

Contents

Section Page No.

1	p 1	Overview
1.1	p 1	Explanatory Foreword
1.2	p 1	An Overview of the Council's Financial Performance 2011/12
1.3	p 5	Statement of Responsibilities
1.4	p 6	Annual Governance Statement
2	p 10	Main Financial Statements
2.1	p 10	Overview of Main Financial Statements
2.2	p 12	Comprehensive Income and Expenditure Statement
2.3	p 13	Movement in Reserves Statement
2.4	p 15	Balance Sheet
2.5	p 16	Cash Flow Statement
2.6	p 17	Collection Fund
3	p 20	Notes to the Main Financial Statements
3.1	p 20	Prior Period Restatements
3.2	p 22	Significant Assumptions made in estimating Assets and Liabilities
3.3	p 22	Events after the Balance Sheet Date
3.4	p 23	Notes to the Comprehensive Income & Expenditure Statement
3.5	p 24	Amounts Reported for Resource Allocation Decisions
3.6	p 26	Reconciliation of Budget to Net Expenditure
3.7	p 26	Trading Account Summary
3.8	p 27	Usable and Unusable Reserves
3.9	p 30	Adjustments Between Accounting Basis and Funding Basis under Regulations
3.10	p 32	Property, Plant & Equipment
3.11	p 34	Heritage Assets
3.12	p 36	Non Operational Assets
3.13	p 37	Property, Plant & Equipment and Non Operational Assets Summary
3.14	p 38	Movement in Intangible Assets
3.15	p 38	Long Term Investments
3.16	p 39	Long Term Debtors
3.17	p 39	Inventories
3.18	p 40	Short Term Debtors
3.19	p 40	Short Term Creditors
3.20	p 41	Provisions
3.21	p 42	Financial Instruments (borrowing and investments)
3.22	p 48	Pension Costs (Other Long Term Liabilities)
3.23	p 49	IAS 19 - Retirement Benefits
3.24	p 53	Notes to the Cashflow
3.25	p 55	Private Finance Initiative Commitments
3.26	p 59	Pooled Budgets
3.27	p 60	Officers' Remuneration (including exit packages)
3.28	p 62	Members' Allowances
3.29	p 63	Related Party Transactions
3.30	p 65	Business Improvement District

Continued overleaf >>

3.31	p 66	Contingent Liabilities
3.32	p 66	Deployment of Dedicated Schools Grant
3.33	p 68	Capital Expenditure and Capital Financing
3.34	p 69	Revaluation of Non-Current Assets
3.35	p 69	Capital Commitments
3.36	p 70	Analysis of Non Current Assets
3.37	p 71	Analysis of Capital Grants
3.38	p 71	Analysis of Revenue Grants
3.39	p 72	Leases
3.40	p 75	Associated Company Interests & Holdings
3.41	p 78	Other Funds
3.42	p 78	Audit Note

4 p 79 Additional Financial Statements - Group Accounts

4.1	p 80	Group Comprehensive Income & Expenditure
4.2	p 81	Group Movement in Reserves Statement
4.3	p 83	Group Balance Sheet
4.4	p 84	Group Cash Flow Statement
4.5	p 85	Reconciliation of Single Entity Accounts to Group Accounts
4.6	p 86	Group Tax Expense
4.7	p 87	Group Companies Disclosure
4.8	p 89	Notes to the Group Balance Sheet

5 p 91 Statement of Accounting Policies

5.1	p 91	General
5.2	p 91	Changes in Accounting Policies
5.3	p 91	Accruals of Income and Expenditure
5.4	p 92	Provisions
5.5	p 92	Reserves
5.6	p 92	Property, Plant & Equipment, Investment Property and Assets Held for Sale
5.7	p 95	Componentisation of Property, Plant & Equipment
5.8	p 95	Intangible Assets
5.9	p 96	Revenue Expenditure Funded from Capital Under Statute
5.10	p 96	Repurchase of Borrowing
5.11	p 96	Government Grants and Contributions
5.12	p 96	Value Added Tax (VAT)
5.13	p 97	Investments
5.14	p 97	Financial Liabilities
5.15	p 97	Financial Assets
5.16	p 99	Leases
5.17	p 101	Inventory
5.18	p 101	Employee Benefits
5.19	p 102	Professional and Other Support Services
5.20	p 103	Private Finance Initiative
5.21	p 103	Group Accounts
5.22	p 103	Council Tax
5.23	p 104	National Non-Domestic Rates
5.24	p 104	Cash and Cash Equivalents
5.25	p 104	Contingent Liabilities
5.26	p 104	Pooled Budgets

6 p 105 Glossary of Terms

7 p 107 Audit Certificate

1 Overview

1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2011/12. These accounts set out the financial results of the Council's activities for the year ending 31st March 2012. 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.

Following the introduction of International Financial Reporting Standards (IFRS) in 2010/11, local authority accounting is now reported more in line with much of the private sector. These accounts are set out in line with IFRS and show the Council's financial performance for 2011/12 in a way that is prescribed by accounting regulations.

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

1.2 An Overview of the Council's Financial Performance in 2011/12

Revenue

In February 2011, the Council set a 2011/12 net revenue budget of £277.1 million for regular costs such as salaries and energy. Funding for this came from Formula Grant from central government of £158.3 million and Council Tax income of £118.8 million.

The final level of actual expenditure for 2011/12 was £276.6 million, which represents an under-spend of £0.5 million compared with the budget. Further analysis of expenditure analysed between individual Council services is shown within the reconciliation of budget to net expenditure in section 3.6.

There continues to be several areas where the Council has been affected by higher costs or lower income than planned. For instance, the high number of children entering into social care services has led to an over spend of £6.5m for the cost of external residential and foster placements for looked after children. Services that rely upon generating external income such as car parking, planning and building control and property rents have been affected by lower than expected income levels and reduced customer bases leading to a budget shortfall of over £4 million. The number and cost of care packages within adult social care has led to expenditure above budget of over £3 million.

Two areas of significant irregular costs reported last year have both shown some reduction this year. The cost of redundancy or early retirement decisions have amounted to £5 million in 2011/12, bringing the two year total to just over £13 million. This has been funded from existing budgets and reserves both set aside for this purpose. Equal Pay Claims costing £2.2 million have been settled in 2011/12 compared with £4.4 million of such claims in 2010/11. The funding for this has been provided from the provision set aside for this purpose in 2008/09.

The City Council has spent less than it planned to in a number of areas. In particular, costs have been £4 million less than originally forecast for the interest and repayment costs on our outstanding debt. Significant cost control measures within services for Children, Learning and Young People's have underspent by £3m to help to balance the high costs of Looked After Children referred to above. Tight budgetary control and high levels of staff vacancy in a wide range of areas across the Council have enabled the reporting of significant further under-spends

In overall terms, the Council's usable reserves reported on an IFRS basis have decreased from £70.5 million to £66.3 million. This reserves position is detailed further in section 2.3, the Movement in Reserves Statement.

Capital

The capital budget for 2011/12 for expenditure incurred on major one-off items such as school extensions and major highways repairs was £64 million. During the year there has been a net increase within the programme of £4 million resulting in a final revised budget for the year of £68 million.

Final capital spending of £63 million was £5 million below budget due to spending that is now planned to be undertaken in 2012/13. Funding for the Capital Programme is shown in section 3.33, Capital Expenditure and Capital Financing. The main sources of funding were external grant (62%) and capital receipts (28%).

Within the Capital Programme £29 million was spent on services for children and young people, mostly on schools and related projects. £29 million was spent within the City Services and Development Directorate, including schemes relating to highways, property and a range of regeneration projects.

In addition to the above, assets acquired under PFI/PPP contracts totalled £7m.

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 £0.5m. The key reasons for the difference are a £72 million worsening of the Council's pension liability (section 3.23) and a £55 million reduction in the value of our long-term assets as a result mostly of impairment and derecognition (sections 3.10 to 3.14)

The key reason for the deterioration in the pension position is an increase in the liabilities within the pension fund. This has occurred as a result of a reduction in the discount rate used to calculate the pension amounts that need to be paid out in the future, a change that affects all similar pension funds on a national level. Recent changes to pension schemes and the current negotiations around future pension arrangements are designed to bring pension schemes back into balance over the long-term. However, pension calculations are subject to a number of factors that can have a significant impact on the accounts and the future effect of these remains volatile from year to year and is difficult to predict.

In overall terms, the value of the Council's long-term assets has fallen by £55m in 2011/12, part of which reflects the impact of impairment reviews. These reviews reflect changes in circumstances such as a decline in the market value of assets and any transfer of assets to other organisations. In 2011/12, £33m of impairment relates to schools/colleges transferring to trust/academy status. This compares to an impairment of £56m during 2010/11 for transfers to academy status. This amount is separately identified as an exceptional item in the Comprehensive Income and Expenditure Statement (see section 2.2). This trend is anticipated to continue in 2012/13. A further £12m of impairment is recorded against Investment Property.

The overall reduction in the value of the Council's Balance Sheet by £120m (from £448m to £328m) represents a significant reduction. This does not reflect the Council's day to day financial performance but is the result, in large part, of continued pressure on local government pension schemes and of Academy Schools leaving local authority control. Both of these trends could continue and it remains possible that further falls in Balance Sheet equity position will occur in the short to medium term. In the long-run, pension changes are being designed to address the largest single underlying reason for equity loss but it may be some time before these changes are reflected in the City Council's accounts.

The Main Financial Statements

This is the second year that the Council's accounts have been presented in line with IFRS which has changed fundamentally the way that the accounts now work. The surplus or deficit arising within the financial year is equal to the change in the net value of the authority's assets and liabilities and the change in the value of its equity. Therefore, the £119 million deficit within the Comprehensive Income and Expenditure Statement (section 2.2) matches a £119 million reduction in the value of the Balance Sheet (section 2.4) and the reduction reflected in the Movement in Reserves Statement. (section 2.3).

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

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

The Main Issues within the Accounts

Equal Pay

For several 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 £2.2 million have been settled in 2011/12 funded from this provision meaning that in total £6.6m of claims have been settled in two years. Some further costs are expected to be incurred in 2012/13 although the total is expected to be within the £7.5m approved by the Council in December 2010. Some legal proceedings in relation to Equal Pay remain outstanding and for these reasons the remaining provision of £23.4m has been retained on the balance sheet. More detail is provided in the note on Provisions in section 3.20.

Pensions Accounting

Local Authorities are required to account for pension schemes in line with International Accounting Standard 19. The full effects of this for the local government and teachers' unfunded pension schemes are shown in the Comprehensive Income and Expenditure Statement, the Balance Sheet and sections 3.22 and 3.23. The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall of £425 million between the forecast cost of future pensions and the current level of assets built up in the pension fund, a deterioration of £72 million in 2011/12.

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

Academy Schools

The Government has provided the freedom for schools to apply for academy status. When schools become Academy Schools this has the effect of diluting the relationship between the school and the local authority which has a range of implications for the City Council. A number of secondary schools became Academies in 2011/12 which means that the City Council's accounts no longer reflect any assets relating to the schools' grounds and buildings or the day to day costs

and funding of the schools from the day on which they transferred. The lost asset value amounts to £33 million.

Future Financial Position

The Council set its Revenue and Capital budgets for 2012/13 on the 21st February 2012.

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

The total revenue budget for 2012/13 is £740 million - a decrease of £54 million or 6.7% on the equivalent 2011/12 budget including a significant degree of grant funding expenditure that has transferred to Academy Schools. After fees, charges and specific grants totalling £473 million this leaves a net budget of £267 million to be funded from £149 million of Formula Grant and £118 million of Council Tax income. The Council has identified savings totalling £20 million within its budget from transformation projects and from technical mechanisms in response to the overall loss of Government Formula grant and specific grants.

The Capital Programme of £56 million represents a decrease of 13% on the equivalent original 2011/12 programme with the main funding coming from grants (£35 million), borrowing (£9 million) and revenue contributions (£8 million). The Council has identified revenue budgets to repay any borrowing and the debt financing costs of some of it is funded by savings or budgets within specific schemes. However, an overall shortage of capital resources has meant that the City Council has little option but to borrow temporarily in the medium term in order to balance the programme. Future capital programme approvals will be strictly limited in line with the value of resources that we can identify. Steps have already been taken within the 2011/12 outturn position to make one-off revenue contributions to avoid borrowing where possible.

Changes in Accounting Policies

In 2011/12 the Code of Practice on Local Authority Accounting has adopted a new heritage asset standard. In the absence of any international standards on heritage assets the Code makes use of the hierarchy of standards to adopt the requirements of the UK standard FRS 30 Heritage Assets. The adoption of FRS 30 in the 2011/12 Code brings local authorities in line with the rest of the public sector.

