments 2010/2011    | Outstanding<br>Commitment<br>£000 | Contract<br>Value<br>£000 | Date for<br>Completion |
|--|-----------------------------------|---------------------------|------------------------|
| Far Gosford Street                           | 383                               | 606                       | 11/12/2011             |
| Caludon Extended Learning Centre             | 415                               | 2,107                     | 08/07/2011             |
| Primary Capital Strategy - IPP 2010          | 1,849                             | 8,091                     | 30/09/2011             |
| Primary Capital Strategy - IPP 2011          | 6,655                             | 8,876                     | 30/09/2011             |
| Primary Capital Strategy - IPP 2012 - Design | 337                               | 440                       | 01/09/2011             |
| IPP - Alderman's Green Primary - Design      | 389                               | 688                       | 30/09/2012             |
| Sidney Stringer                              | 7,400                             | 27,229                    | 31/03/2012             |
| Castlewood Primary                           | 517                               | 9,245                     | 30/06/2011             |
| Courthouse Green Primary                     | 955                               | 8,141                     | 31/08/2011             |
|  | <b>18,900</b>                     | <b>65,423</b>             |                        |

Note - IPP stands for Increasing Pupil Places

### 3.28 Movement in Intangible Assets

Intangible assets: are those assets that do not have a physical substance and are identifiable and controlled by the council e.g. software licenses. The balance is amortised on a straight-line basis over the economic life (normally one year) of the investment to reflect the pattern of consumption of benefits. In 2010/11 the brought forward balance plus the total spend in year has been amortised over one year resulting in a nil year end balance. Unless identified otherwise, assets have been acquired separately and the asset lives are finite.

| 2009/10<br>£000 | Intangible Assets                 | 2010/11<br>£000 |
|-----------------|-----------------------------------|-----------------|
| 817             | Balance brought forward           | 434             |
| 1,354           | Addition of intangible assets     | 1,717           |
| (1,737)         | Amortisation of intangible assets | (2,151)         |
| <b>434</b>      | <b>Total</b>                      | <b>(0)</b>      |

### 3.29 Analysis of Non Current Assets

The City Council owned the following assets at 31<sup>st</sup> March 2011:

|  | 31st March<br>2010 | 31st March<br>2011 |
|--|--------------------|--------------------|
| <b>Land &amp; Buildings</b>                        |                    |                    |
| Schools (of which 26 part owned – voluntary aided) | 107                | 108                |
| Youth & Community Centres, Play Schemes            | 12                 | 11                 |
| Community Centres                                  | 10                 | 9                  |
| Outdoor Education Centre                           | 1                  | 1                  |
| Child Guidance Centre                              | 1                  | 1                  |
| Site Services Houses                               | 11                 | 13                 |
| Neighbourhood Social Care Offices                  | 6                  | 6                  |
| Older People and Adult Social Care Establishments  | 26                 | 26                 |
| Refuse Disposal Facility                           | 1                  | 1                  |
| Depots, Workshops etc.                             | 1                  | 1                  |
| Cemeteries   | 6                  | 6                  |
| Crematorium  | 1                  | 1                  |
| Emergency Services Unit Control Room               | 1                  | 1                  |
| Leisure Centres & Swimming Pools                   | 2                  | 2                  |
| Parks & Open Spaces (Hectares)                     | 811.7              | 811.7              |
| Allotment Sites                                    | 44                 | 44                 |
| Golf Course & Driving Range                        | 1                  | 1                  |
| Libraries  | 10                 | 10                 |
| Art Galleries & Museums                            | 5                  | 5                  |
| Museum Collections                                 | 1                  | 1                  |
| Play Centres                                       | 3                  | 2                  |
| Pupil Referral Unit                                | 1                  | 2                  |
| Childrens Home                                     | 3                  | 3                  |
| Coombe Country Park Visitor Centre                 | 1                  | 1                  |
| <b>Investment Properties (Buildings)</b>           | <b>684</b>         | <b>675</b>         |
| <b>Commercial Property</b>                         |                    |                    |
| Office space used by the Council's staff (Sq m)    | 52,942             | 51,268             |
| <b>Infrastructure</b>                              |                    |                    |
| Roads (km)   | 858.2              | 859.6              |
| Street Lights                                      | 37,821             | 37,860             |
| Traffic Lights & Pelican Crossings                 | 3,168              | 3,168              |
| Footbridges  | 106                | 54                 |
| Road Bridges                                       | 226                | 254                |
| Car Park Spaces                                    | 4,409              | 4,396              |
| <b>Vehicles</b>                                    |                    |                    |
| Vehicles (Owned and Leased)                        | 503                | 461                |

### 3.30 Analysis of Capital Grants

| 31st March<br>2010<br>£000 | Grant  | 31st March<br>2011<br>£000 |
|----------------------------|--|----------------------------|
| 9,580                      | Other miscellaneous Government Grants                    | 6,188                      |
| 6,709                      | Department for Transport (DfT)                           | 2,527                      |
| 22,769                     | Standards Fund (Education)                               | 32,069                     |
| 365                        | Lottery  | 1,454                      |
| 2,509                      | New Deals for Communities                                | 1,817                      |
| 0                          | Homes & Communities Agency (HCA)                         | 3,333                      |
| 761                        | Department for Environment, Food & Rural Affairs (DEFRA) | 788                        |
| 431                        | Centro Transport grant                                   | 2,429                      |
| 27                         | European Regional Development Fund (ERDF)                | 281                        |
| 2,863                      | Disabled Facilities Grants                               | 2,510                      |
| 549                        | Private Sector / Other miscellaneous contributions       | 1,756                      |
| 1,451                      | Local Enterprise Growth Initiative                       | 709                        |
| <b>48,014</b>              | <b>Total</b>   | <b>55,861</b>              |

### 3.31 Analysis of Revenue Grants

| 31st March<br>2010<br>£000 | Grant  | 31st March<br>2011<br>£000 |
|----------------------------|--|----------------------------|
| 192,498                    | Dedicated Schools Grant  | 198,547                    |
| 121,421                    | Contribution from Non-Domestic Rate Pool                         | 133,623                    |
| 112,333                    | Housing Revenue Accounts Subsidy                                 | 120,141                    |
| 41,905                     | Schools Standard Grant & Schools Standard Fund                   | 50,884                     |
| 32,748                     | Council Tax Benefit Subsidy                                      | 33,194                     |
| 25,726                     | Skills Funding Agency  | 25,705                     |
| 28,000                     | Revenue Support Grant (Formula Grant element)                    | 19,400                     |
| 8,479                      | Sure Start Grants  | 11,343                     |
| 14,149                     | Supporting People  | 727                        |
| 27,310                     | Other revenue grants reimbursements & contributions (Govt)       | 42,770                     |
| 8,716                      | Other revenue grants reimbursements & contributions (Non - Govt) | 6,493                      |
| <b>613,285</b>             | <b>Total</b>   | <b>642,827</b>             |

#### Landfill Allowance Trading Scheme (LATS)

During 2010/11 no LATS related grant income was received and there are no assets or liabilities in relation to landfill allowances.

### 3.32 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 following note outlines the committed and planned contracts under PFI arrangements.

#### 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.

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

In 2007/08 an additional allocation of PFI credits (£2.475m) had been agreed in principle by DCSF for a purpose built, stand alone multi-agency centre at the school. However since then, the Council has submitted a successful bid and has been awarded £1.9 million of grant from the Government's Co-Location Fund to support the development of an Extended Learning Centre facility. This facility is to now be funded via this grant rather than PFI credits.

In 2010/11 expenditure on unitary charge payments to the contractor was £3.3m, compared with £3.1m in 2009/10.

This unitary charge is divided into three elements; service charge, repayment of the liability and interest

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2011/12           | 1,053                  | 864                            | 1,122                   | 3,039                        |
| 2012/13 – 2015/16 | 4,682                  | 3,348                          | 3,934                   | 11,964                       |
| 2016/17 – 2020/21 | 7,356                  | 3,693                          | 3,764                   | 14,813                       |
| 2021/22 – 2025/26 | 8,956                  | 3,440                          | 2,608                   | 15,004                       |
| 2026/27 – 2030/31 | 10,628                 | 3,421                          | 1,494                   | 15,543                       |
| 2031/32 – 2034/35 | 8,896                  | 2,941                          | 394                     | 12,231                       |
| <b>Total</b>      | <b>41,571</b>          | <b>17,707</b>                  | <b>13,316</b>           | <b>72,594</b>                |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2010/11 are shown in the tables below.

| Operational Assets Other Land & Buildings | £000          |
|---|---------------|
| <b>Cost or Valuation</b>                  |               |
| Brought forward                           | 26,635        |
| Carried forward                           | 26,635        |
| <b>Depreciation and Impairments</b>       |               |
| Brought forward                           | (1,854)       |
| Charged this year                         | (535)         |
| Carried forward                           | (2,389)       |
| <b>Balance Sheet carried forward</b>      | <b>24,246</b> |
| <b>Balance Sheet brought forward</b>      | <b>24,781</b> |

| Long Term Loans                        | £000            |
|--|-----------------|
| <b>Liability brought forward</b>       | <b>(18,069)</b> |
| Adjustment to brought forward position | (191)           |
| Unitary Charge (Lease repayment)       | 865             |
| <b>Liability carried forward</b>       | <b>(17,395)</b> |

At the end of the contract (December 2034), the facilities and sites will transfer back to the council at nil consideration.

During 2005/06 a prepayment was made to the contractor. This reduced the Council's finance lease liability outstanding to the contractor.

### New Homes for Old PFI Contract

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

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

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

In 2010/11 expenditure on unitary charge payments to the contractor was £6.0m, compared with £5.9m in 2009/10.

This unitary charge is divided into three elements; service charge, repayment of the liability and interest

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

| Year              | Service Charge<br>£000 | Repayment<br>of Liability<br>£000 | Interest<br>Charge<br>£000 | Total Unitary<br>Charge<br>£000 |
|-------------------|------------------------|-----------------------------------|----------------------------|---------------------------------|
| 2011/12           | 4,573                  | 786                               | 734                        | 6,093                           |
| 2012/13 – 2015/16 | 20,769                 | 2,555                             | 2,692                      | 26,016                          |
| 2016/17 – 2020/21 | 30,092                 | 3,746                             | 2,712                      | 36,550                          |
| 2021/22 – 2025/26 | 34,528                 | 5,151                             | 1,928                      | 41,607                          |
| 2026/27 – 2030/31 | 41,096                 | 5,277                             | 988                        | 47,361                          |
| 2031/32 – 2032/33 | 11,045                 | 1,662                             | 78                         | 12,785                          |
| <b>Total</b>      | <b>142,103</b>         | <b>19,177</b>                     | <b>9,132</b>               | <b>170,412</b>                  |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2010/11 are shown in the tables below.

| Operational Assets Other Land & Buildings | £000         |
|---|--------------|
| <b>Cost or Valuation</b>                  |              |
| Brought forward                           | 22,202       |
| Carried forward                           | 22,202       |
| <b>Depreciation and Impairments</b>       |              |
| Brought forward                           | (13,185)     |
| Charged this year                         | (188)        |
| Carried forward                           | (13,373)     |
| <b>Balance Sheet carried forward</b>      | <b>8,829</b> |
| <b>Balance Sheet brought forward</b>      | <b>9,017</b> |

| Long Term Loans                        | £000            |
|--|-----------------|
| <b>Liability brought forward</b>       | <b>(21,069)</b> |
| Adjustment to brought forward position | 1,132           |
| Unitary Charge (Lease repayment)       | 760             |
| <b>Liability carried forward</b>       | <b>(19,177)</b> |

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

### Street Lighting PFI Contract

In August 2010 the City Council entered into a PFI contract with Balfour Beatty (Connect Roads Coventry Ltd) for the provision of street lighting services. The contract provides for the

replacement and maintenance of street lights and similar equipment across the city, together with the associated energy costs, for a period of 25 years.

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

In 2010/11 expenditure on unitary charge payments to the contractor was £1.65m.

