

Council – 20th February 2018
Agenda Item 9
Recommendation from Cabinet
20th February 2018

Coventry City Council

Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 20 February 2018

Present:

Members:

Councillor G Duggins (Chair)
Councillor A Khan (Deputy Chair)
Councillor F Abbott
Councillor K Caan
Councillor J Innes
Councillor K Maton
Councillor J Mutton
Councillor J O'Boyle
Councillor E Ruane

Deputy Cabinet Members

Councillor P Akhtar
Councillor R Lakha
Councillor C Thomas

Non-Voting Opposition Members:

Councillor A Andrews
Councillor G Ridley

Other Members:

Councillor M Mutton
Councillor K Taylor

Employees (by Directorate):

Chief Executive's

M Reeves (Chief Executive),

People

G Quinton (Deputy Chief Executive (People)), N Hart

Place

M Yardley (Deputy Chief Executive (Place)),
P Jennings, L Knight, J Newman,

Apologies:

Councillors Bigham, Brown and Clifford

RECOMMENDATION

128. Budget 2018/19

The Cabinet considered a report of the Deputy Chief Executive (Place), which set out proposals for the Council's final revenue and capital budget 2018/19.

The report followed on from the Pre-Budget Report approved by Cabinet on 28th November 2017, which had been subject to a period of public consultation. The proposals within the report now submitted formed the basis of the Council's final revenue and capital budget for 2018/19 incorporating the following details:

- Gross budgeted spend of £727m (£24m and 3% higher than 2017/18).
- Net budgeted spend of £235m (£2m higher than 2017/18) funded from Council Tax and Business Rates less a tariff payment of £9.5, due to Government.
- A Council Tax Requirement of £127.3m (£8.7m and 7% higher than 2017/18), reflecting a Council Tax increase of 4.9% detailed in the separate Council Tax Setting report on today's agenda.
- A number of expenditure pressures caused by the impact of demographic pressures on Council Services.
- A Capital Programme of £262.5m (£141.5m and 117% more than the latest estimated 2017/18 programme) including expenditure funded by Prudential Borrowing of £93m.
- An updated Treasury Management Strategy.

The Cabinet noted that the Council's gross and net budget figures had increased compared with 2017/18 but this still represented a real-terms reduction in resources available to the Council after taking account of inflation.

The report indicated that the financial position in the report was based on the Final 2018/19 Government Finance Settlement and incorporated reductions in funding over the next 3 years. This position was particularly uncertain for financial year 2020/21 which could be subject to the combination of a new national Spending Review, a revised allocation model within the Local Government sector and a new national 100% Business Rates model. As a result, there was huge uncertainty around Local Government funding which made it impossible to provide a robust financial forecast at this stage. Nevertheless, initial assumptions and existing trends are sufficiently firm to indicate that there will in all certainty be a substantial gap for that year. The view of the Council's Director of Finance and Corporate Services was that the Council should be planning for such a position.

Along with the other 6 West Midlands Councils, Coventry was taking part in a 100% Business Rates Pilot scheme. This enabled the Councils to retain 99% of Business Rates income including any growth against an historic baseline which would otherwise have been returned to Government. The financial model and assumptions that support the Pilot had been incorporated within the position reported.

The Pre-Budget Report was based on flexibility to increase Council Tax by up to 2% without holding a local referendum on the matter and further flexibility, up to a maximum of 3%, recognising the increasing pressure on Adult Social Care (ASC) services across the country. The Government had subsequently announced that the Council Tax Referendum limit had been raised to 3%. However, the budget recommended in the report submitted and the associated Council Tax proposals in the report that accompanied it, did not incorporate this flexibility. As a result the budget was being proposed on the basis of increasing Council Tax by 4.9%. This proposed increase would be the equivalent of around a pound a week for a typical Coventry household.

The Cabinet were advised that the Council's medium term financial position included the impact of reductions in Government funding that had already been anticipated and savings programmes that had been approved previously. At the start of the 2018/19 Budget Setting process the Council faced a financial gap of £12m after taking into account a temporary delay in the likely achievement of some savings and the emergence of new expenditure pressures. In broad terms, the Budget had been balanced by additional Council Tax and Business Rates resources and savings in contingency budgets, capital financing costs and several other largely technical areas. All these proposals were set out in detail in Appendix 1 of the report submitted. Where these were different to the proposals that were included in the Pre-Budget Report, this had been indicated in the Appendix.

The proposals had been designed to provide the Council with a robust medium-term position and subject to the recommendations being approved, the Council would have a two-year balanced budget.

The report highlighted that, given the forthcoming national proposals for local government finance to be based on a 75% Business Rates Model from 2020/21, the vibrancy and growth of the City was vital to ensure a secure level of Business Rates income. Proposals within the recommended Capital Programme were designed to help achieve this and amounted to £262m in 2018/19. These represented an ambitious approach to investing in the City and included the near-completion of the Council's new city centre leisure facility, progression of the City Centre South, Connecting Coventry and Coventry Station Master Plan schemes and establishment of the joint venture vehicle to accelerate a programme of building at Friargate. Over the next 5 years, the Capital Programme was estimated to be £921m and represented the largest ever investment by and through the City Council.

It was noted that Coventry's success in being announced in December 2017 as the UK City of Culture for 2021 would lead to some exciting developments and events across the City over the next few years. This included an impetus to implement some of the Council's capital projects on an accelerated basis and planning had already begun to examine the scope for and implications of this.

The annual Treasury Management Strategy was also set out, incorporating the Minimum Revenue Provision that was revised in 2016/16 and covered the management of the Council's investments, cash balances and borrowing requirements. The Strategy and other relevant sections in the report submitted reflected the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA) updated Treasury Management Code and Prudential Borrowing Code for Capital Finance insofar as they relate to 2018/19.

RESOLVED that the Cabinet recommend that Council:

- 1. Approve the spending and savings proposals in Appendix 1 of the report.**

- 2. Approve the total 2018/19 revenue budget of £727m in Table 1 and Appendix 3, established in line with a 4.9% City Council Tax increase and the Council Tax Requirement recommended in the Council Tax Setting Report considered on today's agenda.**
- 3. Note the Director of Finance and Corporate Services' comments confirming the adequacy of reserves and robustness of the budget in Sections 5.1.2 and 5.1.3.**
- 4. Approve the Capital Programme of £262.5m for 2018/19 and the future years' commitments arising from this programme of £659.4m between 2019/20 to 2022/23 detailed in Section 2.3 and Appendix 4.**
- 5. Approve the proposed Treasury Management Strategy for 2018/19 and Minimum Revenue Provision Statement in Section 2.4 of the report, the Investment Strategy and Policy at Appendix 5 and the Prudential Indicators and limits described in Section 2.4.11 and summarised in Appendix 6.**