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 2012).

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 2012 and its income and expenditure for the year ended 31st March 2012, and that the accounts are authorised for issue.



C West, CPFA
Director of Finance and Legal Services
18th September 2012

This Statement of Accounts was approved by the Audit Committee of Coventry City Council on 18th September 2012



Cllr D Chater
Chair of Audit Committee
18th September 2012

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 at http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance or can be obtained from Democratic Services.

This statement explains how Coventry City Council 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 2012 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 including the Coventry Sustainable Community Strategy and the Corporate Plan. These high level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.

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

The Council 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. This is evidenced through the Council's formal decision making process and the performance management process.

The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including roles and responsibilities of both Councillors and officers, 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 was revised in 2012 and includes processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level are updated and reviewed regularly by senior managers and Members. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Corporate Management Board.

The Council, through its Whistleblowing and Complaints 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.

For the financial year 2011-12, the Director of Finance and Legal Service, was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs.

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

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

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2012:

- 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 2011, 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 2011. The company's purpose is to hold shares in the following two companies.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company has been the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company 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 2011.

- 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 2011.

Review of Effectiveness

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

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

- Regular and detailed monitoring of the Council's performance, by both Management Board and members against targets and objectives set out in the Coventry Sustainable Community Strategy and Council Plan.
- Ongoing reviews of the Council's Constitution, overseen by the Constitution Working Group / Cabinet and subject to approval by Full Council. 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 2011-12. 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 Internal Audit and Risk Manager, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.
- The work plan and reports submitted to both the Audit Committee and the Standards Committee during 2011-12.
- 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.

2 Main Financial Statements

2.1 Overview of the Main Financial Statements

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

Comprehensive Income & Expenditure Statement CIES (section 2.2)

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

The Movement in Reserves Statement (section 2.3)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'Usable Reserves' (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'.

Cash Flow Statement (section 2.5)

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

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

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

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

The Collection Fund (section 2.6)

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

2010/11			2011/12			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	SERVICE ANALYSIS	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
101,700	(17,484)	84,216	Adult Social Care	111,609	(23,361)	88,248
83,780	(42,444)	41,336	Central Services to the Public	62,345	(39,273)	23,072
461,139	(320,099)	141,040	Children's & Education Services	375,523	(282,717)	92,806
56,068	0	56,068	Exceptional item as a result of schools transferring to academy status	33,361	0	33,361
25,080	(849)	24,231	Cultural & Related Services	23,235	(179)	23,056
57,912	(14,582)	43,330	Environmental & Regulatory Services	43,190	(9,636)	33,554
4,687	(1,651)	3,036	Planning Services	3,374	(1,538)	1,836
35,445	(7,623)	27,822	Highways and Transport Services	37,709	(13,004)	24,705
143,042	(127,946)	15,096	Housing services	149,049	(135,149)	13,900
10,400	0	10,400	Corporate and democratic core	10,177	0	10,177
919	0	919	Non-distributed costs	16,088	(7,116)	8,972
0	(66,665)	(66,665)	Exceptional item as a result of changes in pension liability	0	0	0
980,172	(599,343)	380,829	Cost of Services	865,660	(511,973)	353,687
		17,086	Other Operating Expenditure			18,461
		25,191	Finance and Investment Income and Expenditure			17,562
		0	Profit or Loss on Discontinued Operations			0
		(346,185)	Taxations and Non-Specific Grant Income			(322,080)
		76,921	(Surplus)/Deficit on the Provision of Services			67,630
		12,040	(Surplus)/deficit arising on revaluation of non current assets			(16,987)
		(1,565)	(Surplus)/deficit on revaluations of available for sale financial assets			(2,216)
		(35,695)	Actuarial (gains)/losses on pension assets and liabilities			71,343
		(940)	Other gains or losses			0
		(26,160)	Sub-total of other comprehensive Income and Expenditure			52,140
		50,761	Total Comprehensive Income and Expenditure (Surplus)/Deficit			119,770

Note 3.4 presents an analysis of the amounts included in Other Operating Expenditure, Finance & Investment Income & Expenditure and Taxations & Non-Specific Grant Income.

2.3 MOVEMENT IN RESERVES STATEMENT

USABLE RESERVES AND OVERALL POSITION (2011/12)

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

UNUSABLE RESERVES (2011/12)

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

* Capital Adjustment Account and Revaluation Reserve balances as at 31st March 2011 restated as per note 3.1.

Note 3.8 presents a description of the usable and unusable reserves.

USABLE RESERVES AND OVERALL POSITION (2010/11 Comparatives)

	General Fund Reserves £000	Schools Reserves £000	Insurance Fund Reserves £000	Other Earmarked Reserves £000	Mgmt. of Capital £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance at 31 March 2010	(5,316)	(11,913)	(6,452)	(44,311)	(1,973)	(3,100)	(73,065)	(425,341)	(498,406)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	76,921	0	0	0	0	0	76,921	0	76,921
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(26,160)	(26,160)
Total Comprehensive Income and Expenditure	76,921	0	0	0	0	0	76,921	(26,160)	50,761
Adjustments between Accounting Basis and Funding Basis under Regulations	(75,903)	0	0	0	0	1,577	(74,326)	74,326	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	1,018	0	0	0	0	1,577	2,595	48,166	50,761
Transfers (to) / from Earmarked Reserves	(1,243)	(2,166)	2,389	4,090	(3,070)	0	0	0	0
(Increase) / Decrease in Year	(225)	(2,166)	2,389	4,090	(3,070)	1,577	2,595	48,166	50,761
Balance at 31 March 2011	(5,541)	(14,079)	(4,063)	(40,221)	(5,043)	(1,523)	(70,470)	(377,175)	(447,645)

UNUSABLE RESERVES (2010/11 Comparatives)

	Capital Adjustment Account £000	Revaluation Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves £000
Balance at 31 March 2010	(687,823)	(179,118)	2,710	835	441,541	6,445	(9,931)	(425,341)
Surplus of (Deficit) on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	(940)	12,040	0	0	(35,695)	0	(1,565)	(26,160)
Total Comprehensive Income and Expenditure	(940)	12,040	0	0	(35,695)	0	(1,565)	(26,160)
Adjustments between Accounting Basis and Funding Basis under Regulations	129,671	0	(180)	(1,509)	(53,121)	(535)	0	74,326
Net Increase / Decrease before transfers to Earmarked Reserves	128,731	12,040	(180)	(1,509)	(88,816)	(535)	(1,565)	48,166
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase / Decrease in Year	128,731	12,040	(180)	(1,509)	(88,816)	(535)	(1,565)	48,166
Balance at 31 March 2011	(559,092)	(167,078)	2,530	(674)	352,725	5,910	(11,496)	(377,175)

2.4 BALANCE SHEET

As at 31st March 2011 <i>* Restated</i> £000	Balance Sheet	As at 31st March 2012 £000	Section Ref.
894,441	Property, Plant and Equipment	860,186	3.10
30,009	Heritage Assets	30,009	3.11
206,536	Investment Property	184,808	3.12
0	Intangible Assets	0	3.14
33,315	Long Term Investments	32,882	3.15
0	Investment in Associates and Joint Ventures	0	
9,405	Long Term Debtors	10,674	3.16
1,173,706	Long Term Assets	1,118,559	
42,230	Short Term Investments	43,226	3.21
562	Inventories	554	3.17
62,287	Short Term Debtors	46,983	3.18
1,068	Cash and Cash Equivalents	23,890	2.5
11,470	Assets held for Sale	12,654	3.12
117,617	Current Assets	127,307	
0	Bank Overdraft	0	2.5
(7,776)	Short Term Borrowing	(7,708)	3.21
(74,538)	Short Term Creditors	(81,067)	3.19
0	Short Term Provisions	0	
0	Liabilities in Disposal Groups	0	
(82,314)	Current Liabilities	(88,775)	
0	Long Term Creditors	0	
(33,095)	Long Term Provisions	(31,308)	3.20
(367,356)	Long Term Borrowing	(370,861)	3.21
(352,725)	Other Long Term Liabilities	(424,760)	3.23
(8,188)	Capital Grants Receipts in Advance	(2,287)	3.21
(761,364)	Long Term Liabilities	(829,216)	
447,645	Net Assets	327,875	
(70,470)	Usable Reserves	(66,335)	2.3
(377,175)	Unusable Reserves	(261,540)	2.3
(447,645)	Total Reserves	(327,875)	

* 31st March 2011 balances restated as per note 3.1.

The unaudited accounts were issued on the 30th June 2012 and the audited accounts were authorised for issue on the 18th September 2012.

2.5 CASH FLOW STATEMENT

Note 3.24 presents an analysis of the amounts included in the provision of services for noncash movements and items included in investing and financing activities.

2010/11		Cash Flow Statement	2011/12	
£m	£m		£m	£m
76.9		Net (Surplus) or Deficit on the Provision of Services	67.6	
(139.0)		Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(149.5)	
45.3		Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	43.4	
	(16.8)	Net Cash Flows from Operating Activities		(38.5)
	8.1	Investing Activities		14.8
	26.8	Financing Activities		0.9
	18.1	Net (Increase) or Decrease in Cash and Cash Equivalents		(22.8)
	(19.2)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(1.1)
	(1.1)	Cash and Cash Equivalents at the End of the Reporting Period		(23.9)

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).

2010/11 £000	Collection Fund	2011/12 £000
	INCOME	
(100,651)	Billed to Council Tax payers	(102,870)
(29,761)	Council Tax Benefit	(29,576)
4	Council Tax Transitional Relief	5
(105,793)	Business Rates Collectable	(110,924)
0	Adjustment of previous years' Community Charges	0
(236,201)	Total Income	(243,365)
	EXPENDITURE	
	Precepts:	
117,265	Coventry City Council	117,859
8,809	West Midlands Police	8,853
4,237	West Midlands Fire	4,258
130,311	Total Precepts	130,970
	Distribution of Business Rates collected:	
105,413	Payment to National Pool	110,547
380	Costs of collection allowance	377
105,793	Total Distribution of Business Rates Collected	110,924
	Contribution (to) / from previous years' surplus / deficit	
(896)	Coventry City Council	926
(68)	West Midlands Police	70
(33)	West Midlands Fire	33
997	Less Provision for surplus / deficit distribution	(1,029)
0	Total Contribution (to) / from previous years' surplus / deficit	0
236,104	Total Expenditure	241,894
(97)	(Surplus) / Deficit for the year	(1,471)
(583)	Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax	511
(680)	Movement on Surplus Holding Account for year	(960)
928	Total (Surplus) / Deficit brought forward at previous year end	(749)
(997)	Surplus / (Deficit) committed from previous year	1,029
(680)	Movement in Surplus / Deficit	(960)
(749)	Carried forward balance	(680)
1,029	Surplus / (Deficit) already assumed in setting the Council Tax	585
280	Excess (Surplus) / Deficit carried forward to following years' Tax Setting	(95)

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 2011/12 was 97.8%. The Government determines the level of rates payable, which was 43.3p per £ of rateable value (41.4p in 2010/11). The Valuation Office Agency sets the rateable value of each property and the total was £298,864,570 at 31st March 2012 (£300,267,030 at 31st March 2011). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. There were net Business Rate write offs in 2011/12 of £2.0m and the provision for bad and doubtful debts has risen by £1.8 million to £3.4 million in 2011/12.

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 133,032 of which 6,240 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	116	59.0
A	51,854	29,463.7
B	37,915	26,353.0
C	21,006	17,015.3
D	8,265	7,631.6
E	4,106	4,718.6
F	2,114	2,881.5
G	1,323	2,091.0
H	93	169.3
Total	126,792	90,383.0
Estimated eventual collection rate		98.5%
Total Council Tax Base at Band D for 2011/12		89,027.3
Total Council Tax Base at Band D for 2010/11		89,393.9

Provisions and Write Offs

Level of Provisions & Write Offs	Council Tax		Community Charge
	£000	£000	£000
Provision Brought forward		(5,775)	(532)
Written off in year	722		
(Increase) / decrease in provision	<u>(1,234)</u>	(511)	
Provision Carried Forward		<u>(6,286)</u>	<u>(532)</u>
Gross Debtors Before Provision		<u>12,402</u>	<u>532</u>

Precepts and Demands on the Collection Fund

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

2010/11		2011/12		
Total		Precept / Demand	Share of surplus / (deficit)	Total
£000		£000	£000	£000
117,877	Coventry City Council	117,859	864	118,723
4,259	West Midlands Fire Service	4,258	31	4,289
8,855	West Midlands Police	8,853	65	8,918
<u>130,991</u>	Total	<u>130,970</u>	<u>960</u>	<u>131,930</u>

3 Notes to the Main Financial Statements

3.1 Prior Period Restatements

Prior period restatements have been required in relation to two separate issues:

- Heritage Assets
- Capital Adjustment Account (CAA) and Revaluation Reserve (RR) balances

The Code of Practice on Local Authority Accounting 2011/12 introduced a change to the treatment in accounting for heritage assets, adopting the requirements of Financial Reporting Standard 30. As set out in our summary of accounting policies (section 5), the Authority now requires heritage assets to be carried in the balance sheet at valuation.