This unitary charge is divided into three elements; service charge, repayment of the liability and interest

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2011/12           | 2,809                  | 1,050                          | 525                     | 4,384                        |
| 2012/13 – 2015/16 | 10,919                 | 1,657                          | 11,641                  | 24,217                       |
| 2016/17 – 2020/21 | 10,316                 | 5,774                          | 20,968                  | 37,058                       |
| 2021/22 – 2025/26 | 12,877                 | 8,212                          | 17,745                  | 38,834                       |
| 2026/27 – 2030/31 | 14,892                 | 13,018                         | 12,933                  | 40,843                       |
| 2031/32 – 2035/36 | 15,232                 | 18,845                         | 5,375                   | 39,452                       |
| <b>Total</b>      | <b>67,045</b>          | <b>48,556</b>                  | <b>69,187</b>           | <b>184,788</b>               |

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2010/11 are shown in the tables below.

| Operational Assets Other Land & Buildings | £000                |
|---|---------------------|
| <b>Cost or Valuation</b>                  |                     |
| Brought forward                           | 0                   |
| Assets transferred to operator            | 2,473               |
| Initial recognition                       | 1,382               |
| Asset derecognition                       | (85)                |
| Carried forward                           | <u>3,770</u>        |
| <b>Depreciation and Impairments</b>       |                     |
| Brought forward                           | 0                   |
| Charged this year                         | <u>0</u>            |
| Carried forward                           | <u>0</u>            |
| <b>Balance Sheet carried forward</b>      | <u><b>3,770</b></u> |
| <b>Balance Sheet brought forward</b>      | <u><b>0</b></u>     |

| Long Term Loans                    | £000         |
|------------------------------------|--------------|
| <b>Liability brought forward</b>   | <b>0</b>     |
| Liability to be recognised in year | 1,382        |
| Unitary Charge (Lease repayment)   | (370)        |
| <b>Liability carried forward</b>   | <b>1,012</b> |

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

### 3.33 Leases

#### Authority as Lessee

##### Finance Leases

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

|  | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|--|----------------------------|----------------------------|
| Other Land and Buildings                 | 0                          | 0                          |
| Vehicles, Plant, Furniture and Equipment | 1,327                      | 1,119                      |
|  | <b>1,327</b>               | <b>1,119</b>               |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

|  | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|--|----------------------------|----------------------------|
| Finance lease liabilities (net present value of minimum lease payments): |                            |                            |
| - current  | 202                        | 182                        |
| - non-current  | 202                        | 20                         |
| Finance costs payable in future years                                    | 55                         | 22                         |
| <b>Minimum Lease Payments</b>  | <b>459</b>                 | <b>224</b>                 |

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

|   | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|---|----------------------------|----------------------------|
| Not later than one year                           | 235                        | 199                        |
| Later than one year and not later than five years | 224                        | 25                         |
| Later than five years                             | 0                          | 0                          |
|   | <b>459</b>                 | <b>224</b>                 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 there were no contingent rents payable by the Authority.

### Operating Leases

The Authority has other de minimus vehicles and equipment under operating leases, with typical lives of between three and five years.

The future minimum lease payments due under non-cancellable leases in future years are:

|   | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|---|----------------------------|----------------------------|
| Not later than one year                           | 279                        | 128                        |
| Later than one year and not later than five years | 772                        | 581                        |
| Later than five years                             | 0                          | 0                          |
|   | <b>1,051</b>               | <b>709</b>                 |

### Authority as Lessor

#### Finance Leases

City College Car Park (Swanswell)

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

|   | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|---|----------------------------|----------------------------|
| Finance lease debtor (net present value of minimum lease payments): |                            |                            |
| - current   | 75                         | 79                         |
| - non-current   | 4,925                      | 4,846                      |
| Unearned finance income   | 4,750                      | 4,500                      |
| Unguaranteed residual value of property                             | 0                          | 0                          |
| <b>Gross Investment in the lease</b>                                | <b>9,750</b>               | <b>9,425</b>               |

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

|   | 31st March<br>2010<br>£000 | 31st March<br>2011<br>£000 |
|---|----------------------------|----------------------------|
| Not later than one year                           | 325                        | 325                        |
| Later than one year and not later than five years | 1,300                      | 1,300                      |
| Later than five years                             | 8,125                      | 7,800                      |
|   | <b>9,750</b>               | <b>9,425</b>               |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, no contingent rents were receivable by the Authority (2009/10 £0).

### Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.

Total rent of £13.05m was received in 2010/11. It is estimated that the minimum lease payments receivable in the future are: £12.5m in 2011/12 and £35.5m for the following four years.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 there were no contingent rents receivable by the Authority.

### 3.34 Pension Costs

Figures in brackets relate to 2009/10.

#### Non Teaching Staff

In 2010/11 the City Council paid an employer's contribution of £23,305,146 (£22,776,811 in 2009/10) representing 16.4% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2011/12 amount to £23.484m. 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 2007.

In addition, the Council is also responsible for all pension payments relating to added years benefits awarded to employees who retire early. In 2010/11, this amounted to £4,469,728 (£2,064,770 in 2009/10).

Further details on pension liabilities are provided in note 3.35.

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 2010/11 the City Council paid £15,876,753 (£15,766,304 in 2009/10) 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 added years that it has awarded to teachers who retire early. In 2010/11 these amounted to £2,478,121 (£2,520,281 in 2009/10), 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 these statement of accounts, it is therefore accounted for on the basis as a defined contribution scheme.

### 3.35 IAS 19 – Retirement Benefits

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

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

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

#### Summary of Outcome for 2010/11

##### Liabilities

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has the effect of reducing the authority's liabilities by £64.8m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The overall decrease in the deficit is analysed as follows:

| LGPS<br>2009/10<br>£m | Teachers<br>2009/10<br>£m |                                 | LGPS<br>2010/11<br>£m | Teachers<br>2010/11<br>£m |
|-----------------------|---------------------------|---------------------------------|-----------------------|---------------------------|
| (270.9)               | (29.7)                    | Deficit b/fwd                   | (407.0)               | (34.6)                    |
| (16.8)                | 0.0                       | Current Service Cost            | (26.6)                | 0.0                       |
| 24.8                  | 2.5                       | Employer Contributions          | 27.8                  | 2.5                       |
| 0.0                   | 0.0                       | Past Service Gain (Cost)        | 64.8                  | 1.9                       |
| 33.9                  | 0.0                       | Return on Assets                | 46.3                  | 0.0                       |
| (55.9)                | (2.0)                     | Interest on Pension Liabilities | (60.8)                | (1.8)                     |
| (120.3)               | (5.4)                     | Actuarial Gain /(Loss)          | 35.9                  | (0.3)                     |
| (1.8)                 | 0.0                       | Curtailment Gain /(Loss)        | (0.5)                 | (0.4)                     |
| <b>(407.0)</b>        | <b>(34.6)</b>             | <b>Surplus/(Deficit)</b>        | <b>(320.1)</b>        | <b>(32.7)</b>             |

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

The 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 teacher's pensions relating to added years when the pensions are actually paid.

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

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

| LGPS<br>2009/10<br>£m   | Teacher's<br>Benefits<br>2009/10<br>£m |   | LGPS<br>2010/11<br>£m | Teacher's<br>Benefits<br>2010/11<br>£m |
|---|--|---|-----------------------|--|
| <b><u>Net Cost of Services</u></b>  |  |   |                       |  |
| 16.8  | 0.0                                    | Current Service Cost  | 26.6                  | 0.0                                    |
| 0.0   | 0.0                                    | Past Service Costs (Gain)   | (64.8)                | (1.9)                                  |
| 1.8   | 0.0                                    | Settlements and curtailments  | 0.5                   | 0.4                                    |
| <b><u>Financing and Investment Income and Expenditure</u></b>   |  |   |                       |  |
| 55.9  | 2.0                                    | Interest cost   | 60.8                  | 1.8                                    |
| (33.9)  | 0.0                                    | Expected return on scheme assets  | (46.3)                | 0.0                                    |
| <b>40.6</b>   | <b>2.0</b>                             | <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>(23.2)</b>         | <b>0.3</b>                             |
| <b><u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u></b> |  |   |                       |  |
| 120.2   | 5.4                                    | Actuarial (gains) and losses  | (35.9)                | 0.3                                    |
| <b>160.8</b>  | <b>7.4</b>                             | <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>(59.1)</b>         | <b>0.6</b>                             |
| <b><u>Movement in Reserves Statement</u></b>  |  |   |                       |  |
| (40.6)  | (2.0)                                  | Reversal of net charges made to the surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code | 23.2                  | (0.3)                                  |
| <b><u>Actual amount charged against the General Fund Balance for pensions in the year:</u></b>            |  |   |                       |  |
| 24.8  |  | Employers contributions payable to scheme   | 27.8                  |  |
|   | 2.5                                    | Retirement benefits payable to pensioners   |                       | 2.5                                    |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £58.537m.

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

| <b>Local Government Pension Scheme</b> | <b>2009/10</b> | <b>2010/11</b> |
|--|----------------|----------------|
|  | <b>£m</b>      | <b>£m</b>      |
| Opening balance at 1st April           | 523.0          | 679.3          |
| Expected rate of return                | 33.9           | 46.3           |
| Actuarial gains and losses             | 127.1          | 7.1            |
| Employer contributions                 | 24.8           | 27.8           |
| Contributions by scheme participants   | 9.1            | 9.3            |
| Benefits paid                          | (38.6)         | (36.0)         |
| Entity combinations                    | 0.0            | 0.0            |
| Settlements                            | 0.0            | 0.0            |
| Closing balance at 31st March          | <b>679.3</b>   | <b>733.8</b>   |

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £43.649m. (2009/10 : £161.042m)

### Basis for Estimating Assets and Liabilities

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

The main assumptions used in the actuarial calculation are:

|  | <b>31st March<br/>2010</b> | <b>31st March<br/>2011</b> |
|--|----------------------------|----------------------------|
| Rate of RPI inflation  | 3.3%                       | 3.4%                       |
| Rate of CPI inflation  | 2.8%                       | 2.9%                       |
| Rate of increase in salaries   | 5.05%                      | 4.65%                      |
| Rate of increase in pensions   | 3.3%                       | 2.9%                       |
| Discount rate  | 5.6%                       | 5.5%                       |
| <b><u>Mortality Assumptions</u></b>                                  |                            |                            |
| <b>Longevity at 65 for current pensioners</b>                        |                            |                            |
| Men  | 21.2                       | 21.6                       |
| Women  | 24.1                       | 24.2                       |
| <b>Longevity at 65 for future pensioners in 20 years time</b>        |                            |                            |
| Men  | 22.2                       | 23                         |
| Women  | 25                         | 25.8                       |
| Take up of option to convert annual pension into retirement lump sum | 50%                        | 50%                        |

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

| Asset Categories | 31st March 2010 |       | 31st March 2011 |       |
|------------------|-----------------|-------|-----------------|-------|
|                  | £m              | %     | £m              | %     |
| Equities         | 364.8           | 53.7% | 433.6           | 59.1% |
| Government Bonds | 53.7            | 7.9%  | 60.2            | 8.2%  |
| Other Bonds      | 40.8            | 6.0%  | 43.3            | 5.9%  |
| Property         | 48.9            | 7.2%  | 62.4            | 8.5%  |
| Cash / Liquidity | 9.5             | 1.4%  | 15.4            | 2.1%  |
| Other            | 161.7           | 23.8% | 118.9           | 16.2% |
| <b>Total</b>     | <b>679.4</b>    |       | <b>733.8</b>    |       |

The expected rate of return on these assets is:

| Asset Categories | 31st March 2010 | 31st March 2011 |
|------------------|-----------------|-----------------|
| Equities         | 7.5%            | 7.5%            |
| Government Bonds | 4.5%            | 4.4%            |
| Other Bonds      | 5.2%            | 5.1%            |
| Property         | 6.5%            | 6.5%            |
| Cash / Liquidity | 0.5%            | 0.5%            |
| Other            | 7.5%            | 7.5%            |