The effect of the change in accounting policy with regard to Heritage Assets has resulted in an increase of £29m in the total assets recognised in the authority's Balance Sheet. It has also resulted in a reclassification of assets previously held on the Balance Sheet as Community Assets, within the category of Property, Plant and Equipment. There were no additions or disposals during 2010/11 or 2011/12 in relation to Heritage Assets. For further details see note 3.11.

The move to International Financial Reporting Standards (IFRS) based accounts required certain reserve balances to be reclassified between the CAA and the RR. This was not fully implemented in the 2010/11 accounts. The correction of the CAA and RR balances involved a reclassification of £44m of reserves from the RR over to the CAA. The total unusable reserves figure did not change.

Neither of these issues required any restatements to be made to either the Comprehensive Income and Expenditure Statement, the in-year movements within the Movement in Reserves Statement or the Cash Flow Statement.

The effect of these changes on the authority's Balance Sheet (as at 31st March 2011 and 31st March 2010), including the details of the relevant unusable reserves (i.e. CAA and RR) is exemplified in the following tables. Please note that these tables are extracts from the Balance Sheet. As such they only identify the items that have required adjustment and the effect of these adjustments on the relevant sub-totals.

Balance Sheet	Original			Restated
	31st March	Heritage	CAA and RR	31st March
	2011	Asset	Reclassification	2011
	£000	£000	£000	£000
Property, Plant and Equipment (Community Assets)	895,316	(875)		894,441
Heritage Assets	0	30,009		30,009
Long Term Assets (Total)	1,144,572	29,134		1,173,706
Net Assets	418,511	29,134		447,645
Capital Adjustment Account	(514,990)		(44,102)	(559,092)
Revaluation Reserve	(182,046)	(29,134)	44,102	(167,078)
Unusable Reserves (Total)	(348,041)	(29,134)	0	(377,175)
Total Reserves	(418,511)	(29,134)	0	(447,645)

Balance Sheet	Original			Restated
	31st March	Heritage	CAA and RR	31st March
	2010	Asset	Reclassification	2010
	£000	£000	£000	£000
Property, Plant and Equipment (Community Assets)	1,020,458	(875)		1,019,583
Heritage Assets	0	30,009		30,009
Long Term Assets (Total)	1,284,855	29,134		1,313,989
Net Assets	469,272	29,134		498,406
Capital Adjustment Account	(643,721)		(44,102)	(687,823)
Revaluation Reserve	(194,086)	(29,134)	44,102	(179,118)
Unusable Reserves (Total)	(396,207)	(29,134)	0	(425,341)
Total Reserves	(469,272)	(29,134)	0	(498,406)

3.2 Significant Assumptions made in estimating Assets and Liabilities

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

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

Pensions Liability

This liability stands at £425m at the end of the 2011/12 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. Further details can be found in note 3.23.

Provisions

As at the end of the 2011/12 financial year the Authority has a provision of £23.4m 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. Further details can be found in note 3.20.

3.3 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Legal Services on 29th June 2012. The financial statements and notes have not been adjusted for the following event which took place after 31st March 2012 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

Transfer of Coundon Court School and Community College to Academy Status

Coundon Court School transferred to Academy Status on 1st April 2012. This transfer has the effect of diluting the relationship between the school and the local authority and this has a range of implications for the City Council. In the future, the City Council's accounts will no longer reflect any assets relating to the school grounds and buildings or the day to day costs and funding of the school.

3.4 Notes to the Comprehensive Income and Expenditure Statement

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:

2010/11 Net Expenditure £000	OTHER OPERATING EXPENDITURE	2011/12 Net Expenditure £000
0	Profit on Disposal of Fixed Assets	0
16,735	Levy Payments to Other Bodies	17,872
18	Contribution of Housing Capital Receipts to Government Pool	6
5	Precepts of Local Precepting Authorities	5
328	Other Income and Expenditure	578
17,086	Total Operating Expenditure	18,461

2010/11 Net Expenditure £000	FINANCE AND INVESTMENT INCOME AND EXPENDITURE	2011/12 Net Expenditure £000
18,221	Interest Payable and Similar Charges	18,937
(889)	External Investment Income	(1,047)
16,321	Pension Interest Cost and Return on Assets	10,027
(8,347)	Net (Surplus)/Deficit from Trading Operations	(5,794)
(115)	Dividends and Interest Receivable	(4,561)
25,191	Total Finance and Investment Income and Expenditure	17,562

2010/11 Net Expenditure £000	TAXATION AND NON SPECIFIC GRANT INCOME	2011/12 Net Expenditure £000
(117,877)	Net Council Tax Income	(118,723)
(133,623)	Contribution from Non-Domestic Rate Pool	(120,910)
(55,661)	Revenue Support Grant	(43,667)
(39,024)	Capital Grant	(38,780)
(346,185)	Total Taxation and Non Specific Grant Income	(322,080)

3.5 Amounts Reported for Resource Allocation Decisions

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

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

Amounts Reported for Resource Allocation Decisions 2011-12

Directorate Income & Expenditure	Chief Executive's	City Services & Development	Children, Learning & Young People	Community Services	Customer & Workforce Services	Finance & Legal Services	Contingency & Central Budgets	Total
2011/12	£000	£000	£000	£000	£000	£000	£000	£000
General Income	(534)	(41,273)	(26,601)	(31,325)	(3,665)	(7,968)	(12,768)	(124,134)
Re-charges	(1,392)	(46,290)	(972)	(4,565)	(35,934)	(12,777)	(6)	(101,936)
Government Grants	(141)	(7,475)	(256,893)	(9,839)	(248)	(158,255)	(4,551)	(437,402)
Reserves	(1,417)	3,175	6,437	1,525	(187)	1,319	8,582	19,434
Debt Repayment							16,717	16,717
Total Income	(3,484)	(91,863)	(278,029)	(44,204)	(40,034)	(177,681)	7,974	(627,321)
Employee Expenses	3,803	39,391	216,931	43,747	25,568	13,878	(1,253)	342,065
Running Expenses	6,350	87,480	120,787	105,676	17,406	169,789	53,278	560,766
RCCO*	5	427	411	111	114	0	0	1,068
Total Expenditure	10,158	127,298	338,129	149,534	43,088	183,667	52,025	903,899
Deficit / (Surplus)	0	0	0	0	0	0	0	0
Net Expenditure	6,674	35,435	60,100	105,330	3,054	5,986	59,999	276,578

*RCCO is Revenue Contribution to Capital Outlay

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.

	2011/12 £000
Net Expenditure in the Directorate Analysis	276,578
Net Expenditure of Services and Support Services not included in the Analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	111,889
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(34,780)
Cost of Services in Comprehensive Income and Expenditure Statement	353,687

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis	Service Analysis	Not Reported to Mgmt.	Not Included in I&E	Net Cost of Services	Corporate Amounts	Total
2011/12	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(189,919)		48,790	(141,129)	(48,790)	(189,919)
Interest & Investment Income			5,704	5,704	(5,608)	96
Income from Council Tax Non-domestic Rate Pool				0	(118,723)	(118,723)
Government Grants and contributions	(437,402)		6,293	(431,109)	(82,447)	(513,556)
Total Income	(627,321)	0	60,787	(566,534)	(376,478)	(943,012)
Employee Expenses	342,065		(10,027)	332,038	10,027	342,065
Other Service Expenses	469,350	15,489	(39,978)	444,861	40,676	485,537
Support Service recharges				0		0
Depreciation, Amortisation and Impairment	92,484	96,400	(8,136)	180,748	2,898	183,646
Interest Payments			(19,543)	(19,543)	18,937	(606)
Precepts & Levies			(17,877)	(17,877)	17,877	0
Payments to Housing Capital Receipts Pool			(6)	(6)	6	0
(Gain) or Loss on Disposal of Fixed Asset			0	0	0	0
Total Expenditure	903,899	111,889	(95,567)	920,221	90,421	1,010,642
(Surplus) or Deficit	276,578	111,889	(34,780)	353,687	(286,057)	67,630

3.6 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 3.5.

2011/12	Chief Executive's £000	City Services & Development £000	Children, Learning & Young People £000	Community Services £000	Customer & Workforce Services £000	Finance & Legal Services £000	Contingency & Central Budgets £000	Total £000
Income	(3,484)	(91,863)	(278,029)	(44,204)	(40,034)	(177,681)	7,974	(627,321)
Expenditure	10,158	127,298	338,129	149,534	43,088	183,667	52,025	903,899
Outturn Position	6,674	35,435	60,100	105,330	3,054	5,986	59,999	276,578
Annual Budget	6,784	31,371	61,253	105,330	5,091	5,962	61,278	277,069
(Surplus) / Deficit	(110)	4,064	(1,153)	0	(2,037)	24	(1,279)	(491)

3.7 Trading Account Summary

The Service Reporting Code of Practice requires that significant trading operations be disclosed. A number of services that were previously subject to Compulsory 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.

2010/11		2011/12		
(Surplus) / Deficit before Reserve Movement £000	Trading Accounts	Expenditure £000	Income £000	(Surplus) / Deficit before Reserve Movement £000
346	Building Cleaning	3,186	(2,758)	428
179	Building Services	5,264	(4,460)	804
(10,260)	Commercial Property	7,180	(15,961)	(8,781)
(124)	Major Projects	1,490	(140)	1,350
650	Catering Services	6,421	(6,192)	229
0	Commercial Waste Services	4,578	(4,886)	(308)
0	Ground Services	3,738	(3,726)	12
380	Fleet & Workshops	10,359	(9,905)	454
68	Stores	18	0	18
414	Emergency Services Unit	762	(762)	0
(8,347)	(Surplus) / Deficit from Trading Operations	42,996	(48,790)	(5,794)

3.8 Usable and Unusable Reserves

Usable Reserves

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

General Fund Reserves

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

Schools Reserves

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

Insurance Fund Reserves

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

Other Earmarked Reserves

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

Management of Capital Reserve

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

Capital Grants Unapplied Account

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

Unusable Reserves

Capital Adjustment Account

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

	2010/11 (Restated) £000	2011/12 £000
Opening Balance	(677,085)	(559,092)
Disposal of assets	5,105	13,481
Revenue Expenditure Funded from Capital	3,994	7,505
Intangibles	1,905	710
Depreciation	35,738	33,998
Impairment	86,732	65,051
Grants Deferred written-down	0	0
Derecognitions	71,290	29,018
Investment Property revaluations	(23,762)	(279)
Financing of assets	(10,256)	(63,187)
Repayment of Loans	(411)	(1,852)
Amortisation of Revaluation Reserve	(32,854)	(7,113)
Revenue provision for the repayment of debt	(18,906)	(16,751)
PFI capital contribution	(582)	0
Reclassification	0	0
Closing Balance	(559,092)	(498,511)

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.