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

The actuarial gains / losses identified as movements in the pension reserve in 2010/11 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2011. Previous years figures are shown for comparison purposes.

|  | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
|--|---------|---------|---------|---------|---------|
|  | %       | %       | %       | %       | %       |
| LGPS<br>Asset Gain / (Loss)                  | 0.9%    | (9.5%)  | (33.6%) | 18.7%   | 1%      |
| Liability Gain / (Loss)                      | -       | (2.1%)  | 24.6%   | (22.8%) | 2.7%    |
| Unfunded Teachers<br>Liability Gain / (Loss) | -       | (1.7%)  | -       | -       | 0.8%    |

## Scheme History

|                                     | 2006/07        | 2007/08        | 2008/09        | 2009/10        | 2010/11        |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                     | £m             | £m             | £m             | £m             | £m             |
| <b>Present value of liabilities</b> |                |                |                |                |                |
| LGPS                                | (857.5)        | (933.7)        | (793.9)        | (1,086.3)      | (1,053.9)      |
| Teachers                            | (30.0)         | (34.7)         | (29.7)         | (34.6)         | (32.7)         |
| <b>Fair value of assets</b>         |                |                |                |                |                |
| LGPS                                | 674.1          | 658.6          | 523            | 679.4          | 733.8          |
| Teachers                            | 0              | 0              | 0              | 0              | 0              |
| <b>Surplus/(deficit) in scheme</b>  |                |                |                |                |                |
| LGPS                                | (183.4)        | (275.1)        | (270.9)        | (406.9)        | (320.1)        |
| Teachers                            | (30.0)         | (34.7)         | (29.7)         | (34.6)         | (32.7)         |
| <b>TOTAL (deficit)</b>              | <b>(213.4)</b> | <b>(309.8)</b> | <b>(300.6)</b> | <b>(441.5)</b> | <b>(352.8)</b> |

### 3.36 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 3.15.

| Name and Nature of Business  | Financial Results              | Year ending              |                                    |
|--|--------------------------------|--------------------------|------------------------------------|
|  |                                | £000                     | £000                               |
| <b>Birmingham Airport Holdings Limited</b>   |                                | <b>31 March<br/>2010</b> | <b>31 March<br/>2011<br/>Draft</b> |
| The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares.   | Net Assets                     | 257,033                  | 278,081                            |
|  | Profit before taxation         | 4,330                    | 10,055                             |
|  | Profit after taxation          | 592                      | 5,276                              |
| The City Council owns :<br>5.8% of the 324m ordinary shares<br>£1.8 million preference shares  |                                |                          |                                    |
| <b>Coventry Solihull Waste Disposal Company (CSWDC) Limited</b>  |                                | <b>31 March<br/>2010</b> | <b>31 March<br/>2011</b>           |
| The company's business is the disposal of waste. It is jointly owned by the City Council and Solihull Metropolitan District Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MDC.   |                                |                          |                                    |
| The City Council owns:<br>66% of the ordinary share capital  | Net Assets                     | 2,861                    | 6,646                              |
|  | Profit before taxation         | 3,723                    | 3,766                              |
| 66% of the preference share capital  | Profit / (loss) after taxation | 2,594                    | 2,798                              |
| The preference shares are redeemable at the option of the company and the two Councils in 2009 at their par value (£14.9m). Under Financial Reporting Standard 25 the company is required to account for redeemable preference shares as a "financial liability" rather than "share capital". Therefore the company balance sheet shows a net asset. |                                |                          |                                    |
| <b>Coventry Venture Capital Limited</b>  |                                | <b>31 March<br/>2010</b> | <b>31 March<br/>2011</b>           |
| The company has an investment in a property on the University of Warwick Science Park.   |                                |                          |                                    |
|  | Net Assets(liabilities)        | (112)                    | 99                                 |
| The Council holds ;<br>5,000 preferred ordinary shares (17.53%)  | Profit before taxation         | 13                       | 14                                 |
|  | Profit after taxation          | 13                       | 14                                 |

| Name and Nature of Business  | Financial Results               | Year ending              |                          |
|--|---------------------------------|--------------------------|--------------------------|
|  |                                 | £000                     | £000                     |
| <b>University of Warwick Science Park Business<br/>Innovation Centre Limited</b>   |                                 | <b>30 Sept<br/>2009</b>  | <b>30 Sept<br/>2010</b>  |
| <p>This company was established by the University of Warwick Science Park, Coventry City Council and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.</p> <p>The City Council holds:</p>  |                                 |                          |                          |
| Just under 20% (value £2,000) of the ordinary share capital  | Net Assets/(liabilities)        | (677)                    | (1,103)                  |
| £152,166 of preference share capital   | Profit / (loss) before taxation | (58)                     | (24)                     |
| £1,066,471 of 7% debentures.   | Profit / (loss) after taxation  | (58)                     | (24)                     |
| <b>University of Warwick Science Park Limited</b>  |                                 | <b>30 Sept<br/>2009</b>  | <b>30 Sept<br/>2010</b>  |
| <p>The company aims to provide a focus for scientific information and technology exchange between University research and the commercial sector.</p>   |                                 |                          |                          |
| The City Council owns :  | Net Assets                      | 11,456                   | 13,261                   |
| 45% of the share capital   | Profit before taxation          | 973                      | 956                      |
| £1.31 million of 1% debentures   | Profit after taxation           | 733                      | 544                      |
| <b>North Coventry Holdings Limited</b>   |                                 | <b>31 March<br/>2010</b> | <b>31 March<br/>2011</b> |
| <p>The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.</p> <p>NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR), 50% shares in Arena Coventry Limited (ACL) and hold on trust two ordinary shares of £1 each for nil consideration representing the Council's interest in Coombe Abbey Park Limited owned by Trinityvale Limited.</p> <p>NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.</p> |                                 |                          |                          |
|  | Net Assets                      | 0                        | 0                        |
| Copies of NCH's accounts can be acquired from:   | Loss before taxation            | 0                        | 0                        |
| Company Secretary  | Loss after taxation             | 0                        | 0                        |
| North Coventry Holdings Limited  |                                 |                          |                          |
| c/o Coventry City Council  |                                 |                          |                          |
| The Council House  |                                 |                          |                          |
| Earl Street  |                                 |                          |                          |
| Coventry   |                                 |                          |                          |
| CV1 5RR  |                                 |                          |                          |

| Name and Nature of Business  | Financial Results              | Year ending                          |  |
|--|--------------------------------|--------------------------------------|--|
|  |                                | £000                                 | £000   |
| <b>Coventry North Regeneration Limited</b>   |                                | <b>31 March<br/>2010</b>             | <b>31 March<br/>2011</b>                                   |
| <p>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.</p>  |                                |                                      |  |
|  | Net Assets                     | 0                                    | 0  |
| <p>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.</p>  | Profit /(loss) before taxation | (1)                                  | 0  |
|  | Profit /(loss) after taxation  | (1)                                  | 0  |
| <p>Post completion, the Company's principal activity is to act as landlord of the Arena.</p> <p>Copies of CNR's accounts can be acquired from:</p> <p>Company Secretary<br/>Coventry North Regeneration Limited<br/>c/o Coventry City Council<br/>The Council House<br/>Earl Street<br/>Coventry<br/>CV1 5RR</p>   |                                |                                      |  |
| <b>Arena Coventry Limited</b>  |                                | <b>31 May<br/>2010</b>               | <b>31 March<br/>2011 Draft<br/>Management<br/>Accounts</b> |
| <p>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.</p>   | Net Assets(liabilities)        | 1,036                                | 1,209  |
|  | Profit (loss) before taxation  | 546                                  | 198  |
|  | Profit (loss) after taxation   | 546                                  | 198  |
| <b>Arena Coventry (2006) Limited</b>   |                                |                                      |  |
| <p>ACL owns 100% of shares in a new subsidiary Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.</p> <p>Copies of ACL's and Arena Coventry (2006) Ltd's accounts can be acquired from:</p> <p>Company Secretary<br/>Arena Coventry Ltd<br/>Ricoh Arena,<br/>Phoenix Way<br/>Foleshill<br/>Coventry<br/>CV6 6GE</p> |                                |                                      |  |
|  |                                | Consolidated<br>into ACL<br>accounts | Consolidated<br>into ACL<br>accounts                       |

Where not specifically stated above, copies of company accounts can be obtained from:  
 Coventry City Council  
 Special Projects Team  
 1<sup>st</sup> Floor Christchurch House  
 Greyfriars Lane  
 Coventry  
 CV1 2QL

### 3.37 Financial Instruments

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

|  | 31st March 2009 |                | 31st March 2010 |               | 31st March 2011 |               |
|--|-----------------|----------------|-----------------|---------------|-----------------|---------------|
|  | Long Term       | Current        | Long Term       | Current       | Long Term       | Current       |
|  | £000            | £000           | £000            | £000          | £000            | £000          |
| <b>Liabilities at Amortised Cost</b>                   |                 |                |                 |               |                 |               |
| PWLB   | 239,856         | 2,549          | 239,848         | 2,615         | 239,844         | 2,607         |
| Market Loans   | 60,938          | 17,743         | 60,931          | 5,642         | 59,924          | 1,641         |
| Stock Issue  | 12,004          | 236            | 12,004          | 236           | 12,004          | 236           |
| Other Local Authorities                                | 20,972          | 530            | 20,388          | 583           | 19,746          | 642           |
| PFI  | 38,806          | 1,547          | 37,512          | 1,625         | 35,818          | 1,765         |
| Liabilities under Finance Leases                       | 404             | 349            | 202             | 202           | 20              | 182           |
| Creditors and Receipts in Advance                      | 0               | 67,373         | 0               | 78,255        | 0               | 82,726        |
| Cash Overdrawn   | 0               | 5,344          | 0               | 0             | 0               | 0             |
| Other  | 0               | 510            | 0               | 555           | 0               | 702           |
|  | <b>372,980</b>  | <b>96,181</b>  | <b>370,885</b>  | <b>89,713</b> | <b>367,356</b>  | <b>90,501</b> |
| Liabilities at Fair Value Through Profit & Loss        | 0               | 0              | 0               | 0             | 0               | 0             |
| <b>Total Borrowings</b>                                | <b>372,980</b>  | <b>96,181</b>  | <b>370,885</b>  | <b>89,713</b> | <b>367,356</b>  | <b>90,501</b> |
| <b>Loans and Receivables</b>                           |                 |                |                 |               |                 |               |
| Long Term Debtors                                      | 7,115           | 0              | 9,890           | 0             | 9,405           | 0             |
| Short Term Debtors                                     | 0               | 71,972         | 0               | 60,951        | 0               | 50,651        |
| Fixed Term Cash Deposits                               | 0               | 0              | 0               | 0             | 0               | 24,202        |
| Other  | 0               | 16             | 0               | 14            | 0               | 14            |
| Cash in Hand   | 0               | 14,034         | 0               | 19,207        | 0               | 1,068         |
|  | <b>7,115</b>    | <b>86,022</b>  | <b>9,890</b>    | <b>80,172</b> | <b>9,405</b>    | <b>75,935</b> |
| Available for sale Financial Assets                    | 22,644          | 0              | 31,750          | 0             | 33,315          | 0             |
| Financial Assets at fair value through profit and loss | 0               | 17,719         | 0               | 17,870        | 0               | 18,013        |
| <b>Total Investments</b>                               | <b>29,759</b>   | <b>103,741</b> | <b>41,640</b>   | <b>98,042</b> | <b>42,720</b>   | <b>93,948</b> |

Local taxation debtor and creditor balances are excluded from the analysis of financial instruments within this note.

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

The 2010/11 Comprehensive Income and Expenditure Account include the following amounts in relation to financial instruments:

|   | Financial Liabilities                  |                       | Financial Assets          |              |                |
|---|--|-----------------------|---------------------------|--------------|----------------|
|   | Liabilities measured at amortised cost | Loans and receivables | Available for sale assets | Fair Value   | Total          |
|   | £000                                   | £000                  | £000                      | £000         | £000           |
| Interest expense  | 18,232                                 | 0                     | 0                         | 0            | 18,232         |
| Losses on derecognition   | 89                                     | 0                     | 0                         | 0            | 89             |
| Impairment losses   | 0                                      | (298)                 | 0                         | 0            | (298)          |
| <b>Interest payable and similar charges</b>                           | <b>18,321</b>                          | <b>(298)</b>          | <b>0</b>                  | <b>0</b>     | <b>18,023</b>  |
| Interest income   | 0                                      | (702)                 | (115)                     | (192)        | (1,009)        |
| Gains on derecognition  | 0                                      | 0                     | 0                         | 0            | 0              |
| <b>Interest and investment income</b>                                 | <b>0</b>                               | <b>(702)</b>          | <b>(115)</b>              | <b>(192)</b> | <b>(1,009)</b> |
| Gains on revaluation  | 0                                      | 0                     | (1,565)                   | 0            | (1,565)        |
| Losses on revaluation   | 0                                      | 0                     | 0                         | 0            | 0              |
| Amounts recycled to the Income & Expenditure Account after impairment | (7)                                    | 0                     | 0                         | 0            | (7)            |
| <b>Surplus arising on revaluation of financial assets</b>             | <b>(7)</b>                             | <b>0</b>              | <b>(1,565)</b>            | <b>0</b>     | <b>(1,572)</b> |
| <b>Net (gain) / loss for the year</b>                                 | <b>18,314</b>                          | <b>(1,000)</b>        | <b>(1,680)</b>            | <b>(192)</b> | <b>15,442</b>  |

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

- for long term liabilities using PWLB rates as at 31st March 2011
- 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 2009         |                    | 31st March 2010         |                    | 31st March 2011         |                    |
|-------------------------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
|                                     | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 |
| Financial Liabilities               |                         |                    |                         |                    |                         |                    |
| ▪ PWLB                              | 242,406                 | 268,966            | 242,463                 | 259,180            | 242,451                 | 266,595            |
| ▪ Market Loans                      | 78,681                  | 80,589             | 66,573                  | 66,706             | 61,565                  | 63,597             |
| ▪ Stock Issue                       | 12,240                  | 18,953             | 12,240                  | 17,554             | 12,240                  | 17,899             |
| ▪ Other Local Authorities           | 21,502                  | 26,860             | 20,971                  | 24,257             | 20,388                  | 22,606             |
| ▪ PFI                               | 40,353                  | 40,353             | 39,137                  | 39,137             | 37,583                  | 37,583             |
| ▪ Liabilities under Finance Leases  | 753                     | 753                | 404                     | 404                | 202                     | 202                |
| ▪ Creditors and Receipts in Advance | 67,373                  | 67,373             | 78,255                  | 78,255             | 82,726                  | 82,726             |
| ▪ Cash Overdrawn                    | 5,344                   | 5,344              | 0                       | 0                  | 0                       | 0                  |
| ▪ Other                             | 510                     | 511                | 555                     | 555                | 702                     | 702                |
| <b>Total Liabilities</b>            | <b>469,162</b>          | <b>509,702</b>     | <b>460,598</b>          | <b>486,048</b>     | <b>457,857</b>          | <b>491,910</b>     |
| <b>Loans and Receivables</b>        | <b>93,137</b>           | <b>93,137</b>      | <b>90,062</b>           | <b>90,062</b>      | <b>85,340</b>           | <b>85,340</b>      |

The fair value of financial liabilities reflects the amount of fixed interest debt taken out in the past at higher rates of interest, and includes accrued interest.

The 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 2010/11 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, the policy limits the maximum that can be deposited with an institution at any point in time to £10m or £5m, depending on the credit rating. Under the Treasury Management Strategy the Director of Finance & Legal Services will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

| Deposits                                   | Amount as at<br>31st March<br>2011 | Historical<br>experience of<br>default | Historical<br>experience<br>adjusted for<br>market<br>conditions at<br>31st March<br>2011 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability |
|--|------------------------------------|--|---|--|
|  | £000                               | %                                      | %   | £000   |
|  | A                                  | B                                      | C   | (A x C)  |
| Banks and Building Societies – AA<br>Rated | 34,732                             | 0.04%                                  | 0.04%   | 14   |
| UK Central & Local Government              | 14,490                             | 0.00%                                  | 0.00%   | 0  |
| Trade Debtors                              | 8,461                              | 6.25%                                  | 8.25%   | 698  |
|  | <b>57,683</b>                      |  |   | <b>712</b>   |

The deposits set out above as at 31st March 2011 were held with financial institutions domiciled in a number of countries:-

| Country        | £m          |
|----------------|-------------|
| United Kingdom | 42.3        |
| France         | 3.5         |
| Germany        | 1.7         |
| Netherlands    | 1.7         |
|                | <b>49.2</b> |

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

The authority does not generally allow credit for trade debtors, such that £ 1.9 m of the £ 8.5 m balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | £000         |
|------------------------|--------------|
| Less than three months | 6,531        |
| Three to six months    | 570          |
| Six months to one year | 374          |
| More than one year     | 986          |
| <b>Total</b>           | <b>8,461</b> |

### Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant

proportion of its borrowings at a time of unfavourable interest rates. This risk is managed through the use of Prudential Indicators, set as part of the Treasury Management Strategy, limiting the amount of borrowing that matures over the next 10 years.

The maturity analysis of financial liabilities is as follows:

| <b>Maturity of Financial Liabilities</b> | <b>31st March</b> | <b>31st March</b> | <b>31st March</b> |
|--|-------------------|-------------------|-------------------|
|  | <b>2009</b>       | <b>2010</b>       | <b>2011</b>       |
|  | <b>£000</b>       | <b>£000</b>       | <b>£000</b>       |
| Less than one year                       | 544               | 592               | 1,641             |
| Between one and two years                | 592               | 1,645             | 706               |
| Between two and five years               | 16,128            | 20,837            | 32,955            |
| Between six and ten years                | 26,664            | 37,620            | 26,309            |
| More than ten years                      | 289,449           | 272,139           | 270,625           |
| <b>Total</b>                             | <b>333,377</b>    | <b>332,833</b>    | <b>332,236</b>    |

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

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 fair value of the assets will fall.

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 £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

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

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

According to this assessment strategy, at 31st March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|   | £000           |
|---|----------------|
| Increase in interest payable on variable rate borrowings            | 490            |
| Increase in interest receivable on variable rate investments        | 0              |
| Increase in government grant receivable for financing costs         | (2,412)        |
| Decrease in fair value of fixed rate investment assets              | 0              |
| <b>Impact on Comprehensive Income and Expenditure Account</b>       | <b>(1,922)</b> |
| <b>Decrease in fair value of fixed rate borrowings liabilities.</b> | <b>47,096</b>  |

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

The increase in government grant receivable for financing costs is based on 1% of the total base for capital financing charges included in the calculation of grant entitlement for 2010/11.

### Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £31.75m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the price of shares.

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

All movements in the price of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.6m gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2010/11.

### 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.

### 3.38 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The first table details the adjustments made in the 2010/11 financial year. This is followed by a comparable table detailing the adjustments made in the preceding year.

#### Adjustments made to Comprehensive Income and Expenditure Statement

|  | General<br>Fund<br>Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Unusable<br>Reserves<br>£000 |
|--|------------------------------------|-------------------------------|--|--|------------------------------|
| <b>Reversal of items debited or credited to the CIES</b>   |                                    |                               |  |  |                              |
| Charges for depreciation and impairment of Non-current assets  | (106,005)                          | 0                             | 0                                      | 0                                      | 106,005                      |
| Revaluation losses on Property, Plant and Equipment  | (87,246)                           | 0                             | 0                                      | 0                                      | 87,246                       |
| Movements in the market value of Investment Properties   | 13,163                             | 0                             | 0                                      | 0                                      | (13,163)                     |
| Amortisation of intangible assets  | (1,905)                            | 0                             | 0                                      | 0                                      | 1,905                        |
| Capital grants and contributions applied   | 40,601                             | 0                             | 0                                      | 0                                      | (40,601)                     |
| Revenue expenditure funded from capital under statute  | (3,994)                            | 0                             | 0                                      | 0                                      | 3,994                        |
| Repayment (WM Dudley Debt)   | 520                                | 0                             | 0                                      | 0                                      | (520)                        |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| <b>Reversal of items debited or credited to the CIES (Subtotal)</b>  | <b>(144,866)</b>                   | <b>0</b>                      | <b>0</b>                               | <b>0</b>                               | <b>144,866</b>               |

Note - CIES stands for Comprehensive Income & Expenditure Statement

|   | General<br>Fund<br>Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Unusable<br>Reserves<br>£000 |
|---|------------------------------------|-------------------------------|--|--|------------------------------|
| <b>Reversal of items debited or credited to the CIES (Subtotal)</b>   | <b>(144,866)</b>                   | <b>0</b>                      | <b>0</b>                               | <b>0</b>                               | <b>144,866</b>               |
| <b>Other adjustments to the CIES</b>  |                                    |                               |  |  |                              |
| Statutory provision for the financing of capital investment   | 15,217                             | 0                             | 0                                      | 0                                      | (15,217)                     |
| Capital expenditure charged against the General Fund balance.   | (598)                              | 0                             | 0                                      | 0                                      | 598                          |
| Capital grants and contributions unapplied movement to the CIES   | (1,577)                            | 0                             | 0                                      | 1,577                                  | 0                            |
| Application of grants to capital financing transferred to the Capital Adjustment Account                              | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES                              | 594                                | 0                             | (594)                                  | 0                                      | 0                            |
| Use of Capital Receipts Reserve to finance new capital expenditure  | 0                                  | 0                             | 576                                    | 0                                      | (576)                        |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals           | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool        | (18)                               | 0                             | 18                                     | 0                                      | 0                            |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES                          | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Financial Instruments Adjustment Account (difference between costs charged and chargeable)                            | 180                                | 0                             | 0                                      | 0                                      | (180)                        |
| Reversal of items relating to retirement benefits debited or credited to the CIES                                     | 53,121                             | 0                             | 0                                      | 0                                      | (53,121)                     |
| Employer's pensions contributions and direct payments to pensioners payable in the year                               | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Collection Fund Adjustment Account (difference between amount credited to CIES and tax income for the year)           | 1,509                              | 0                             | 0                                      | 0                                      | (1,509)                      |
| Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year) | 535                                | 0                             | 0                                      | 0                                      | (535)                        |
| <b>Total Adjustments</b>  | <b>(75,903)</b>                    | <b>0</b>                      | <b>0</b>                               | <b>1,577</b>                           | <b>74,326</b>                |

## Comparative Adjustments made in Preceding Financial Year

The tables below present the equivalent figures for 2009/10:

|  | General<br>Fund<br>Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Unusable<br>Reserves<br>£000 |
|--|------------------------------------|-------------------------------|--|--|------------------------------|
| <b>Reversal of items debited or credited to the CIES</b>   |                                    |                               |  |  |                              |
| Charges for depreciation and impairment of Non-current assets  | (162,673)                          | 0                             | 0                                      | 0                                      | 162,673                      |
| Revaluation losses on Property, Plant and Equipment  | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Movements in the market value of Investment Properties   | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Amortisation of intangible assets  | (1,737)                            | 0                             | 0                                      | 0                                      | 1,737                        |
| Capital grants and contributions applied   | 39,702                             | 0                             | 0                                      | 0                                      | (39,702)                     |
| Revenue expenditure funded from capital under statute  | (3,356)                            | 0                             | 0                                      | 0                                      | 3,356                        |
| Repayment (WM Dudley Debt)   | 473                                | 0                             | 0                                      | 0                                      | (473)                        |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| <b>Reversal of items debited or credited to the CIES (Subtotal)</b>  | <b>(127,590)</b>                   | <b>0</b>                      | <b>0</b>                               | <b>0</b>                               | <b>127,590</b>               |