	2010/11 (Restated) £000	2011/12 £000
Opening Balance	(179,118)	(167,078)
Depreciation	0	4,183
Revaluations	12,040	(24,055)
Impairments	0	0
Sales & Disposals	0	2,929
Closing Balance	(167,078)	(184,021)

Financial Instruments Adjustment Account

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

Collection Fund Adjustment Account

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

Pension Reserve

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

Accumulated Absences Account

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

Available for Sale Financial Instruments Reserve

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

3.9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments made to Comprehensive Income and Expenditure Statement

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Reversal of items debited or credited to the CIES				
Charges for depreciation and impairment of Non-current assets	(55,947)	0	0	55,947
Revaluation losses on Property, Plant and Equipment	(65,051)	0	0	65,051
Movements in the market value of Investment Properties	279	0	0	(279)
Amortisation of intangible assets	(710)	0	0	710
Capital grants and contributions applied	38,972	0	0	(38,972)
Revenue expenditure funded from capital under statute	(7,505)	0	0	7,505
Repayments and other transfers	554	0	0	(554)
Long term debtors transferred to the authority	2,702	0	0	(2,702)
Reversal of items debited or credited to the CIES (Subtotal)	(86,706)	0	0	86,706

Note - CIES stands for Comprehensive Income & Expenditure Statement

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Reversal of items debited or credited to the CIES	(86,706)	0	0	86,706
(Subtotal from previous table)				
Other adjustments to the CIES				
Capital grants and contributions unapplied movement to the CIES	(192)	0	192	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	419	(419)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	413	0	(413)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6)	6	0	0
Financial Instruments Adjustment Account (difference between costs charged and chargeable)	169	0	0	(169)
Employer's pensions contributions and direct payments to pensioners payable in the year	(692)	0	0	692
Collection Fund Adjustment Account (difference between amount credited to CIES and tax income for the year)	(62)	0	0	62
Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	305	0	0	(305)
Inclusion of items not debited or credited to the CIES				
Statutory provision for the financing of capital investment	16,751	0	0	(16,751)
Capital expenditure charged against the General Fund balance.	6,327	0	0	(6,327)
Total Adjustments	(63,687)	0	192	63,495

3.10 Property, Plant and Equipment

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

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Under Construction £000	Total £000
Cost or Valuation						
At 1st April 2011	894,079	35,570	291,581	14,249	800	1,236,279
Additions	31,473	1,038	20,101	1,695	5,083	59,390
Donations	0	0	0	0	0	0
Revaluation increase/(decreases) to RR	2,794	0	0	0	0	2,794
Revaluation increase/(decrease) to SDPS	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	(14,119)	(28)	(13,092)	(1,695)	0	(28,934)
Reclassified to / from Assets Held for Sale	(1,175)	0	0	0	0	(1,175)
Other Reclassifications	(129)	0	0	0	0	(129)
At 31 March 2012	912,923	36,580	298,590	14,249	5,883	1,268,225
Depreciation and Impairment						
At 1st April 2011	259,878	16,782	65,178	0	0	341,838
Depreciation Charge	23,978	2,963	7,057	0	0	33,998
Depreciation written out to RR	(17,905)	0	0	0	0	(17,905)
Impairment losses/reversals to RR	0	0	0	0	0	0
Impairment losses/reversals to SDPS	50,108	0	0	0	0	50,108
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2012	316,059	19,745	72,235	0	0	408,039
Net Book Value						
At 31 March 2012	596,864	16,835	226,355	14,249	5,883	860,186
At 1st April 2011	634,201	18,788	226,403	14,249	800	894,441

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 £450m.

Note - RR stands for Revaluation Reserve

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

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

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

Impairment reflects a reduction in value of the asset below its carrying amount on the balance sheet. Impairment reviews are required where changes in circumstances have arisen e.g. a significant decline in the assets market value. An impairment review was carried out in 2011/12 which resulted in a £65m change to the value of our portfolio of property assets, £33m of which relates to schools/colleges transferring to trust/academy 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: Finham Park £9.9m, Sidney Stringer £2.8m, Tile Hill Wood £7.3m, Woodlands £13.3m.

Under IFRS and componentisation accounting derecognitions totalling £29m 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. A further £13m relates to the disposal of City Council assets.

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 2011/12 over 50% of depreciation is attributable to Children, Learning & Young People Directorate premises (predominantly schools).

Depreciation is calculated on the following basis:

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

3.11 Heritage Assets

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

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

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

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

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

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. The table below provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2011 and the carried forward balance on 31st March 2012. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

Type of Heritage Assets	Balance Brought Forward at 1st April 2011 £000	Balance Carried Forward at 31st March 2012 £000
Transport Museum Collection	11,049	11,049
Scientific	20	20
Clocks	265	265
Arms & Armour	35	35
Textiles	5,035	5,035
Silver	375	375
General	132	132
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
Total	30,009	30,009

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

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

Self Sacrifice, The Lady Godiva Statue - created in 1944 and installed in Broadgate in 1949.

Godiva and Peeping Tom figures, Broadgate Clock Tower - Carved wooden figures which form part of the clock located in Broadgate. Created in 1951 by Trevor Tennant.

Broadgate Standard - Standard containing elephant and castle from City coat of arms. Located in Broadgate and installed in March 1948.

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

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

Further information about the authority's Acquisition and Disposal Policy for Museum Archives and Local History Collections, including details regarding the preservation and management of assets, can be found at:

[Aquisition Disposal Policy](#)

3.12 Non Operational Assets

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

	Investment Property £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction £000	Total £000
Cost or Valuation					
At 1st April 2011	294,600	19,169	30,009	0	343,778
Additions	3,025	0	0	0	3,025
Donations	0	0	0	0	0
Revaluation increase/(decrease) to RR	0	3,357	0	0	3,357
Revaluation increase/(decrease) to SDPS	279	0	0	0	279
Derecognition - Disposals	(3,567)	(9,914)	0	0	(13,481)
Derecognition - Other	(84)	0	0	0	(84)
Reclassified to/from Assets Held for Sale	(9,555)	10,730	0	0	1,175
Other Reclassifications	129	0	0	0	129
At 31 March 2012	284,827	23,342	30,009	0	338,178
Depreciation and Impairment					
At 1st April 2011	88,064	7,699	0	0	95,763
Depreciation Charge	0	0	0	0	0
Impairment losses/reversals to RR	0	0	0	0	0
Impairment losses/reversals to SDPS	11,955	2,989	0	0	14,944
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0
Reclassifications	0	0	0	0	0
At 31 March 2012	100,019	10,688	0	0	110,707
Net Book Value					
At 31 March 2012	184,808	12,654	30,009	0	227,471
At 1st April 2011	206,536	11,470	30,009	0	248,015

Note - RR stands for Revaluation Reserve

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

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

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

3.13 Property, Plant & Equipment and Non Operational Assets Summary

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

	Property, Plant & Equipment Total £000	Non- Operational Assets Total £000	Total £000
Cost or Valuation			
At 1st April 2011	1,236,279	343,778	1,580,057
Additions	59,390	3,025	62,415
Donations	0	0	0
Revaluation Increases/(decreases) to RR	2,794	3,357	6,151
Revaluation Increases/(decreases) to SDPS	0	279	279
Derecognition-Disposals	0	(13,481)	(13,481)
Derecognitions-Other	(28,934)	(84)	(29,018)
Reclassified to/from Held for Sale	(1,175)	1,175	0
Other Reclassifications	(129)	129	0
At 31st March 2012	1,268,225	338,178	1,606,403
Depreciation and Impairment			
At 1st April 2011	341,838	95,763	437,601
Depreciation Charge	33,998	0	33,998
Depreciation written out to SDPS	0	0	0
Impairment losses/reversals to RR *	0	0	0
Depreciation written out to RR	(17,905)	0	(17,905)
Impairment losses/reversals to SDPS	50,108	14,944	65,052
Derecognition-Disposals	0	0	0
Derecognitions-Other	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0
Reclassifications	0	0	0
At 31st March 2012	408,039	110,707	518,746
Net Book Value			
At 31st March 2012	860,186	227,471	1,087,657
At 1st April 2011	894,441	248,015	1,142,456

Note - RR stands for Revaluation Reserve

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

3.14 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 2011/12 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.

2010/11 £000	Intangible Assets	2011/12 £000
434	Balance brought forward	(0)
1,717	Addition of intangible assets	710
(2,151)	Amortisation of intangible assets	(710)
(0)	Total	(0)

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 section 3.40 Associated Company Interest and Holdings.

31st March 2011 £000	Long Term Investments	31st March 2012 £000
20,755	Birmingham Airport Holdings Ltd	22,913
9,950	Coventry Solihull Waste Disposal Co (CSWDC)	9,950
0	University of Warwick Science Park Innovation Centre Ltd	0
2,591	University of Warwick Science Park Ltd	0
19	Coventry Venture Capital	19
0	North Coventry Holdings Limited	0
33,315	Total Long Term Investments	32,882

A report issued by BDO LLP in August 2010 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £20.8m. A subsequent exercise undertaken jointly with BDO in 2012 has indicated an increase in the valuation of the City Council's shareholding to £22.9m. This revised valuation has been reflected in the City Council's Accounts.

The Council sold its investments in the University of Warwick Science Park Ltd in February 2012 for £2.6m, as well a range of property interests and debentures, following approval by Council in March 2011. The Council therefore no longer has any investments in the company. The Council continues to retain an interest in the Innovation Centre, valued at nil in the accounts currently.

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 2011 £000	Long Term Debtors	31st March 2012 £000
189	Museum of British Road Transport	195
0	Wide Area Network	0
97	Housing Loans	90
1,174	Science Park Debentures	0
1,066	Binley Innovation Centre	1,004
512	Pathways to Care Loans	514
760	Residential Property Debts	748
5	Coventry North Regeneration Ltd	5
170	Mortgages	161
0	Further Education College Debt	0
335	Belgrade Theatre	320
58	Spon End Building Preservation Trust	50
75	John White Community Centre	0
36	Commercial Property	37
4,926	City College Car Park	4,846
2	Car Loans	2
0	Kickstart	2,702
9,405	Total Long Term Debtors	10,674

3.17 Inventories

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

31st March 2011 £000	Consumable Stores	31st March 2012 £000
541	Balance outstanding at start of year	562
4,896	Purchases	4,940
(4,867)	Recognised as an expense in the year	(4,937)
(8)	Written off balances	(11)
0	Reversal of write offs in previous years	0
562	Balance outstanding at year end	554

3.18 Short Term Debtors

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

Debtors	31st March 2011 (Restated) £000	31st March 2012 £000
Central Government Bodies	10,304	8,656
Other Local Authorities	2,759	1,852
NHS Bodies	1,559	5,037
Public Corporations / Trading	348	907
All Other Bodies	31,695	27,119
Debts Relating to Local Taxation	11,636	11,697
Payments in Advance	18,509	8,063
Impairment Allowance Account (Bad Debt Provision)	(14,521)	(16,348)
Total Debtors	62,287	46,983

3.19 Short Term Creditors

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

Creditors	31st March 2011 (Restated) £000	31st March 2012 £000
Central Government Bodies	(9,038)	(11,878)
Other Local Authorities	(9,166)	(4,761)
NHS Bodies	(949)	(1,507)
Public Corporations/Trading	(275)	(276)
All Other Bodies	(33,907)	(37,397)
Receipts in Advance	(21,203)	(25,248)
Total Creditors	(74,538)	(81,067)

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 2011/12 is explained below:

Provisions	Self-Insurance and other provisions £000	Provision for Legal Claims £000	Total £000
Balance at 1st April 2011	(7,473)	(25,622)	(33,095)
Additional Provisions made in 2011/12	(1,048)	0	(1,048)
Amounts used in 2011/12	26	2,218	2,244
Unused amounts reversed in 2011/12	591	0	591
Balance at 31st March 2012	(7,904)	(23,405)	(31,308)

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. The provision is used when insurance claims require settlement. The level of this provision has gone down by £0.6m in 2011/12. The Council also maintains an insurance earmarked reserve, called the Insurance Fund that is set aside for claims that have been incurred but not yet received as detailed within the Movement in Reserves Statement in Section 2.3. The Council has made a new provision of £0.6m in Carbon Reduction Commitment Allowances in line with LAAP (Local Authority Accounting Panel) Bulletin 91. This represents a levy on the amount of carbon emissions produced by the Council. A further provision of £0.5m has been made in relation to VAT that has been recovered previously by Voluntary Aided schools on their premises and ICT costs. The recovery of this VAT has been challenged by Her Majesty's Revenue and Customs on a national level and it may need to be repaid.

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 £2.2m within 2011/12 in addition to 2010/11 settled claims of £4.4m. Further claims remain outstanding and a provision amounting to £23.4m remains in place in compliance with 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 is still subject to significant uncertainty and has been maintained at what is considered to be a prudent level relative to the likely maximum liability that the City Council might face. Notwithstanding this, a Contingent Liability has been recorded in this area, the details of which are included in section 3.31.