Note - CIES stands for Comprehensive Income & Expenditure Statement

|   | General<br>Fund<br>Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Unusable<br>Reserves<br>£000 |
|---|------------------------------------|-------------------------------|--|--|------------------------------|
| <b>Reversal of items debited or credited to the CIES (Subtotal)</b>   | <b>(127,590)</b>                   | <b>0</b>                      | <b>0</b>                               | <b>0</b>                               | <b>127,590</b>               |
| <b>Other adjustments to the CIES</b>  |                                    |                               |  |  |                              |
| Statutory provision for the financing of capital investment   | 13,896                             | 0                             | 0                                      | 0                                      | (13,896)                     |
| Capital expenditure charged against the General Fund balance.   | 1,191                              | 0                             | 0                                      | 0                                      | (1,191)                      |
| Capital grants and contributions unapplied movement to the CIES   | 1,354                              | 0                             | 0                                      | (1,354)                                | 0                            |
| Application of grants to capital financing transferred to the Capital Adjustment Account                              | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES                              | 306                                | 0                             | (306)                                  | 0                                      | 0                            |
| Use of Capital Receipts Reserve to finance new capital expenditure  | 0                                  | 0                             | 292                                    | 0                                      | (292)                        |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals           | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool        | (14)                               | 0                             | 14                                     | 0                                      | 0                            |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES                          | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Financial Instruments Adjustment Account (difference between costs charged and chargeable)                            | 179                                | 0                             | 0                                      | 0                                      | (179)                        |
| Reversal of items relating to retirement benefits debited or credited to the CIES                                     | (15,343)                           | 0                             | 0                                      | 0                                      | 15,343                       |
| Employer's pensions contributions and direct payments to pensioners payable in the year                               | 0                                  | 0                             | 0                                      | 0                                      | 0                            |
| Collection Fund Adjustment Account (difference between amount credited to CIES and tax income for the year)           | 1,392                              | 0                             | 0                                      | 0                                      | (1,392)                      |
| Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year) | (675)                              | 0                             | 0                                      | 0                                      | 675                          |
| <b>Total Adjustments</b>  | <b>(125,304)</b>                   | <b>0</b>                      | <b>0</b>                               | <b>(1,354)</b>                         | <b>126,658</b>               |

## 3.39 Usable and Unusable Reserves

### Usable Reserves

The Council's usable 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 - 2010/11**

Below is the detail of the unusable reserves that have been included within note 2.3.

Movement in the Authority's usable reserves are detailed in the Movement of Reserves Statement, note 2.3

|  | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Financial<br>Instruments<br>Adjustment<br>Account | Collection<br>Fund<br>Adjustment<br>Account | Pensions<br>Reserve | Accumulat<br>ed<br>Absences<br>Account | Available<br>for Sale | Total<br>Unusable<br>Reserves |
|--|----------------------------------|------------------------|---|---|---------------------|--|-----------------------|-------------------------------|
|  | £000                             | £000                   | £000  | £000  | £000                | £000                                   | £000                  | £000                          |
| <b>Balance at 31 March 2010</b>  | (643,721)                        | (194,086)              | 2,710   | 835   | 441,541             | 6,445                                  | (9,931)               | <b>(396,207)</b>              |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 0                                | 0                      | 0   | 0   | 0                   | 0                                      | 0                     | <b>0</b>                      |
| Other Comprehensive Income and Expenditure                               | (940)                            | 12,040                 | 0   | 0   | (35,695)            | 0                                      | (1,565)               | <b>(26,160)</b>               |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(940)</b>                     | <b>12,040</b>          | <b>0</b>  | <b>0</b>                                    | <b>(35,695)</b>     | <b>0</b>                               | <b>(1,565)</b>        | <b>(26,160)</b>               |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 129,671                          | 0                      | (180)   | (1,509)                                     | (53,121)            | (535)                                  | 0                     | <b>74,326</b>                 |
| <b>Net Increase / Decrease before transfers to Earmarked Reserves</b>    | <b>128,731</b>                   | <b>12,040</b>          | <b>(180)</b>                                      | <b>(1,509)</b>                              | <b>(88,816)</b>     | <b>(535)</b>                           | <b>(1,565)</b>        | <b>48,166</b>                 |
| Transfers to / from Earmarked Reserves                                   | 0                                | 0                      | 0   | 0   | 0                   | 0                                      | 0                     | <b>0</b>                      |
| <b>Increase / Decrease in Year</b>                                       | <b>128,731</b>                   | <b>12,040</b>          | <b>(180)</b>                                      | <b>(1,509)</b>                              | <b>(88,816)</b>     | <b>(535)</b>                           | <b>(1,565)</b>        | <b>48,166</b>                 |
| <b>Balance at 31 March 2011</b>  | <b>(514,990)</b>                 | <b>(182,046)</b>       | <b>2,530</b>                                      | <b>(674)</b>                                | <b>352,725</b>      | <b>5,910</b>                           | <b>(11,496)</b>       | <b>(348,041)</b>              |

## Unusable Reserves - Comparative Year's Figures

The table below presents the equivalent figures for 2009/10:

|  | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Financial<br>Instruments<br>Adjustment<br>Account | Collection<br>Fund<br>Adjustment<br>Account | Pensions<br>Reserve | Accumulat<br>ed<br>Absences<br>Account | Available<br>for Sale | Total<br>Unusable<br>Reserves |
|--|----------------------------------|------------------------|---|---|---------------------|--|-----------------------|-------------------------------|
|  | £000                             | £000                   | £000  | £000  | £000                | £000                                   | £000                  | £000                          |
| <b>Balance at 31 March 2009</b>  | (731,382)                        | (192,439)              | 2,889   | 2,227                                       | 300,608             | 5,770                                  | (825)                 | <b>(613,152)</b>              |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | (5,000)                          | 0                      | 0   | 0   | 0                   | 0                                      | 0                     | <b>(5,000)</b>                |
| Other Comprehensive Income and Expenditure                               | (19,549)                         | (1,647)                | 0   | 0   | 125,590             | 0                                      | (9,106)               | <b>95,288</b>                 |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(24,549)</b>                  | <b>(1,647)</b>         | <b>0</b>  | <b>0</b>                                    | <b>125,590</b>      | <b>0</b>                               | <b>(9,106)</b>        | <b>90,288</b>                 |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 112,210                          | 0                      | (179)   | (1,392)                                     | 15,343              | 675                                    | 0                     | <b>126,657</b>                |
| <b>Net Increase / Decrease before transfers to Earmarked Reserves</b>    | <b>87,661</b>                    | <b>(1,647)</b>         | <b>(179)</b>                                      | <b>(1,392)</b>                              | <b>140,933</b>      | <b>675</b>                             | <b>(9,106)</b>        | <b>216,945</b>                |
| Transfers to / from Earmarked Reserves                                   | 0                                | 0                      | 0   | 0   | 0                   | 0                                      | 0                     | <b>0</b>                      |
| <b>Increase / Decrease in Year</b>                                       | <b>87,661</b>                    | <b>(1,647)</b>         | <b>(179)</b>                                      | <b>(1,392)</b>                              | <b>140,933</b>      | <b>675</b>                             | <b>(9,106)</b>        | <b>216,945</b>                |
| <b>Balance at 31 March 2010</b>  | <b>(643,721)</b>                 | <b>(194,086)</b>       | <b>2,710</b>                                      | <b>835</b>                                  | <b>441,541</b>      | <b>6,445</b>                           | <b>(9,931)</b>        | <b>(396,207)</b>              |

The Council's unusable reserves are described below:

### 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.

### 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.

### 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 COP and those required by statute to be met from the General Fund.

**Collection Fund Adjustment Account**

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

**Pension Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

**Accumulated Absences Account**

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

**Available for Sale Financial Instruments Reserve**

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

**3.40 Transition to International Financial Reporting Standards (IFRS)**

IFRS 1 requires an authority to explain how the transition from previous UK GAAP to IFRSs affected its reported financial position and financial performance.

To meet this requirement, presented below is a reconciliation of the authority's equity position reported under previous UK GAAP to the position reported under IFRS. These reconciliations are presented both for the start (1st April 2009) and at the end (31st March 2010) of the latest period presented in the authority's most recent financial statements, i.e. 2009/10. Following this is a reconciliation of the council's income and expenditure statement demonstrating the effects of the transition to reporting under IFRS.

- IAS 17 Leases - The criteria for classifying leases as either finance or operating leases has changed under IFRS. A number of leases have changed in classification with the main effect being to bring leased assets onto the Balance Sheet.
- IAS 19 Employee Benefits - Under the IFRS Code the council is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting treatment no such accrual was required.
- IAS 20 Government & Non-Government Grants - Under the IFRS Code grant income is recognised when it becomes receivable, i.e. unless there are conditions outstanding on its use. The Government Grants Deferred Account (Liabilities) has been transferred to the Capital Adjustment Account (Reserves) to reflect this change in accounting, and both capital and revenue grants have been recognised when they became receivable.

## Reconciliation of the UK GAAP reported equity position to the equity position under IFRS at 1st April 2009

|   | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Financial<br>Instruments<br>Adjustment<br>Account | Collection<br>Fund<br>Adjustment<br>Account | Pensions<br>Reserve | Accumulated<br>Absences<br>Account | Available<br>for Sale | Usable<br>Reserves | Total Equity     |
|---|----------------------------------|------------------------|---|---|---------------------|------------------------------------|-----------------------|--------------------|------------------|
|   | £000                             | £000                   | £000  | £000  | £000                | £000                               | £000                  | £000               | £000             |
| <b>Equity at 1st April 2009 under UK GAAP</b> | <b>(506,518)</b>                 | <b>(192,439)</b>       | <b>2,889</b>                                      | <b>2,227</b>                                | <b>300,608</b>      | <b>0</b>                           | <b>(825)</b>          | <b>(45,286)</b>    | <b>(439,344)</b> |
| Adjustments for:                              |                                  |                        |   |   |                     |                                    |                       |                    |                  |
| IAS 17 Leases                                 | (875)                            |                        |   |   |                     |                                    |                       |                    | (875)            |
| IAS 19 Employee Benefits                      |                                  |                        |   |   |                     | 5,770                              |                       |                    | 5,770            |
| IAS 20 Government & Non-Government Grants     | (223,989)                        |                        |   |   |                     |                                    |                       | (27,619)           | (251,608)        |
| <b>Equity at 1st April 2009 under IFRS</b>    | <b>(731,382)</b>                 | <b>(192,439)</b>       | <b>2,889</b>                                      | <b>2,227</b>                                | <b>300,608</b>      | <b>5,770</b>                       | <b>(825)</b>          | <b>(72,905)</b>    | <b>(686,057)</b> |

## Reconciliation of the UK GAAP reported equity position to the equity position under IFRS at 31st March 2010

|  | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Financial<br>Instruments<br>Adjustment<br>Account | Collection<br>Fund<br>Adjustment<br>Account | Pensions<br>Reserve | Accumulated<br>Absences<br>Account | Available<br>for Sale | Usable<br>Reserves | Total Equity     |
|--|----------------------------------|------------------------|---|---|---------------------|------------------------------------|-----------------------|--------------------|------------------|
|  | £000                             | £000                   | £000  | £000  | £000                | £000                               | £000                  | £000               | £000             |
| <b>Equity at 31st March 2010 under UK GAAP</b> | <b>(382,078)</b>                 | <b>(194,086)</b>       | <b>2,710</b>                                      | <b>835</b>                                  | <b>441,541</b>      | <b>0</b>                           | <b>(9,931)</b>        | <b>(44,088)</b>    | <b>(185,097)</b> |
| Adjustments for:                               |                                  |                        |   |   |                     |                                    |                       |                    |                  |
| IAS 17 Leases                                  | (5,924)                          |                        |   |   |                     |                                    |                       |                    | (5,924)          |
| IAS 19 Employee Benefits                       |                                  |                        |   |   |                     | 6,445                              |                       |                    | 6,445            |
| IAS 20 Government & Non-Government Grants      | (255,719)                        |                        |   |   |                     |                                    |                       | (28,977)           | (284,696)        |
| <b>Equity at 31st March 2010 under IFRS</b>    | <b>(643,721)</b>                 | <b>(194,086)</b>       | <b>2,710</b>                                      | <b>835</b>                                  | <b>441,541</b>      | <b>6,445</b>                       | <b>(9,931)</b>        | <b>(73,065)</b>    | <b>(469,272)</b> |

A reconciliation to the Council's total comprehensive income and expenditure under IFRSs for the latest period (2009-10) in the Council's most recent annual financial statements is presented below.

| SERVICE ANALYSIS   | 2009/10                   | Adjustments    |                                |                                | 2009/10            |
|--|---------------------------|----------------|--------------------------------|--------------------------------|--------------------|
|  | Statement of              | for:           | for:                           | for:                           | under IFRS         |
|  | Accounts under<br>UK GAAP | IAS 17 Leases  | IAS 19<br>Employee<br>Benefits | IAS 20<br>Government &<br>Non- | Net<br>Expenditure |
|  | Net<br>Expenditure        |                |                                |                                |                    |
|  | £000                      | £000           | £000                           | £000                           | £000               |
| Adult Social Care  | 82,612                    | (17)           | (29)                           | 2,671                          | 85,237             |
| Central Services to the Public   | 44,662                    |                | (3)                            | 579                            | 45,238             |
| Children's & Education Services  | 143,141                   | (50)           | 758                            | 4,531                          | 148,380            |
| Cultural, Environmental, Regulatory & Planning Services                  | 95,382                    | (38)           | (24)                           | (579)                          | 94,741             |
| Highways and Transport Services  | 13,807                    | (89)           | (17)                           | 925                            | 14,626             |
| Housing services   | 6,029                     |                | (3)                            | (158)                          | 5,868              |
| Corporate and democratic core  | 10,465                    |                | (7)                            |                                | 10,458             |
| Non-distributed costs  | 1,794                     |                | 0                              |                                | 1,794              |
| <b>Net Cost of Services</b>  | <b>397,892</b>            | <b>(194)</b>   | <b>675</b>                     | <b>7,969</b>                   | <b>406,342</b>     |
| Other Operating Expenditure  | 16,343                    | (4,913)        |                                |                                | 11,430             |
| Finance and Investment Income and Expenditure                            | 34,594                    | 57             |                                |                                | 34,651             |
| Profit or Loss on Discontinued Operations                                | 0                         |                |                                |                                | 0                  |
| Taxations and Non-Specific Grant Income                                  | (289,918)                 |                |                                | (41,056)                       | (330,974)          |
| <b>Surplus / Deficit on the Provision of Services</b>                    | <b>158,911</b>            | <b>(5,050)</b> | <b>675</b>                     | <b>(33,087)</b>                | <b>121,449</b>     |
| Surplus / deficit arising on revaluation of non current assets           | (21,256)                  |                |                                |                                | (21,256)           |
| Surplus / deficit on revaluations of available for sale financial assets | (9,106)                   |                |                                |                                | (9,106)            |
| Actuarial gains or losses on pension assets and liabilities              | 125,698                   |                |                                |                                | 125,698            |
| <b>Sub-total of other comprehensive Income and Expenditure</b>           | <b>95,336</b>             | <b>0</b>       | <b>0</b>                       | <b>0</b>                       | <b>95,336</b>      |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>254,247</b>            | <b>(5,050)</b> | <b>675</b>                     | <b>(33,087)</b>                | <b>216,785</b>     |

### 3.41 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 at 31st March 2011 was £1.88 million (£1.98 million 2009/10) on its balance sheet as a creditor. The main funds held relate to:

- Tenants contributions towards essential repair and maintenance of common areas in multi occupied buildings £1,380,556 (£1,471,198 in 2009/10).
- Social Services Clients Funds £128,980 (£129,817 in 2009/10) – Funds held on behalf of Social Services clients.
- Other funds £373,408 (£367,344 in 2009/10), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

### 3.42 Termination Benefits

These accounts include the cost of redundancy and early retirement payments to 460 individuals who have left or will shortly be leaving the Council as a result of redundancy and early retirement decisions that had been made by 31st March 2011. The cost of these decisions is £8.9m, the funding for which had been identified in a report approved by Council in October 2010.

## 4 Additional Financial Statements – Group Accounts

### 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 3.36 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 and University of Warwick Science Park have not been included within the Group as it was deemed under IAS 28 that the Council did not have the power to exercise significant influence over the business and financial affairs of the two companies. 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 31<sup>st</sup> March 2011 have been used and draft accounts as at 31st March 2011 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.

## 4.1 GROUP COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

| SERVICE ANALYSIS   | 2010/2011         |                  |                 |
|--|-------------------|------------------|-----------------|
|  | Gross Expenditure | Gross Income     | Net Expenditure |
|  | £000              | £000             | £000            |
| Adult Social Care  | 101,700           | (17,484)         | 84,216          |
| Central Services to the Public   | 83,780            | (42,444)         | 41,336          |
| Children's & Education Services  | 461,139           | (320,099)        | 141,040         |
| Exceptional item as result of Schools transferring to Academy status               | 56,068            | 0                | 56,068          |
| Cultural, Environmental, Regulatory & Planning Services                            | 87,679            | (17,082)         | 70,597          |
| Highways and Transport Services  | 35,445            | (7,623)          | 27,822          |
| Housing Services   | 143,042           | (127,946)        | 15,096          |
| Corporate and democratic core  | 10,400            | 0                | 10,400          |
| Non-Distributed Costs  | 919               | 0                | 919             |
| Exceptional item as a result of changes in Pension Liability                       | 0                 | (66,665)         | (66,665)        |
| Turnover Joint Venture   | 0                 | (15,298)         | (15,298)        |
| Cost of Sales Joint Venture  | 12,218            | 0                | 12,218          |
| <b>Cost of Services</b>  | <b>992,390</b>    | <b>(614,641)</b> | <b>377,749</b>  |
| Other Operating Expenditure  |                   |                  | 17,086          |
| Finance and Investment Income and Expenditure                                      |                   |                  | 25,191          |
| Profit or Loss on Discontinued Operations  |                   |                  | 0               |
| Taxations and Non-Specific Grant Income  |                   |                  | (346,185)       |
| <b>(Surplus) / Deficit on the Provision of Services</b>                            |                   |                  | <b>73,841</b>   |
| Associates and JV's accounted for on Equity Basis                                  |                   |                  | 470             |
| Tax Expenses   |                   |                  | 645             |
| <b>Group (Surplus) or Deficit</b>  |                   |                  | <b>74,956</b>   |
| (Surplus) / deficit arising on revaluation of non current assets                   |                   |                  | 12,040          |
| (Surplus) / deficit on revaluations of available for sale financial assets         |                   |                  | (1,565)         |
| Actuarial (gains) or losses on pension assets and liabilities                      |                   |                  | (35,695)        |
| Share of other comprehensive income and expenditure of associates & joint ventures |                   |                  | (15,268)        |
| Other Comprehensive Income and Expenditure   |                   |                  | (940)           |
| <b>Sub-total of other comprehensive Income and Expenditure</b>                     |                   |                  | <b>(41,428)</b> |
| <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                |                   |                  | <b>33,528</b>   |

## Comparative Year's Figures

| SERVICE ANALYSIS   | 2009/2010         |                  |                 |
|--|-------------------|------------------|-----------------|
|  | Gross Expenditure | Gross Income     | Net Expenditure |
|  | £000              | £000             | £000            |
| Adult Social Care  | 105,803           | (20,566)         | 85,237          |
| Central Services to the Public   | 90,024            | (44,800)         | 45,224          |
| Children's & Education Services  | 447,827           | (299,447)        | 148,380         |
| Cultural, Environmental, Regulatory & Planning Services                            | 114,609           | (19,853)         | 94,756          |
| Highways and Transport Services  | 22,124            | (7,498)          | 14,626          |
| Housing Services   | 138,500           | (132,632)        | 5,868           |
| Corporate and democratic core  | 10,458            | 0                | 10,458          |
| Non-Distributed Costs  | 1,794             | 0                | 1,794           |
| Turnover Joint Venture   | 0                 | (14,571)         | (14,571)        |
| Cost of Sales Joint Venture  | 11,323            | 0                | 11,323          |
| <b>Cost of Services</b>  | <b>942,462</b>    | <b>(539,367)</b> | <b>403,095</b>  |
| Other Operating Expenditure  |                   |                  | 11,490          |
| Finance and Investment Income and Expenditure                                      |                   |                  | 34,653          |
| Profit or Loss on Discontinued Operations  |                   |                  | 0               |
| Taxations and Non-Specific Grant Income  |                   |                  | (330,974)       |
| <b>(Surplus) / Deficit on the Provision of Services</b>                            |                   |                  | <b>118,264</b>  |
| Associates and JV's accounted for on Equity Basis                                  |                   |                  | 540             |
| Tax Expenses   |                   |                  | 753             |
| <b>Group (Surplus) or Deficit</b>  |                   |                  | <b>119,557</b>  |
| (Surplus) / deficit arising on revaluation of non current assets                   |                   |                  | (21,256)        |
| (Surplus) / deficit on revaluations of available for sale financial assets         |                   |                  | (9,106)         |
| Actuarial (gains) or losses on pension assets and liabilities                      |                   |                  | 126,076         |
| Share of other comprehensive income and expenditure of associates & joint ventures |                   |                  | (1,410)         |
| Other Comprehensive Income and Expenditure   |                   |                  | (61)            |
| <b>Sub-total of other comprehensive Income and Expenditure</b>                     |                   |                  | <b>94,243</b>   |
| <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                |                   |                  | <b>213,800</b>  |

## 4.2 MOVEMENT IN RESERVES STATEMENT

|  | General Fund Reserves | School Reserves | Insurance Fund Reserves | Other Earmarked Reserves | Management 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                            |
| <b>Balance at 31 March 2010</b>  | (5,316)               | (11,913)        | (6,452)                 | (44,311)                 | (1,973)               | (3,100)                          | <b>(73,065)</b>       | <b>(398,583)</b>        | <b>(471,648)</b>                |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 76,921                | 0               | 0                       | 0                        | 0                     | 0                                | <b>76,921</b>         | <b>(1,965)</b>          | <b>74,956</b>                   |
| Other Comprehensive Income and Expenditure                               | 0                     | 0               | 0                       | 0                        | 0                     | 0                                | <b>0</b>              | <b>(41,428)</b>         | <b>(41,428)</b>                 |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>76,921</b>         | <b>0</b>        | <b>0</b>                | <b>0</b>                 | <b>0</b>              | <b>0</b>                         | <b>76,921</b>         | <b>(43,393)</b>         | <b>33,528</b>                   |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (75,903)              | 0               | 0                       | 0                        | 0                     | 1,577                            | <b>(74,326)</b>       | <b>74,326</b>           | <b>0</b>                        |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>1,018</b>          | <b>0</b>        | <b>0</b>                | <b>0</b>                 | <b>0</b>              | <b>1,577</b>                     | <b>2,595</b>          | <b>30,933</b>           | <b>33,528</b>                   |
| Transfers (to) / from Earmarked Reserves                                 | (1,243)               | (2,166)         | 2,389                   | 4,090                    | (3,070)               | 0                                | <b>0</b>              | <b>0</b>                | <b>0</b>                        |
| <b>(Increase) / Decrease in Year</b>                                     | <b>(225)</b>          | <b>(2,166)</b>  | <b>2,389</b>            | <b>4,090</b>             | <b>(3,070)</b>        | <b>1,577</b>                     | <b>2,595</b>          | <b>30,933</b>           | <b>33,528</b>                   |
| <b>Balance at 31 March 2011</b>  | <b>(5,541)</b>        | <b>(14,079)</b> | <b>(4,063)</b>          | <b>(40,221)</b>          | <b>(5,043)</b>        | <b>(1,523)</b>                   | <b>(70,470)</b>       | <b>(367,650)</b>        | <b>(438,120)</b>                |