3.21 Financial Instruments

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

	31st March 2011		31st March 2012	
	Long Term	Current	Long Term	Current
	£000	£000	£000	£000
Liabilities at Amortised Cost				
PWLB	239,844	2,607	239,844	3,250
Market Loans	59,924	1,641	59,917	608
Stock Issue	12,004	237	12,004	234
Other Local Authorities	19,746	642	19,041	706
PFI	35,818	1,765	40,051	2,243
Liabilities under Finance Leases	20	182	4	15
Creditors and Receipts in Advance*	8,188	74,538	2,287	81,067
Cash Overdrawn	0	0	0	0
Other	0	702	0	652
	375,544	82,314	373,148	88,775
Liabilities at Fair Value Through Profit & Loss	0	0	0	0
Total Borrowings	375,544	82,314	373,148	88,775
Loans and Receivables				
Long Term Debtors	9,405	0	10,674	0
Short Term Debtors	0	50,651	0	35,285
Fixed Term Cash Deposits	0	24,203	0	29,154
Other	0	14	0	14
Cash in Hand	0	1,068	0	23,890
	9,405	75,936	10,674	88,343
Available for sale Financial Assets	33,315	0	30,724	14,058
Financial Assets at fair value through profit and loss	0	18,013	0	0
Total Investments	42,720	93,949	41,398	102,401

*Prior year balances have been restated (split between long term and current liabilities)

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 2011/12 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	18,848	0	0	0	18,848
Losses on derecognition	89	0	0	0	89
Impairment losses	0	0	0	0	0
Interest payable and similar charges	18,937	0	0	0	18,937
Interest income	0	(789)	(4,561)	(259)	(5,609)
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	(789)	(4,561)	(259)	(5,609)
Gains on revaluation	0	0	(58)	0	(58)
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Income & Expenditure Account after impairment	(7)	0	0	0	(7)
Surplus arising on revaluation of financial assets	(7)	0	(58)	0	(65)
Net (gain) / loss for the year	18,930	(789)	(4,619)	(259)	13,263

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 2012
- 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 2011		31st March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities				
▪ PWLB	242,451	266,595	243,094	306,624
▪ Market Loans	61,565	63,597	60,525	75,343
▪ Stock Issue	12,241	17,899	12,238	20,043
▪ Other Local Authorities	20,388	22,606	19,747	23,984
▪ PFI	37,583	37,583	42,294	42,294
▪ Liabilities under Finance Leases	202	202	19	19
▪ Creditors and Receipts in Advance	82,726	82,726	83,354	83,354
▪ Cash Overdrawn	0	0	0	0
▪ Other	702	702	652	652
Total Liabilities	457,858	491,910	461,923	552,313
Loans and Receivables	85,341	85,341	99,017	99,017

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 2011/12 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 £8m, depending on the type of institution. Under the Treasury Management Strategy the Director of Finance & Legal Services will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

Deposits	Amount as at 31st March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31st March 2012	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
	A	B	C	(A x C)
Banks and Building Societies – AA Rated	5,400	0.03%	0.04%	2
Money Market and Collective Pooled Funds -AAA Rated	12,228	0.00%	0.00%	0
Collective Pooled Funds -Not Rated	1,830	0.00%	0.00%	0
UK Central & Local Government	23,750	0.00%	0.00%	0
Trade Debtors	15,832	6.25%	8.25%	1,306
	59,040			1,308

The deposits set out above as at 31st March 2012 were held with financial institutions domiciled in a number of countries:-

Country	£m
United Kingdom	29.2
Ireland	14.1
	43.2

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 £ 1.8 m of the £ 15.8 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	13,997
Three to six months	865
Six months to one year	303
More than one year	668
Total	15,833

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:

Maturity of Financial Liabilities	31st March	31st March
	2011	2012
	£000	£000
Less than one year	1,641	706
Between one and two years	706	13,776
Between two and five years	32,955	20,212
Between six and ten years	26,309	26,939
More than ten years	270,625	268,962
Total	332,236	330,595

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	590
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	(2,231)
Decrease in fair value of fixed rate investment assets	0
Impact on Comprehensive Income and Expenditure Account	(1,641)
Decrease in fair value of fixed rate borrowings liabilities.	9,903

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 2011/12.

Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of 32.9m 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 2011/12.

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.

3.22 Pension Costs

Figures in brackets relate to 2010/11.

Non Teaching Staff

In 2011/12 the City Council paid an employer's contribution of £21,735,131 (£23,305,146 in 2010/11) representing 16.4% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2012/13 are estimated to be £22.559m. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at 31st March 2010.

In addition, the Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2011/12, this amounted to £5,034,905 (£4,469,728 in 2010/11).

Further details on pension liabilities are provided in note 3.23.

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 2011/12 the City Council paid £14,018,218 (£15,876,753 in 2010/11) to the Department for Education (DfE) for teachers' pension costs, which represents 14.1% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2011/12 these amounted to £2,606,664 (£2,478,121 in 2010/11), representing 2.4% of pensionable pay.

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

3.23 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 2011/12

Liabilities

The overall increase in the deficit is analysed as follows:

2010/11			2011/12		
LGPS	Teachers	Total	LGPS	Teachers	Total
£m	£m	£m	£m	£m	£m
(407.0)	(34.6)	(441.6)	(320.1)	(32.7)	(352.8)
(26.6)	0.0	(26.6)	(22.8)	0.0	(22.8)
27.8	2.5	30.3	26.7	2.6	29.3
64.8	1.9	66.7	0.0	0.0	0.0
46.3	0.0	46.3	49.0	0.0	49.0
(60.8)	(1.8)	(62.6)	(57.3)	(1.6)	(58.9)
35.9	(0.3)	35.6	(70.3)	(1.1)	(71.4)
(0.5)	(0.4)	(0.9)	2.9	0.0	2.9
(320.1)	(32.7)	(352.8)	(391.9)	(32.8)	(424.7)
		Surplus/(Deficit)			

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:

2010/11			2011/12		
LGPS £m	Teachers £m	Total £m	LGPS £m	Teachers £m	Total £m
<u>Net Cost of Services</u>					
26.6	0.0	26.6	22.8	0.0	22.8
(64.8)	(1.9)	(66.7)	0.0	0.0	0.0
0.5	0.4	0.9	(2.9)	0.0	(2.9)
<u>Financing and Investment Income and Expenditure</u>					
60.8	1.8	62.6	57.3	1.6	58.9
(46.3)	0.0	(46.3)	(49.0)	0.0	(49.0)
(23.2)	0.3	(22.9)	28.2	1.6	29.8
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>					
(35.9)	0.3	(35.6)	70.3	1.1	71.4
(59.1)	0.6	(58.5)	98.5	2.7	101.2
<u>Movement in Reserves Statement</u>					
23.2	(0.3)	22.9	(28.2)	(1.6)	(29.8)
<u>Actual amount charged against the General Fund Balance for pensions in the year:</u>					
27.8		27.8	26.7		26.7
	2.5	2.5		2.6	2.6

The actuarial loss of £71.4m during 2011/12 is due to the reduction in the estimated return on investments as a result of the current economic climate.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2012 is a loss of £12.806m.

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

Local Government Pension Scheme	2010/11	2011/12
	£m	£m
Opening balance at 1st April	679.3	733.8
Expected rate of return	46.3	49.0
Actuarial gains and losses	7.1	(33.0)
Employer contributions	27.8	26.7
Contributions by scheme participants	9.3	8.6
Benefits paid	(36.0)	(44.2)
Entity combinations	0.0	0.0
Settlements	0.0	(4.2)
Closing balance at 31st March	733.8	736.7

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 £15.921m. (2010/11 : £43.649m)

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:

	31st March 2011	31st March 2012
Rate of CPI inflation	2.9%	2.5%
Rate of increase in salaries	4.65%	4.25%
Rate of increase in pensions	2.9%	2.5%
Discount rate	5.5%	4.9%
<u>Mortality Assumptions</u>		
Longevity at 65 for current pensioners		
Men	21.6	21.7
Women	24.2	24.3
Longevity at 65 for future pensioners in 20 years time		
Men	23	23.1
Women	25.8	25.9
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 2011		31st March 2012	
	£m	%	£m	%
Equities	433.6	59.1%	403.7	54.8%
Government Bonds	60.2	8.2%	77.4	10.5%
Other Bonds	43.3	5.9%	60.4	8.2%
Property	62.4	8.5%	73.7	10.0%
Cash / Liquidity	15.4	2.1%	10.3	1.4%
Other	118.9	16.2%	111.2	15.1%
Total	733.8		736.7	

The expected rate of return on these assets is:

Asset Categories	31st March 2011	31st March 2012
Equities	7.5%	7.0%
Government Bonds	4.4%	3.1%
Other Bonds	5.1%	4.1%
Property	6.5%	6.0%
Cash / Liquidity	0.5%	0.5%
Other	7.5%	7.0%

History of experience gains and losses

The actuarial gains / losses identified as movements in the pension reserve in 2011/12 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2012. Previous years figures are shown for comparison purposes.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
LGPS Asset Gain / (Loss)	(9.5%)	(33.6%)	18.7%	1%	(4.5%)
Liability Gain / (Loss)	(2.1%)	24.6%	(22.8%)	2.7%	(3.3%)
Unfunded Teachers Liability Gain / (Loss)	(1.7%)	-	-	0.8%	3.3%

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Present value of liabilities					
LGPS	(933.7)	(793.9)	(1,086.3)	(1,053.9)	(1,128.6)
Teachers	(34.7)	(29.7)	(34.6)	(32.7)	(32.8)
Fair value of assets					
LGPS	658.6	523.0	679.4	733.8	736.7
Teachers	0	0	0	0	0
Surplus/(deficit) in scheme					
LGPS	(275.1)	(270.9)	(406.9)	(320.1)	(391.9)
Teachers	(34.7)	(29.7)	(34.6)	(32.7)	(32.8)
TOTAL (deficit)	(309.8)	(300.6)	(441.5)	(352.8)	(424.7)

3.24 Notes to the Cash Flow

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

2010/11	Adjust Net Surplus or Deficit on the Provision of Services for	2011/12
£m	Non Cash Movements	£m
(34.7)	Depreciation	(34.0)
(145.4)	Impairment and Downward Valuations	(86.7)
(1.9)	Amortisation	(0.7)
3.9	(Increase)/ Decrease in Impairment Provision for Bad Debts	0.0
(3.4)	(Increase)/ Decrease in Creditors	(18.2)
(10.2)	Increase/ (Decrease) in Debtors	(12.9)
0.0	Increase/ (Decrease) in Stock	0.0
53.0	Pension Liability	(0.7)
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	3.7
(139.0)	Total	(149.5)

2010/11	Adjust for Items included in the Net Surplus or Deficit on the	2011/12
£m	Provision of Services that are Investing and Financing Activities	£m
40.6	Application of grants to capital financing	39.0
4.7	Net increase / decrease in other liquid resources	4.4
45.3	Total	43.4

2010/11 £m	Net Cash Flows from Investing Activities	2011/12 £m
58.6	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	58.0
0.0	Purchase of Short Term and Long Term Investments	0.0
17.8	Other Payments for Investing Activities	7.7
(5.4)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(13.5)
0.0	Proceeds from Short Term and Long Term Investments	(2.6)
(62.9)	Other Receipts from Investing Activities	(34.8)
8.1	Total	14.8

2010/11 £m	Net Cash Flows from Financing Activities	2011/12 £m
(0.1)	Cash Receipts of Short and Long Term Borrowing	0.1
(4.7)	Other Receipts from Financing Activities	(4.4)
1.8	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	2.9
5.6	Repayments of Short and Long Term Borrowing	1.6
24.2	Other Payments for Financing Activities	0.7
26.8	Total	0.9

2010/11 £m	Cash Flows from Interest and Dividends	2011/12 £m
(0.5)	Interest received	(4.4)
18.2	Interest paid	18.2
(0.1)	Dividends received	(0.7)
17.6	Total	13.1

2010/11 £m	Breakdown of Cash and Cash Equivalents	2011/12 £m
0.1	Cash held by the council	0.1
(6.1)	Bank current accounts	11.8
7.1	On call deposits	12.0
1.1	Total	23.9

3.25 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 2011/12 expenditure on unitary charge payments to the contractor was £3.2m, compared with £3.3m in 2010/11.

This unitary charge is divided into three elements; service charge, repayment of the liability and interest. The forecast unitary charge payments the Council will make under the contract are as follows:

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2012/13	1,089	856	1,066	3,011
2013/14 - 2016/17	4,965	3,233	3,718	11,916
2017/18 - 2021/22	7,593	3,703	3,526	14,822
2022/23 - 2026/27	9,341	3,357	2,386	15,084
2027/28 - 2031/32	10,991	3,436	1,273	15,700
2032/33 - 2034/35	6,884	1,946	192	9,022
Total	40,863	16,531	12,161	69,555

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 2011/12 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	26,635
Carried forward	26,635
Depreciation and Impairments	
Brought forward	(2,389)
Charged this year	(535)
Carried forward	(2,924)
Balance Sheet carried forward	23,711
Balance Sheet brought forward	24,246

Loans	£000
Liability brought forward	(17,395)
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	864
Liability carried forward (breakdown below)	(16,531)
Long term liability	(15,675)
Current liability	(856)

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 2011/12 expenditure on unitary charge payments to the contractor was £6.3m, compared with £6.0m in 2010/11. This unitary charge is divided into three elements; service charge, repayment of the liability and interest

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2012/13	5,062	487	704	6,253
2013/14 - 2016/17	21,280	2,824	2,594	26,698
2017/18 - 2021/22	31,115	3,827	2,569	37,511
2022/23 - 2026/27	36,155	4,813	1,731	42,699
2027/28 - 2031/32	41,751	6,068	786	48,605
2032/33	2,167	372	14	2,553
Total	137,530	18,391	8,398	164,319

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 2011/12 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	22,202
Carried forward	22,202
Depreciation and Impairments	
Brought forward	(13,373)
Charged this year	(187)
Carried forward	(13,560)
Balance Sheet carried forward	8,642
Balance Sheet brought forward	8,829

Long Term Loans	£000
Liability brought forward	(19,177)
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	786
Liability carried forward (breakdown below)	(18,391)
Long term liability	(17,904)
Current liability	(487)

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 2011/12 expenditure on unitary charge payments to the contractor was £4.4m, compared with £1.7m in 2010/11.

This unitary charge is divided into three elements; service charge, repayment of the liability and interest. The forecast unitary charge payments the Council will make under the contract are as follows:

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2012/13	2,706	900	1,371	4,977
2013/14 - 2016/17	10,287	1,763	14,471	26,521
2017/18 - 2021/22	10,497	6,420	20,479	37,396
2022/23 - 2026/27	13,341	8,847	17,028	39,216
2027/28 - 2031/32	15,428	14,098	11,749	41,275
2032/33 - 2035/36	11,978	15,445	3,597	31,020
Total	64,237	47,473	68,695	180,405

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 2011/12 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	3,770
Assets transferred to operator	0
Initial recognition	7,444
Asset derecognition	(477)
Carried forward	<u>10,737</u>
Depreciation and Impairments	
Brought forward	0
Charged this year	(35)
Carried forward	<u>(35)</u>
Balance Sheet carried forward	<u>10,702</u>
Balance Sheet brought forward	<u>3,770</u>

Long Term Loans	£000
Liability brought forward	(1,012)
Liability to be recognised in year	(7,444)
Unitary Charge (Lease repayment)	1,084
Liability carried forward (breakdown below)	(7,372)
Long term liability	(6,472)
Current liability	(900)

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

3.26 Pooled Budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under Section 31 of the 1999 Act (which has now been replaced by Section 75 of the 2006 Act) to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2011/12 gross income and expenditure is set out below.

2010/11 £	First Partnership Agreement	2011/12 £
	INCOME	
(805,374)	PCT	(279,130)
(882,849)	Coventry City Council	(916,003)
(43,732)	Government Grants	0
(1,731,955)	Total Income	(1,195,133)
1,731,955	Gross Expenditure	1,195,133

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 2011/12 gross income and expenditure is set out below.

2010/11 £	Second Partnership Agreement	2011/12 £
	INCOME	
0	PCT	0
(271,000)	Coventry City Council	0
(271,000)	Total Income	0
243,295	Gross Expenditure	0
(27,705)	Coventry City Council underspend	0

The second partnership agreement was dissolved in 2011/12

3.27 Officers' Remuneration (including exit packages)

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

The Council is required to disclose the number of employees whose remuneration during 2011/12 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:

2010/11		Remuneration Band - £	2011/12	
Staff employed by schools	Other staff (Restated)		Staff employed by schools	Other staff
95	36	£50,000 - £54,999	87	32
47	55	£55,000 - £59,999	43	43
30	19	£60,000 - £64,999	31	18
27	8	£65,000 - £69,999	16	10
10	12	£70,000 - £74,999	13	9
4	8	£75,000 - £79,999	2	4
3	12	£80,000 - £84,999	2	16
4	1	£85,000 - £89,999	4	3
4	1	£90,000 - £94,999	1	2
2	4	£95,000 - £99,999	1	1
1	0	£100,000 - £104,999	3	0
0	1	£105,000 - £109,999	1	1
1	5	£110,000 - £114,999	0	2
0	1	£115,000 - £119,999	0	1
0	1	£120,000 - £124,999	0	2
1	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	1
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	1	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	0	0
0	0	£160,000 - £164,999	0	0
0	1	£165,000 - £169,999	0	0
0	0	£170,000 - £174,999	0	0
0	0	£175,000 - £179,999	0	0
0	0	£180,000 - £184,999	0	0
0	0	£185,000 - £189,999	0	0
0	1	£190,000 - £194,999	0	1
229	167	Total	204	146

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

Senior Employees -	Salary (Including Fees & Allowances	Loss of Office	Pension Contributions	Total Remuneration 2010/11
2010/11 (Restated)	£	£	£	£
CHIEF EXECUTIVE				
Martin Reeves *	193,801	0	30,553	224,354
MANAGEMENT BOARD				
Director of Children, Learning & Young People	124,295	0	20,384	144,679
Director of City Services and Development	113,488	0	18,612	132,100
Director of External Partnerships	86,320	0	14,156	100,476
Director of Community Services	118,890	0	19,498	138,388
Director of Customer & Workforce Services	110,266	0	18,084	128,350
Director of Finance & Legal Services	110,266	0	18,084	128,350
Assistant Chief Executive	99,983	0	16,397	116,380
TOTAL	957,309	0	155,768	1,113,077

Notes

* The Chief Executive's 2010/11 remuneration has been restated.
Senior Officers have not received any bonuses, expenses or benefits in kind during 2011/12.

Exit Packages

The Council is required to disclose details of exit packages paid to employees. These include redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0 - £20,000	115	133	155	62	270	195	2,262	1,505
£20,001 - £40,000	31	31	73	30	104	61	2,967	1,720
£40,001 - £60,000	12	9	30	9	42	18	2,057	870
£60,001 - £80,000	3	3	5	1	8	4	577	268
£80,001 - £100,000	2	2	8	1	10	3	881	258
£100,000 - £150,000	3	1	2	0	5	1	562	120
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	0	1	0	1	0	251
Total	166	179	273	104	439	283	9,306	4,992

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

3.28 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	2010/11 £000's	2011/12 £000's
Basic Allowances	688,888	684,907
Other Allowances	259,147	263,844
Expenses	11,024	9,106
Total	959,059	957,857

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2011/12, 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.

3.29 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 3.37 and 3.38.

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 3.23.
- Precept payments are made to the West Midlands Police Authority and the West Midlands Fire Authority and these are shown within the Collection Fund Income and Expenditure Account, see section 2.6.
- Levy payments are made to the West Midlands Integrated (passenger) Transport Authority and to the Environment Agency. These are shown within the Income and Expenditure Account, see details in section 3.4.

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

Coventry City Council and Solihull Metropolitan Borough Council are, as major shareholders in the Coventry & Solihull Waste Disposal Company (CSWDC), considered related parties as defined by FRS 8. Coventry's contribution for the provision of waste disposal services was £3,779,516 (£3,862,849 in 2010/11). In addition an advance payment was made for £3,910,759. During the year Coventry City Council provided various services to the waste disposal company, the costs of these services amounted to £143,211 (£111,082 in 2010/11). The amounts due to Coventry City Council at the year end were £nil (£25,377 in 2010/11).

The balance outstanding on cash flow assistance to Coventry North Regeneration (CNR) by the City Council is £5,000 (£5,000 in 2010/11). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £11,474 (£12,949 in 2010/11) were made. At 31st March 2012 the Council owed CNR £5,397 (£3,469 in 2010/11).

During the year the City Council provided services to the University of Warwick Science Park Ltd totalling £36,959 (£51,978 in 2010/11). 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 £236,420 (£491,441 in 2010/11). The Council sold its interest in University of Warwick Science Park Ltd in February 2012. The above figures relate to transactions before that date.

During the year, ACL had rates and operating expenses to the value of £349,104 (2010/11 - £297,242) and £5,250 was outstanding at 31st March 2012 (31st March 2011 - £17,772). During the year payments were made to ACL to the value of £752,348 (£113,830 in 2010/11).

Salaries and other payments made to the Council's most senior officers are shown in note 3.27. Officers and close family members are also required to declare any other transactions with the

Council or interests that they hold in companies or other similar organisations. A number of senior officers represent the Council on the boards of related companies and other organisations linked with the Council including NCH, CNR and ACL (with transaction details given above). Details of other related parties on this basis (together with any 2011/12 transactions) are as follows: Whitefriars Housing (Payments £1,894,124, Receipts £1,195,258); Coventry University (Payments £334,014, Receipts £307,987); Improvement and Efficiency West Midlands (Receipts £75,000); Moat House Trust (Payments £30,140); Chace Extended Learning Centre (Payments £8,381); CSWP (Receipts £21,366); Coventry Citizens Advice Bureau (Receipts £15,475); Rising Stars (Payments £100) and Holy Trinity Coventry PCC & Deanery Synod (Receipts £7.91)

This table details debtors and creditors for related parties

Related Party	2010/11		2011/12	
	Creditors £	Debtors £	Creditors £	Debtors £
CAB		£2,620.55		
Coventry University	(£300.60)	£3,076.69	(£30,664.64)	£30,506.78
CSWP	(£33,771.70)	£11,041.52	(£1,788.48)	£6,421.50
Improvement and Efficiency West Midlands				£5,000.00
Moat House Trust		£430.20		£572.24
Rising Stars			(£99.95)	
Whitefriars Housing		£184,005.20	(£10,134.82)	£147,413.89

3.30 Business Improvement District (BID)

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

2010/11		2011/12	
£000		£000	£000
(286)	BID levy income		(268)
13	Cost of collecting levy	13	
273	Payments made from the BID account to CV One	223	
0	Payments made from the BID account to the City Council	32	
0	Increased provision for bad debts	0	
286	Total Expenditure		268
(0)	(Surplus) / Deficit for the year		0

The Council was the billing authority for the City-wide business improvement district managed by Coventry Best for Business. From 1st April 2011 the Council was instructed not to levy any further charges to business rate payers for this service.

2010/11		2011/12	
£000		£000	£000
(2,241)	BID levy income		0
52	Cost of collecting levy	0	
2,189	Payments made from the BID account	0	
0	Increased provision for bad debts	0	
2,241	Total Expenditure		0
0	(Surplus) / Deficit for the year		0

3.31 Contingent Liabilities

Equal Pay

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

Claims settled within 2011/12 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.

Landfill

A potential obligation has been identified in relation to the future costs of maintaining the four closed landfill sites owned by the City Council. Although the overall environmental risk represented by these sites is very low the Council has a legal responsibility to undertake appropriate checks such as monitoring the level of gas emissions for the rest of the relevant period over which this responsibility is in force. It is unclear at this stage whether any future financial obligation is required to be reflected in the accounts for this monitoring activity and it is not possible currently to measure the size of any such obligation with sufficient reliability, although it is anticipated to be in the region of £1m. On this basis it remains appropriate to record a contingent liability in this area.

3.32 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 2011/12 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
		£	£	£
		1	2	3
A	Final DSG for 2011/12	21,741,321	193,398,679	215,140,000
	DSG Exceptional Circumstances Grant received in 2011/12	156,701	326,299	483,000
	Total DSG for 2011/12	21,898,022	193,724,978	215,623,000
B	Brought forward from 2010/11	1,523,201	0	1,523,201
C	Carry forward to 2012/13 agreed in advance	1,347,201	0	1,347,201
D	Agreed budgeted distribution in 2011/12	22,074,023	193,724,977	215,799,000
E	Actual Central Expenditure	20,859,583	0	20,859,583
F	Actual ISB deployed to schools	0	194,020,440	194,020,440
G	Local authority contribution for 2011/12	27,891	295,463	323,354
H	Carry forward to 2012/13	1,242,331	0	2,589,532

Notes

A: DSG figure as issued by DfE in 2011/12

B: Figure brought forward from 2010/11 as agreed with DfE.

C: Any amount which the authority decided after consultation with the schools forum to carry forward to 2012/13 rather than distribute in 2011/12 - this will be the difference between estimated and final DSG for 2011/12, or a figure (positive or negative brought forward from 2010/11 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 2011/12.

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 2011/12 which will have the effect of substituting for DSG in funding the Schools Budget.

H: Carry forward to 2012/13, 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.