The table below details the movements in the unusable reserves

|  | 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                    |
| <b>Balance at 31 March 2010</b>  | (676,910)                  | (194,086)           | 2,710                                    | 835                                | 441,541          | 6,445                        | (9,931)            | 30,813          | <b>(398,583)</b>        |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 0                          | 0                   | 0  | 0                                  | 0                | 0                            | 0                  | (1,965)         | <b>(1,965)</b>          |
| Other Comprehensive Income and Expenditure                               | (940)                      | 12,040              | 0  | 0                                  | (35,695)         | 0                            | (1,565)            | (15,268)        | <b>(41,428)</b>         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(940)</b>               | <b>12,040</b>       | <b>0</b>                                 | <b>0</b>                           | <b>(35,695)</b>  | <b>0</b>                     | <b>(1,565)</b>     | <b>(17,233)</b> | <b>(43,393)</b>         |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 129,671                    | 0                   | (180)                                    | (1,509)                            | (53,121)         | (535)                        | 0                  | 0               | <b>74,326</b>           |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>128,731</b>             | <b>12,040</b>       | <b>(180)</b>                             | <b>(1,509)</b>                     | <b>(88,816)</b>  | <b>(535)</b>                 | <b>(1,565)</b>     | <b>(17,233)</b> | <b>30,933</b>           |
| Transfers (to) / from Earmarked Reserves                                 | 0                          | 0                   | 0  | 0                                  | 0                | 0                            | 0                  | 0               | <b>0</b>                |
| <b>(Increase) / Decrease in Year</b>                                     | <b>128,731</b>             | <b>12,040</b>       | <b>(180)</b>                             | <b>(1,509)</b>                     | <b>(88,816)</b>  | <b>(535)</b>                 | <b>(1,565)</b>     | <b>(17,233)</b> | <b>30,933</b>           |
| <b>Balance at 31 March 2011</b>  | <b>(548,179)</b>           | <b>(182,046)</b>    | <b>2,530</b>                             | <b>(674)</b>                       | <b>352,725</b>   | <b>5,910</b>                 | <b>(11,496)</b>    | <b>13,580</b>   | <b>(367,650)</b>        |

## Comparative Figures

|  | General Fund Reserves | School Reserves | Insurance Fund Reserves | Other Earmarked Reserves | Management 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                            |
| <b>Balance at 31 March 2009</b>  | (5,340)               | (11,228)        | (8,088)                 | (42,762)                 | (3,740)               | (1,747)                          | <b>(72,905)</b>       | <b>(612,542)</b>        | <b>(685,447)</b>                |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | 126,509               | 0               | 0                       | 0                        | 0                     | 0                                | <b>126,509</b>        | <b>(6,953)</b>          | <b>119,555</b>                  |
| Other Comprehensive Income and Expenditure                               | (12)                  | 0               | 0                       | 0                        | 0                     | 0                                | <b>(12)</b>           | <b>94,255</b>           | <b>94,243</b>                   |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>126,497</b>        | <b>0</b>        | <b>0</b>                | <b>0</b>                 | <b>0</b>              | <b>0</b>                         | <b>126,497</b>        | <b>87,302</b>           | <b>213,798</b>                  |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (125,304)             | 0               | 0                       | 0                        | 0                     | (1,353)                          | <b>(126,657)</b>      | <b>126,657</b>          | <b>0</b>                        |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>1,193</b>          | <b>0</b>        | <b>0</b>                | <b>0</b>                 | <b>0</b>              | <b>(1,353)</b>                   | <b>(160)</b>          | <b>213,959</b>          | <b>213,798</b>                  |
| Transfers (to) / from Earmarked Reserves                                 | (1,169)               | (685)           | 1,636                   | (1,549)                  | 1,767                 | 0                                | <b>0</b>              | <b>0</b>                | <b>0</b>                        |
| <b>(Increase) / Decrease in Year</b>                                     | <b>24</b>             | <b>(685)</b>    | <b>1,636</b>            | <b>(1,549)</b>           | <b>1,767</b>          | <b>(1,353)</b>                   | <b>(160)</b>          | <b>213,959</b>          | <b>213,798</b>                  |
| <b>Balance at 31 March 2010</b>  | <b>(5,316)</b>        | <b>(11,913)</b> | <b>(6,452)</b>          | <b>(44,311)</b>          | <b>(1,973)</b>        | <b>(3,100)</b>                   | <b>(73,065)</b>       | <b>(398,583)</b>        | <b>(471,648)</b>                |

The table below details the movements in the unusable reserves

|  | 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                    |
| <b>Balance at 31 March 2009</b>  | (764,571)                  | (192,439)           | 2,889                                    | 2,227                              | 300,608          | 5,770                        | (825)              | 33,799         | <b>(612,542)</b>        |
| Surplus or (Deficit) on Provision of Services (Accounting Basis)         | (5,000)                    | 0                   | 0  | 0                                  | 0                | 0                            | 0                  | -1,953         | <b>(6,953)</b>          |
| Other Comprehensive Income and Expenditure                               | (19,549)                   | (1,647)             | 0  | 0                                  | 125,590          | 0                            | (9,106)            | -1,033         | <b>94,255</b>           |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(24,549)</b>            | <b>(1,647)</b>      | <b>0</b>                                 | <b>0</b>                           | <b>125,590</b>   | <b>0</b>                     | <b>(9,106)</b>     | <b>(2,987)</b> | <b>87,302</b>           |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 112,210                    | 0                   | (179)                                    | (1,392)                            | 15,343           | 675                          | 0                  | 0              | <b>126,657</b>          |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>87,661</b>              | <b>(1,647)</b>      | <b>(179)</b>                             | <b>(1,392)</b>                     | <b>140,933</b>   | <b>675</b>                   | <b>(9,106)</b>     | <b>(2,987)</b> | <b>213,959</b>          |
| Transfers (to) / from Earmarked Reserves                                 | 0                          | 0                   | 0  | 0                                  | 0                | 0                            | 0                  | 0              | <b>0</b>                |
| <b>(Increase) / Decrease in Year</b>                                     | <b>87,661</b>              | <b>(1,647)</b>      | <b>(179)</b>                             | <b>(1,392)</b>                     | <b>140,933</b>   | <b>675</b>                   | <b>(9,106)</b>     | <b>(2,987)</b> | <b>213,959</b>          |
| <b>Balance at 31 March 2010</b>  | <b>(676,910)</b>           | <b>(194,086)</b>    | <b>2,710</b>                             | <b>835</b>                         | <b>441,541</b>   | <b>6,445</b>                 | <b>(9,931)</b>     | <b>30,812</b>  | <b>(398,583)</b>        |

### 4.3 GROUP BALANCE SHEET

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

| As at<br>31st March<br>2009<br>£000 | As at<br>31st March<br>2010<br>£000 | Balance Sheet                               | As at<br>31st March<br>2011<br>£000 | Section<br>Ref. |
|-------------------------------------|-------------------------------------|---|-------------------------------------|-----------------|
| 1,089,794                           | 1,020,458                           | Property, Plant and Equipment               | 895,316                             |                 |
| 207,888                             | 222,323                             | Investment Property                         | 206,536                             |                 |
| 817                                 | 434                                 | Intangible Assets                           | 0                                   |                 |
| 0                                   | 0                                   | Assets Held for Sale                        | 0                                   |                 |
| 22,644                              | 31,750                              | Long Term Investments                       | 33,315                              |                 |
| (610)                               | 2,376                               | Investment in Associates and Joint Ventures | 19,609                              | 4.8             |
| 7,115                               | 9,890                               | Long Term Debtors                           | 9,405                               |                 |
| <b>1,327,648</b>                    | <b>1,287,231</b>                    | <b>Long Term Assets</b>                     | <b>1,164,181</b>                    |                 |
| 17,733                              | 17,884                              | Short Term Investments                      | 42,230                              |                 |
| 601                                 | 541                                 | Inventories                                 | 562                                 |                 |
| 84,905                              | 73,595                              | Short Term Debtors                          | 62,301                              |                 |
| 8,689                               | 19,207                              | Cash and Cash Equivalents                   | 1,068                               |                 |
| 45,366                              | 12,009                              | Assets held for Sale                        | 11,470                              |                 |
| <b>157,294</b>                      | <b>123,236</b>                      | <b>Current Assets</b>                       | <b>117,631</b>                      |                 |
| 0                                   | 0                                   | Bank Overdraft                              | 0                                   |                 |
| (24,293)                            | (11,459)                            | Short Term Borrowing                        | (7,776)                             |                 |
| (66,287)                            | (73,965)                            | Short Term Creditors                        | (74,547)                            |                 |
| 0                                   | 0                                   | Short Term Provisions                       | 0                                   |                 |
| 0                                   | 0                                   | Liabilities in Disposal Groups              | 0                                   |                 |
| <b>(90,580)</b>                     | <b>(85,424)</b>                     | <b>Current Liabilities</b>                  | <b>(82,323)</b>                     |                 |
| 0                                   | 0                                   | Long Term Creditors                         | 0                                   |                 |
| (34,216)                            | (36,674)                            | Long Term Provisions                        | (33,095)                            |                 |
| (372,985)                           | (370,890)                           | Long Term Borrowing                         | (367,361)                           |                 |
| (300,608)                           | (441,541)                           | Other Long Term Liabilities                 | (352,725)                           |                 |
| 0                                   | 0                                   | Donated Assets Account                      | 0                                   |                 |
| (1,106)                             | (4,290)                             | Capital Grants Receipts in Advance          | (8,188)                             |                 |
| <b>(708,915)</b>                    | <b>(853,395)</b>                    | <b>Long Term Liabilities</b>                | <b>(761,369)</b>                    |                 |
| <b>685,447</b>                      | <b>471,648</b>                      | <b>Net Assets</b>                           | <b>438,120</b>                      |                 |
| (72,905)                            | (73,065)                            | Usable Reserves                             | (70,470)                            |                 |
| (612,542)                           | (398,583)                           | Unusable Reserves                           | (367,650)                           | 4.8             |
| <b>(685,447)</b>                    | <b>(471,648)</b>                    | <b>Total Reserves</b>                       | <b>(438,120)</b>                    |                 |

## 4.4 GROUP CASHFLOW STATEMENT

The Group Cashflow 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 3.5 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.

| 2009/2010     | Cashflow Statement   | 2010/2011     |
|---------------|--|---------------|
| £m            |  | £m            |
| 119.6         | Net (Surplus) or Deficit on the Provision of Services  | 75.0          |
| (192.5)       | Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements  | (137.1)       |
| 40.6          | Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities | 45.3          |
| <b>(32.3)</b> | <b>Net Cash Flows from Operating Activities</b>  | <b>(16.8)</b> |
| 7.5           | Investing Activities   | 8.1           |
| 14.3          | Financing Activities   | 26.8          |
| <b>(10.5)</b> | <b>Net Increase or Decrease in Cash and Cash Equivalents</b>   | <b>18.1</b>   |
| (8.7)         | Cash and Cash Equivalents at the Beginning of the Reporting Period   | (19.2)        |
| (19.2)        | Cash and Cash Equivalents at the End of the Reporting Period   | (1.1)         |

## 4.5 RECONCILIATION OF SINGLE ENTITY TO GROUP DEFICIT FOR THE YEAR

| 2009/10<br>£000 | Reconciliation of Single Entity to Group Deficit   | 2010/11<br>£000 |
|-----------------|--|-----------------|
| 121,509         | Deficit on the Authorities Single Entity Income & Expenditure account for the Year   | 76,921          |
| (12)            | Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity Deficit on the Income & Expenditure Account | (13)            |
| <b>121,497</b>  | <b>Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>   | <b>76,908</b>   |
|                 | Add : (Surplus) / deficit arising from other entities included in the Group Accounts   |                 |
| 13              | Subsidiaries   | 13              |
| (1,953)         | Joint Ventures   | (1,965)         |
| <b>119,557</b>  | <b>Group Account Deficit for the year</b>  | <b>74,956</b>   |

## 4.6 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 below details the breakdown of this amount.

| 2009/10<br>£000 | Group Tax Expense   | 2010/11<br>£000 |
|-----------------|---|-----------------|
|                 | <b>CURRENT TAX:</b>   |                 |
| 500             | Current Tax Expense / (Income)  | 1,083           |
| 0               | Adjustment Recognised in the Period for Current Tax of Prior Periods  | (2)             |
| <b>500</b>      | <b>Total Current Tax</b>  | <b>1,081</b>    |
|                 | <b>DEFERRED TAX:</b>  |                 |
| 244             | Origination and Reversal of Temporary Differences                     | (329)           |
| 0               | Changes in Tax Rates or the Imposition of New Taxes                   | (107)           |
| 8               | Adjustment Recognised in the Period for Deffered Tax of Prior Periods | 0               |
| <b>252</b>      | <b>Total Deferred Tax</b>   | <b>(436)</b>    |
| <b>753</b>      | <b>Total Tax Expense</b>  | <b>645</b>      |

## 4.7 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 are included in note 3.36 to the single entity accounts.

#### Financial Liabilities

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

|                                  | 2009/10<br>£000 | 2010/11<br>£000 |
|----------------------------------|-----------------|-----------------|
| 'A' Preference Shares of £1 each | 9,950           | 9,950           |
| 'B' Preference Shares of £1 each | 4,975           | 4,975           |
| <b>Total</b>                     | <b>14,925</b>   | <b>14,925</b>   |

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 £1 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 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 at any time at their par value and redeemable at the option of the shareholder after 1st April 2009 at their par value.