3.33 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2011/2012 has been financed:

31st March 2011 £000		31st March 2012 £000
448,511	Opening Capital Financing Requirement	448,737
	<u>Capital Investment</u>	
57,120	Property, Plant and Equipment	59,389
383	Investment Properties	3,025
1,717	Intangible Assets	710
17,858	Revenue Expenditure Funded from Capital Under Statute	7,505
4	Debtors	2
	<u>Sources of Finance</u>	
(5,779)	Capital Receipts	(17,888)
(55,860)	Government Grants and Other Contributions	(38,972)
0	Revenue Contributions	(6,327)
(15,217)	(MRP/loans fund principal)	(16,751)
448,737	Closing Capital Financing Requirement	439,430
	<u>Explanation of movement in year</u>	
(15,217)	MRP	(16,751)
14,061	Capital Investment funded by borrowing	0
1,382	Assets acquired under PFI/PPP contracts	7,444
226	Increase/(decrease) in Capital Financing Requirement	(9,307)

3.34 Revaluation of Non Current Assets

The following statement shows the total value of the revaluations carried out in the financial years 2007/08 to 2011/12. The valuations were carried out by Graham Stephens MRICS, from the Property Division – City Services and Development Directorate. The basis for valuation is set out in the statement of accounting policies.

Year of revaluation	Revaluation of Property, Plant & Equipment £000	Revaluation of Non- Operational Assets £000	Total Value of Revaluations £000
Valued at historical cost	0	0	0
Valued at current value in:			
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
2011/12	20,699	3,636	24,335
Total	185,998	60,224	246,222

3.35 Capital Commitments

The City Council has an approved capital programme for 2012/13 of £56m and a provisional programme of £54m for 2013/14 and £29m for 2014/15. The following are significant contracts legally committed to finish projects already started on 31st March 2012:

Significant Capital Commitments 2011/12	Outstanding Commitment £000	Contract Value £000	Date for Completion
War Memorial Park - Thomas Vale	87	2,506	31/03/2013
Public Realm 2012 - Balfour - Broadgate Square	300	4,264	26/07/2012
Public Realm 2012 - Balfour - Trinity Street	259	630	26/07/2012
Public Realm 2012 - Warwickshire County Council	63	257	31/08/2012
Public Realm 2012 - Jacobs	70	1,114	31/07/2012
Aldermans Green Primary School, Contractor	3,582	7,747	15/10/2013
Primary Capital Strategy - IPP 2011, Contractor	135	8,876	01/09/2012
Primary Capital Strategy - IPP 2012, Contractor	2,300	4,670	01/07/2013
	6,796	30,064	

Note - IPP stands for Increasing Pupil Places

3.36 Analysis of Non Current Assets

The City Council owned the following assets:

	31st March 2011	31st March 2012
Land & Buildings		
Schools (of which 26 part owned – voluntary aided)	108	100
Youth & Community Centres, Play Schemes	11	11
Community Centres	9	9
Outdoor Education Centre	1	1
Child Guidance Centre	1	1
Site Services Houses	13	11
Neighbourhood Social Care Offices	6	6
Older People and Adult Social Care Establishments	26	24
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	12	13
Art Galleries & Museums	5	5
Museum Collections	1	1
Play Centres	2	2
Pupil Referral Unit	2	2
Childrens Home	3	3
Coombe Country Park Visitor Centre	1	1
Investment Properties (Buildings)	675	675
Commercial Property		
Office space used by the Council's staff (Sq m)	51,268	47,626
Infrastructure		
Roads (km)	859.6	863.5
Street Lights	37,860	37,308
Traffic Lights & Pelican Crossings	3,168	2,072
Footbridges	54	54
Road Bridges	254	254
Car Park Spaces	4,038	4,038
Vehicles		
Vehicles (Owned and Leased)	461	327

Notes

- Libraries and Car Park Spaces 2010/11 figures have been restated.
- The reduction of Traffic Lights & Pelican Crossing is due to a rationalisation programme.
- Reductions in office space usage in 2011/12 include the effects of externally rented properties that have been vacated.

3.37 Analysis of Capital Grants

31st March 2011 £000	Grant	31st March 2012 £000
6,188	Other miscellaneous Government Grants	1,436
2,527	Department for Transport (DfT)	5,187
32,069	Standards Fund (Education)	22,363
1,454	Lottery	1,774
1,817	New Deals for Communities	0
3,333	Homes & Communities Agency (HCA)	314
788	Department for Environment, Food & Rural Affairs (DEFRA)	107
2,429	Centro Transport grant	345
281	European Regional Development Fund (ERDF)	3,217
2,510	Disabled Facilities Grants	2,339
1,756	Private Sector / Other miscellaneous contributions	1,890
709	Local Enterprise Growth Initiative	0
55,861	Total	38,972

3.38 Analysis of Revenue Grants

31st March 2011 £000	Grant	31st March 2012 £000
198,547	Dedicated Schools Grant	215,162
133,623	Contribution from Non-Domestic Rate Pool	120,910
120,141	Housing Benefit Subsidy	124,506
50,884	Schools Standard Grant & Schools Standard Fund	848
33,194	Council Tax Benefit Subsidy	32,863
25,705	Skills Funding Agency	20,263
19,400	Revenue Support Grant (Formula Grant element)	37,374
11,343	Sure Start Grants	527
727	Supporting People	-
42,770	Other revenue grants reimbursements & contributions (Govt)	41,054
6,493	Other revenue grants reimbursements & contributions (Non - Govt)	2,129
642,827	Total	595,636

3.39 Leases

Authority as Lessee

Finance Leases

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

	31st March 2011 £000	31st March 2012 £000
Other Land and Buildings	1,705	1,705
Vehicles, Plant, Furniture and Equipment	675	515
	2,380	2,220

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 2011 £000	31st March 2012 £000
Finance lease liabilities :		
- current	182	14
- non-current	20	5
Finance costs payable in future years	246	237
Minimum Lease Payments	448	256

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

	31st March 2011 £000	31st March 2012 £000
Not later than one year	199	18
Later than one year and not later than five years	34	17
Later than five years	215	221
	448	256

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 2011/12 there were no contingent rents payable by the Authority.

Operating Leases

The Council also has a number of properties, vehicles, plant and IT equipment under operating leases.

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

	31st March 2011 £000	31st March 2012 £000
Not later than one year	136	130
Later than one year and not later than five years	839	711
Later than five years	116	116
	1,091	957

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 2011 £000	31st March 2012 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	79	83
- non-current	4,846	4,762
Unearned finance income	4,500	4,254
Unguaranteed residual value of property	0	0
Gross Investment in the lease	9,425	9,099

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

	31st March 2011 £000	31st March 2012 £000
Not later than one year	325	325
Later than one year and not later than five years	1,300	1,300
Later than five years	7,800	7,475
	9,425	9,100

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 2011/12, no contingent rents were receivable by the Authority (2010/11 £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 £12.45m was received in 2011/12. It is estimated that the minimum lease payments receivable in the future are: £11.8m in 2012/13 and £32.8m 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 2011/12 there were no contingent rents receivable by the Authority.

3.40 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
Birmingham Airport Holdings Limited (Company Registration Number: 3312673)		31st March 2011	31st March 2012
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	278,081	268,941
	Profit before taxation	10,055	14,590
	Profit after taxation	5,276	7,973
The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares			
Coventry Solihull Waste Disposal Company (CSWDC) Limited (Company Registration Number: 02690488)		31st March 2011	31st March 2012
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: 66% of the ordinary share capital 66% of the preference share capital	Net Assets	6,646	6,520
	Profit before taxation	3,766	7,996
	Profit (loss) after taxation	2,798	6,013
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.			
Coventry Venture Capital Limited (Company Registration Number: 02108107)		31st March 2011	31st March 2012
The company has an investment in a property on the University of Warwick Science Park.			
	Net Assets(liabilities)	99	81
The Council holds ;	Profit before taxation	14	0
5,000 preferred ordinary shares (17.53%)	Profit after taxation	14	0

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
University of Warwick Science Park Business Innovation Centre Limited (Company Registration Number: 03616665)		30 Sept 2010	30 Sept 2011
<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)	(1,103)	(1,458)
£152,166 of preference share capital	Profit (loss) before taxation	(24)	(87)
£1,066,471 of 7% debentures.	Profit (loss) after taxation	(24)	(87)
North Coventry Holdings Limited (Company Registration Number: 4931967)		31st March 2011	31st March 2012
<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
Coventry North Regeneration Limited (Company Registration Number: 4523598)		31st March 2011	31st March 2012
<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>			
<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> <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: Company Secretary Coventry North Regeneration Limited c/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	Net Assets	0	0
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	0	0
<hr/>			
Arena Coventry Limited (Company Registration Number: 0440684)		31 May 2011	31 March 2012 Draft Management Accounts
<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)	1,507	2,205
	Profit (loss) before taxation	471	698
	Profit (loss) after taxation	471	698
<hr/>			
Arena Coventry (2006) Limited (Company Registration Number: 05675263)			
<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: Company Secretary Arena Coventry Ltd Ricoh Arena, Phoenix Way Foleshill Coventry CV6 6GE</p>			
		Consolidated into ACL accounts	Consolidated into ACL accounts

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

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 Balance at 31st March 2012 was £1.95 million (£1.88 million 2010/11) 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 £1,450,129 (£1,380,556 in 2010/11).
- Social Services Clients Funds £129,532 (£128,980 in 2010/11) – Funds held on behalf of Social Services clients.
- Other funds £372,872 (£373,408 in 2010/11), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

3.42 Audit Note

In 2011/12 Coventry City Council incurred the following fees relating to external audit and inspection:

2010/11 £000	Audit Fees	2011/12 £000
410	Fees payable to the external auditors in respect of statutory external audit services	383
0	Fees payable to the Audit Commission in respect of statutory inspection	0
89	Fees payable to the external auditors in respect of the certification of grant claims and returns	62
0	Fees payable in respect of other services provided by the external auditors	0
499	Total Fees	445

4 Additional Financial Statements – 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 3.40 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Arena Coventry Limited (ACL) and Coventry & Solihull Waste Disposal Company (CSWDC) are included as joint ventures.

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

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes management accounts for ACL as at 31st March 2012 have been used and draft accounts as at 31st March 2012 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

2010/11			2011/12			
Gross Expenditure	Gross Income	Net Expenditure	SERVICE ANALYSIS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
101,700	(17,484)	84,216	Adult Social Care	111,609	(23,361)	88,248
83,780	(42,444)	41,336	Central Services to the Public	62,345	(39,273)	23,072
461,139	(320,099)	141,040	Children's & Education Services	375,523	(282,717)	92,806
56,068	0	56,068	Exceptional item as result of Schools transferring to Academy status	33,361	0	33,361
25,080	(17,082)	7,998	Cultural & Related Services	23,235	(179)	23,056
57,912	0	57,912	Environmental & Regulatory Services	43,190	(9,636)	33,554
4,687	0	4,687	Planning Services	3,374	(1,538)	1,836
35,445	(7,623)	27,822	Highways and Transport Services	37,709	(13,004)	24,705
143,042	(127,946)	15,096	Housing Services	149,049	(135,149)	13,900
10,400	0	10,400	Corporate and democratic core	10,177	0	10,177
919	(66,665)	(65,746)	Non-Distributed Costs	16,088	(7,116)	8,972
0	0	0	Exceptional item as a result of changes in Pension Liability	0	0	0
0	(15,298)	(15,298)	Turnover Joint Venture	0	(16,209)	(16,209)
12,218	0	12,218	Cost of Sales Joint Venture	12,307	0	12,307
992,390	(614,641)	377,749	Cost of Services	877,967	(528,182)	349,785
		17,086	Other Operating Expenditure			17,622
		25,191	Finance and Investment Income and Expenditure			17,562
		0	Profit or Loss on Discontinued Operations			0
		(346,185)	Taxations and Non-Specific Grant Income			(322,080)
		73,841	(Surplus) / Deficit on the Provision of Services			62,889
		470	Associates and JV's accounted for on Equity Basis			376
		645	Tax Expenses			1,322
		74,956	Group (Surplus) or Deficit			64,587
		12,040	(Surplus) / deficit arising on revaluation of non current assets			(16,987)
		(1,565)	(Surplus) / deficit on revaluations of available for sale financial assets			(2,216)
		(35,695)	Actuarial (gains) or losses on pension assets and liabilities			71,343
		(15,268)	Share of other comprehensive income and expenditure of associates & joint ventures			4,495
		(940)	Other Comprehensive Income and Expenditure			0
		(41,428)	Sub-total of other comprehensive Income and Expenditure			56,635
		33,528	Total Comprehensive Income and Expenditure (Surplus)/Deficit			121,222

4.2 MOVEMENT IN RESERVES STATEMENT

USABLE RESERVES AND OVERALL POSITION (2011/12)

	General Fund Reserves £000	School Reserves £000	Insurance Fund Reserves £000	Other Earmarked Reserves £000	Management of Capital £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance at 31st March 2011	(5,541)	(14,079)	(4,063)	(40,221)	(5,043)	(1,523)	(70,470)	(396,784)	(467,254)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	67,630	0	0	0	0	0	67,630	(3,043)	64,587
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	56,635	56,635
Total Comprehensive Income and Expenditure	67,630	0	0	0	0	0	67,630	53,592	121,222
Adjustments between Accounting Basis and Funding Basis under Regulations	(63,687)	0	0	0	0	192	(63,495)	63,495	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	3,943	0	0	0	0	192	4,135	117,087	121,222
Transfers (to) / from Earmarked Reserves	(4,434)	(6,233)	(326)	10,382	611	0	0	0	0
(Increase) / Decrease in Year	(491)	(6,233)	(326)	10,382	611	192	4,135	117,087	121,222
Balance at 31st March 2012	(6,032)	(20,312)	(4,389)	(29,839)	(4,432)	(1,331)	(66,335)	(279,696)	(346,031)

UNUSABLE RESERVES (2011/12)

	Capital Adjustment Account £000	Revaluation Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Profit & Loss £000	Total Unusable Reserves £000
Balance at 31st March 2011	(592,281)	(167,078)	2,530	(674)	352,725	5,910	(11,496)	13,580	(396,784)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	(3,043)	(3,043)
Other Comprehensive Income and Expenditure	0	(16,987)	0	0	71,343	0	(2,216)	4,495	56,635
Total Comprehensive Income and Expenditure	0	(16,987)	0	0	71,343	0	(2,216)	1,452	53,592
Adjustments between Accounting Basis and Funding Basis under Regulations	60,581	44	(169)	62	692	(305)	2,590	0	63,495
Net (Increase) / Decrease before transfers to Earmarked Reserves	60,581	(16,943)	(169)	62	72,035	(305)	374	1,452	117,087
Transfers (to) / from Earmarked Reserves	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	60,581	(16,943)	(169)	62	72,035	(305)	374	1,452	117,087
Balance at 31st March 2012	(531,700)	(184,021)	2,361	(612)	424,760	5,605	(11,122)	15,033	(279,696)

USABLE RESERVES AND OVERALL POSITION (2010/11 Comparatives)

	General Fund Reserves £000	School Reserves £000	Insurance Fund Reserves £000	Other Earmarked Reserves £000	Management of Capital £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance at 31 March 2010	(5,316)	(11,913)	(6,452)	(44,311)	(1,973)	(3,100)	(73,065)	(427,717)	(500,782)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	76,921	0	0	0	0	0	76,921	(1,965)	74,956
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(41,428)	(41,428)
Total Comprehensive Income and Expenditure	76,921	0	0	0	0	0	76,921	(43,393)	33,528
Adjustments between Accounting Basis and Funding Basis under Regulations	(75,903)	0	0	0	0	1,577	(74,326)	74,326	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	1,018	0	0	0	0	1,577	2,595	30,933	33,528
Transfers (to) / from Earmarked Reserves	(1,243)	(2,166)	2,389	4,090	(3,070)	0	0	0	0
(Increase) / Decrease in Year	(225)	(2,166)	2,389	4,090	(3,070)	1,577	2,595	30,933	33,528
Balance at 31 March 2011	(5,541)	(14,079)	(4,063)	(40,221)	(5,043)	(1,523)	(70,470)	(396,784)	(467,254)

UNUSABLE RESERVES (2010/11 Comparatives)

	Capital Adjustment Account £000	Revaluation Reserve £000	Financial Instrument Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulate d Absences Account £000	Available for Sale £000	Profit & Loss £000	Total Unusable Reserves £000
Balance at 31 March 2010	(721,012)	(179,118)	2,710	835	441,541	6,445	(9,931)	30,813	(427,717)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	(1,965)	(1,965)
Other Comprehensive Income and Expenditure	(940)	12,040	0	0	(35,695)	0	(1,565)	(15,268)	(41,428)
Total Comprehensive Income and Expenditure	(940)	12,040	0	0	(35,695)	0	(1,565)	(17,233)	(43,393)
Adjustments between Accounting Basis and Funding Basis under Regulations	129,671	0	(180)	(1,509)	(53,121)	(535)	0	0	74,326
Net (Increase) / Decrease before transfers to Earmarked Reserves	128,731	12,040	(180)	(1,509)	(88,816)	(535)	(1,565)	(17,233)	30,933
Transfers (to) / from Earmarked Reserves	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	128,731	12,040	(180)	(1,509)	(88,816)	(535)	(1,565)	(17,233)	30,933
Balance at 31 March 2011	(592,281)	(167,078)	2,530	(674)	352,725	5,910	(11,496)	13,580	(396,784)

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 31st March 2011 (Restated) £000	Balance Sheet	As at 31st March 2012 £000	Section Ref.
894,441	Property, Plant and Equipment	860,186	
30,009	Heritage Assets	30,009	
206,536	Investment Property	184,808	
0	Intangible Assets	0	
33,315	Long Term Investments	32,882	
19,609	Investment in Associates and Joint Ventures	18,156	4.8
9,405	Long Term Debtors	10,674	
1,193,315	Long Term Assets	1,136,715	
42,230	Short Term Investments	43,226	
562	Inventories	554	
62,301	Short Term Debtors	46,996	
1,068	Cash and Cash Equivalents	23,890	
11,470	Assets held for Sale	12,654	
117,631	Current Assets	127,320	
0	Bank Overdraft	0	
(7,776)	Short Term Borrowing	(7,708)	
(74,547)	Short Term Creditors	(81,075)	
0	Short Term Provisions	0	
0	Liabilities in Disposal Groups	0	
(82,323)	Current Liabilities	(88,783)	
0	Long Term Creditors	0	
(33,095)	Long Term Provisions	(31,308)	
(367,361)	Long Term Borrowing	(370,866)	
(352,725)	Other Long Term Liabilities	(424,760)	
(8,188)	Capital Grants Receipts in Advance	(2,287)	
(761,369)	Long Term Liabilities	(829,221)	
467,254	Net Assets	346,031	
(70,470)	Usable Reserves	(66,335)	
(396,784)	Unusable Reserves	(279,696)	4.8
(467,254)	Total Reserves	(346,031)	

4.4 GROUP CASH FLOW STATEMENT

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

Note 3.24 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.

2010/11 £m	Cash Flow Statement	2011/12 £m
75.0	Net (Surplus) or Deficit on the Provision of Services	64.6
(137.1)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(146.5)
45.3	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	43.4
(16.8)	Net Cash Flows from Operating Activities	(38.5)
8.1	Investing Activities	14.8
26.8	Financing Activities	0.9
18.1	Net Increase or Decrease in Cash and Cash Equivalents	(22.8)
(19.2)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(1.1)
(1.1)	Cash and Cash Equivalents at the End of the Reporting Period	(23.9)

4.5 RECONCILIATION OF SINGLE ENTITY ACCOUNTS TO GROUP ACCOUNTS

Income and Expenditure Surplus / Deficit

2010/11 £000	Reconciliation of Single Entity to Group (Surplus) / Deficit	2011/12 £000
76,921	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year	67,630
(13)	Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity (Surplus) / Deficit on the Income & Expenditure Account	(11)
76,908	(Surplus) / Deficit in the Group Income & Expenditure attributable to the Authority	67,619
	Add : (Surplus) / (Surplus) / Deficit arising from other entities included in the Group Accounts	
13	Subsidiaries	11
(1,965)	Joint Ventures	(3,043)
74,956	Group Account (Surplus) / Deficit for the year	64,587

Adjustment for Non Cash Items in the Cash Flow Statement

2010/11 £m	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non Cash Items	2011/12 £m
45.3	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	43.4
1.9	Total Non Cash Adjustments included in the Group Accounts	3.0
47.2	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	46.4

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.

2010/11 £000	Group Tax Expense	2011/12 £000
CURRENT TAX:		
1,083	Current Tax Expense / (Income)	1,588
(2)	Adjustment Recognised in the Period for Current Tax of Prior Periods	(5)
1,081	Total Current Tax	1,583
DEFERRED TAX:		
(329)	Origination and Reversal of Temporary Differences	(167)
(107)	Changes in Tax Rates or the Imposition of New Taxes	(94)
0	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	0
(436)	Total Deferred Tax	(261)
645	Total Tax Expense	1,322

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 3.40 to the single entity accounts.

Financial Liabilities

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

	2010/11 £000	2011/12 £000
'A' Preference Shares of £1 each	9,950	9,950
'B' Preference Shares of £1 each	4,975	4,975
Total	14,925	14,925

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 £3,779,516 (2011 - £3,862,849). In addition an advance payment was made for £3,910,759. During the year, payments to Coventry City Council for the provision of various services amounted to £143,211 (£111,082 - 2011). The amounts due to Coventry City Council at the year end were £0 (£25,377 - 2011)

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

Arena Coventry Ltd (ACL)

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

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

Information relating to the proportion of shares held by Coventry City Council is included in note 3.40 to the single entity accounts.

Related Party Transactions

During the year, the company had rates and operating expenses to the value of £349,104 (2011 - £297,242) and £5,250 was outstanding at 31st March 2012 (2011 - £17,772). During the year payments were made to ACL to the value of £752,348 (£113,830 in 2010/11).

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 2010/11). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £11,474 (£12,949 2010/11) were made. At 31st March 2012 the Council owed CNR £5,397 (£3,469 in 2010/11).

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 £37.454m for Coventry & Solihull Waste Disposal Company and £11.391m for Arena Coventry Limited.

Share in Gross Liabilities of Joint Ventures. Made up of £8.583m for Coventry & Solihull Waste Disposal Company and £12.155m for Arena Coventry Limited.

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

2010/2011	CSWDC £000	ACL £000	Total £000
Share in Gross Assets of Joint Ventures	37,882	13,628	51,510
Share in Gross Liabilities of Joint Ventures	(8,926)	(13,024)	(21,950)
Long Term Investments	(9,950)	0	(9,950)
Total	19,006	604	19,610

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

Unusable Reserves	2010/11 £000	2011/12 £000
Single Entity	(377,175)	(261,540)
CSWDC	(19,005)	(18,920)
ACL	(604)	764
Group Unusable Reserves	(396,784)	(279,696)

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 3.40 to the single entity accounts.

5 Statement of Accounting Policies

5.1 General

The Statement of Accounts summarises the council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

The Code of Practice on Local Authority Accounting 2011/12 introduced a change to the treatment in accounting for heritage assets, adopting the requirements of Financial Reporting Standard 30. The Authority now requires heritage assets to be carried in the balance sheet at valuation. See details within section 5.6.

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

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

Assets Held for Sale

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

Recognition

Expenditure on the acquisition, creation or enhancement of Non-Current Assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (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
Heritage Assets	Historical Cost/Valuation
Assets under Construction	Historical Cost
Investment Property	Fair Value
Assets Held for Sale	Fair Value

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

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

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

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

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

Heritage Assets

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

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

Depreciation is calculated on the following basis:

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

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.

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.

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 1st 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 DfE on the basis of a notional fund.

- **Non Teaching Staff**

Non teaching staff may be members of the Local Government Pension Scheme (LGPS). Coventry contributes to the West Midlands Pension Fund, which is administered by Wolverhampton City Council. It is a defined benefits scheme for which the value of 2011/12 contributions were set based on a March 2010 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (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 Service Reporting Code 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.

5.25 Contingent Liabilities

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

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

5.26 Pooled Budgets for Health and Social Care

Pooled funds enable bodies to work collaboratively to address specific local health issues. The council includes these amounts within their income and expenditure accounts

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.

Heritage assets - are held by the authority principally for their contribution to knowledge and culture.

IFRS – International Financial Reporting Standards

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

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 financial statements

I have audited the financial statements of Coventry City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Legal Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and overview of the Council's financial performance to identify material inconsistencies with the audited financial 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 financial statements:

- give a true and fair view of the financial position of Coventry City Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Audit Commission, 1st Floor, No.1 Friarsgate, 1011 Stratford Road, Solihull, B90 4BN
T 0844 798 7173 F 0121 733 7183 www.audit-commission.gov.uk

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 financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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 2011, 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 2012.

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 2011, 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 ended 31 March 2012.

Certificate

I certify that I have completed the audit of the 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

1st Floor
1 Friarsgate
1011 Stratford Road
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West Midlands
B90 4BN

25 September 2012

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