## Related Party Transactions

Coventry City Council and Solihull Metropolitan Borough Council are, as major shareholders in the company, considered related parties as defined by FRS 8. Under a contract negotiated with a joint committee of the two councils the company received income from Coventry City Council under arrangements to receive household and commercial waste, to manage a landfill site and to operate a civic amenity and recycling centre for residents. Payments to CSWDC are made via a joint account with Solihull Metropolitan Borough Council. Coventry's contribution for the provision of waste disposal services was £3,862,849 (2010 - £3,942,987). During the year, payments to Coventry City Council for the provision of various services amounted to £111,082 (£88,053 - 2010). The amounts due to Coventry City Council at the year end were £25,377 (£21,509 - 2010).

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 2011.

Information relating to the proportion of shares held by Coventry City Council is included in note 3.36 to the single entity accounts.

## Related Party Transactions

During the year, the company had rates and operating expenses to the value of £297,242 (2010 - £314,850) and £17,772 was outstanding at 31st March 2011 (2010 - £61,666).

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

The balance outstanding on cash flow assistance to CNR by the City Council is £5,000 (£5,000 2009/10). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £12,949 (£13,531 2009/10) were made. At 31<sup>st</sup> March 2011 the Council owed CNR £3,469 (£5,157 CNR owed the Council 2009/10).

## 4.8 Notes to the Group Balance Sheet

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

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

**Long Term Investments.** The Council's share investment of £9.950m in Coventry & Solihull Waste Disposal Company is excluded for Group Account purposes.

**Share in Gross Assets of Joint Ventures.** Made up of £37.881m for Coventry & Solihull Waste Disposal Company and £13.628m for Arena Coventry Limited.

**Share in Gross Liabilities of Joint Ventures.** Made up of £8.927m for Coventry & Solihull Waste Disposal Company and £13.023m for Arena Coventry Limited.

| 2010/11                                      | CSWDC<br>£000 | ACL<br>£000 | Total<br>£000 |
|--|---------------|-------------|---------------|
| Share in Gross Assets of Joint Ventures      | 37,881        | 13,628      | 51,509        |
| Share in Gross Liabilities of Joint Ventures | (8,927)       | (13,023)    | (21,950)      |
| Long Term Investments                        | (9,950)       | 0           | (9,950)       |
| <b>Total</b>                                 | <b>19,004</b> | <b>605</b>  | <b>19,609</b> |

| <b>2009/10</b>                               | <b>CSWDC</b> | <b>ACL</b>  | <b>Total</b> |
|--|--------------|-------------|--------------|
|  | <b>£000</b>  | <b>£000</b> | <b>£000</b>  |
| Share in Gross Assets of Joint Ventures      | 20,799       | 14,462      | 35,261       |
| Share in Gross Liabilities of Joint Ventures | (8,941)      | (13,994)    | (22,935)     |
| Long Term Investments                        | (9,950)      | 0           | (9,950)      |
| <b>Total</b>                                 | <b>1,908</b> | <b>468</b>  | <b>2,376</b> |

| <b>2008/09</b>                               | <b>CSWDC</b> | <b>ACL</b>     | <b>Total</b> |
|--|--------------|----------------|--------------|
|  | <b>£000</b>  | <b>£000</b>    | <b>£000</b>  |
| Share in Gross Assets of Joint Ventures      | 18,562       | 13,961         | 32,523       |
| Share in Gross Liabilities of Joint Ventures | (8,056)      | (15,127)       | (23,183)     |
| Long Term Investments                        | (9,950)      | 0              | (9,950)      |
| <b>Total</b>                                 | <b>556</b>   | <b>(1,166)</b> | <b>(610)</b> |

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

| <b>Unusable Reserves</b>       | <b>2008/09</b>   | <b>2009/10</b>   | <b>2010/11</b>   |
|--------------------------------|------------------|------------------|------------------|
|                                | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      |
| Single Entity                  | (613,152)        | (396,207)        | (348,041)        |
| CSWDC                          | (556)            | (1,908)          | (19,004)         |
| ACL                            | 1,166            | (468)            | (605)            |
| <b>Group Unusable Reserves</b> | <b>(612,542)</b> | <b>(398,583)</b> | <b>(367,650)</b> |

Additional information relating to subsidiaries and joint ventures, including net assets and results, and where accounts of the companies may be acquired are included in note 3.36 to the single entity accounts.

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – Based on International Financial Reporting Standards 2010/11 (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

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

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

### 5.2 Changes in Accounting Policies

As outlined in section 1.2 the Council has made a number of changes to its accounting policies, as a result of the move to International Financial Reporting Standards. The following policy areas have been affected:

- Property, Plant & Equipment, Investment Property and Assets Held for Sale
- Componentisation of Property, Plant & Equipment
- Government Grants
- Leases
- Group Accounts

### 5.3 Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by 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, 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 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 in the Movement of 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 of 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 tangible fixed assets and retirement 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

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 (eg 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 |
|-----------------------------|------------------|
| Other Land and Buildings    | Fair Value       |
| Vehicles, Plant & Equipment | Historical Cost  |
| Infrastructure              | Historical Cost  |
| Community Assets            | Historical Cost  |
| Assets under Construction   | Historical Cost  |
| Investment Property         | Fair Value       |
| Assets Held for Sale        | Fair Value       |

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

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

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

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

Provision of Services. For Investment Property and Assets Held for Sale, valuation decreases are recognised in Surplus or Deficit on the Provision of Services.

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

## 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 (ie 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 and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following basis:

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

## 5.7 Componentisation of Property, Plant & Equipment

Under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011, based on International Financial Reporting Standards the requirement for componentisation came into effect from 1st April 2010. Assets will be considered for componentisation based on the below criteria.

## Trigger

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

## Assets Included

Property, Plant and Equipment

## Level of Materiality

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

## Categories of Building Components

The Council will use the following categories for 'components'

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

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

## Significant Component

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

## Calculation of Gross Replacement Cost

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

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

## Asset Lives

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

Under IFRS derecognitions totalling £71m have been incorporated to write down capital expenditure relating to the replacement or restoration of existing components.

## 5.8 Intangible Assets

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

quantify exactly how much of the amortisation is attributable to each service heading on the income statement.

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

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

## **5.10 Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income & Expenditure Account in the periods during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

## **5.11 Government Grants and Contributions**

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

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

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

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

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

VAT is included within the accounts only when elements are irrecoverable and therefore charged to service expenditure.

## 5.13 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 (see note 3.15).

## 5.14 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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.

However, the stock issued by the council in 1996 is carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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.

## 5.15 Financial Assets

Financial assets are classified into three 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
- fair value through the Profit and Loss – assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative.

## 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.

However, the council has made a number of loans to voluntary 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/ debited to the 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 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 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).

### **Fair value through the profit and loss**

Fair value through the profit and loss assets are initially measured and carried at fair value. Movements in the fair value recorded in the Balance Sheet are balanced by posting gains and losses to the Comprehensive Income and Expenditure Account as they arise.

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

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 4.

## **5.16 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 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 and 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 (eg 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 (ie 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)

Subject to capital finance regulation where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve or 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 (eg 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.

## 5.17 Inventory

Inventory is included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the balance sheet at cost plus any profit.

## 5.18 Employee Benefits

### Benefits Payable during Employment

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

### Post Employment Benefits - Pensions

- **Teaching Staff**

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

- **Non Teaching Staff**

Non teaching staff may be members of the Local Government Pension Scheme (LGPS). Coventry contributes to the West Midlands Pension Fund, which is administered by Wolverhampton City Council. It is a defined benefits scheme for which the value of 2010/11 contributions were set based on a March 2007 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality iBoxx Sterling AA corporate bond).

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

- quoted securities – bid price
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates
- property – market value.

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

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

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

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

**Expected return on assets** – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

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

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.

**Contributions paid to the West Midlands Pension Fund** – cash paid as employer's contributions to the pension fund.

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 that 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.

## 5.19 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 Best Value Accounting Code of Practice 2010. 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.

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

## 5.20 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 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).

## 5.21 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.

## 5.22 Council Tax

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

The authority's Balance Sheet will include a debtor / creditor position between the authority and each major preceptor to recognise the difference between the cash collected from Council

Taxpayers and the net cash paid to the major preceptors. The Balance Sheet will also include an attributable share of Council Tax creditors (for overpaid or prepaid tax) and debtors (net of impairment allowance for doubtful debts).

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

### **5.23 National Non-Domestic Rates (NNDR)**

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

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

### **5.24 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, together with the associated interest receivable.

## 6 Glossary of terms

**Actuarial Assumptions** – these are predictions made for factors that will affect the financial condition of the pension scheme.

**Amortisation** – the gradual write off of initial costs of intangible assets.

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

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

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

**Capital Receipts** – income received from selling fixed assets.

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

**Contingent Liabilities** – these are amounts that the Council may be, but is not definitely, liable for.

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

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

**Current Assets** – these are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

**Debtors** – sums of money owed to the City Council but not received at the end of the year.

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

**Earmarked Reserves** – money set aside for a specific purpose.

**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).

**Fixed Assets** – tangible assets that give benefit to the City Council and the services it provides for more than one year.

**IFRS** – International Financial Reporting Standards

**Impairment** – an asset has been impaired when it is judged to have lost value.

**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.

**Market Value of Assets** – this is the price that an asset can currently be bought or sold at.

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

**Net asset value** – the value of the Council's assets less its liabilities.

**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.

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

**Revenue Expenditure Funded From Capital Under Statute** – expenditure on grants or property not owned by the authority that may properly be classified as capital for funding purposes, but does not result in an asset owned by the Council.

**Revenue Support Grant (RSG)** – a grant from Central Government towards the cost of providing services.

**Specific Revenue Grants** – grants received from Central Government in respect of specific services.

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

## 7 Audit Certificate



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

#### Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Coventry City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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.

#### Respective responsibilities of the Director of Finance and Legal Services and auditor

As explained more fully in the Statement of the Director of Finance and Legal Services Responsibilities, the Director of Finance and Legal Services is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and overview of the Council's financial performance to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Coventry City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure 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.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword and overview of the Council's financial performance for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

### **Authority's responsibilities**

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.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Basis of conclusion**

I have undertaken my 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 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 2011.

## **Certificate**

I certify that I have completed the audit of the Authority and Group accounts of Coventry City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory  
District Auditor

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27 September 2011

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