

Council – 3 September 2019
Recommendation from Ethics
Committee 26 June 2019

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 9 July 2019

Present:

Members: Councillor G Duggins (Chair)
Councillor A Khan (Deputy Chair)
Councillor K Caan
Councillor P Hetherton
Councillor T Khan
Councillor K Maton
Councillor J O'Boyle

Deputy Cabinet Members Councillor R Ali
Councillor B Gittins
Councillor G Lloyd
Councillor D Welsh

Non-Voting Opposition Councillor P Male (Substitute for Councillor A Andrews)
Members: Councillor G Ridley

Other Members: Councillor J Blundell
Councillor R Brown
Councillor R Lakha
Councillor C Thomas

Employees (by Directorate):

People G Quinton (Deputy Chief Executive (People)),
D Ashmore, J Crawshaw, P Fahy, S Hall, N Hart

Place B Hastie, P Jennings, L Knight, J Newman

Apologies: Councillor A Andrews, J McNicholas, J Mutton, M Mutton,
P Seaman

RECOMMENDATION

11. Revenue and Capital Outturn 2018/19

The Cabinet considered a report of the Deputy Chief Executive (Place) which outlined the final revenue and capital outturn position for 2018/19 and which reviewed treasury management activity and 2018/19 Prudential Indicators reported under the Prudential Code for Capital Finance.

The Cabinet noted that the Audit and Procurement Committee would also be considering the report at their meeting on 15 July, 2019.

The report indicated that the overall financial position included a revenue underspend of £1.0m, which was required to be contributed to the Council's General Fund reserve. At quarter 3, there had been a projected underspend of £1.8m and the report identified the underlying movements between quarter 3 and outturn, which had resulted in an overall underspend of £1.0m.

Headline overspends of £2.7m within Waste and Fleet Services and £3.0m relating to Housing and Homelessness, in large part from the cost of Housing Benefit payments for people and families in emergency accommodation were detailed in the report. There were offsetting underspends across a range of other services and in particular a £4.0m favourable position within central budgets including the Asset Management Revenue Account.

There had been a Capital Programme expenditure of £147m, which was £115m less than envisaged at the start of the year. The quarter 3 monitoring report to Cabinet approved a revised capital budget of £173.8m for 2018/19. Since then there had been a net programme increase of c£2m, giving a final budget for the year of £175.9m. Since February, a total of £26.5m net rescheduled spending had arisen on directorate capital programmes. The report provided a scheme by scheme analysis of rescheduling and accelerated spend.

The Council's revenue reserve balance at the end of 2018/19 was £81.8m, compared with £67.1m at the end of 2017/18. Balances generated from capital receipts and capital grants to fund future capital projects had reduced from £31.2m to £23.4m and reserve balances belonging to or earmarked to support schools had increased from £24.3m to £26.4m. The total reserve movement in 2018/19 was summarised within the report. The reserve balances included £10.2m set aside as part of the Council's three long-term Private Finance Initiative models. £10.1m set aside to fund costs arising from early retirement and voluntary redundancy decisions. £7.7m was set aside to provide protection against the potential future loss of Business Rates income. £4.75m was also set aside for the Council's contribution to the UK City of Culture and £3.5m to support the Adult Social Care Better Care Fund Model. In addition, the £5.4m Management of Capital reserve included revenue reserves to fund future capital projects.

In relation to Treasury Management Activity, the report indicated that, August 2018 saw only the second interest rate rise in over a decade as the interest rate was increased from 0.5% to 0.75%. This was against an economic backdrop where wage growth exceeded inflation resulting in real wage growth of 1.4% and the economy also grew by 1.4%. However, uncertainty surrounding the EU exit means that this growth was below trend. Interest rate forecasts were dominated by the uncertainty surrounding EU exit but current forecasts indicated that there would be a very slow increase, with the next increase of 0.25% not being seen until March 2020.

Given the interest rates provided by the Public Works Loans Board, it continued to be cheaper for local authorities to use short rather than long term funds for financing. At outturn, the Capital Financing Requirement, which indicated the

authority's underlying need to borrow for capital purposes, had increased to £39.8m. No new long term borrowing was actually taken out during 2018/19, however, some borrowing would be required in the future to support current capital expenditure plans and the need for any such borrowing would be kept under review in 2019/20.

Appendix 3 to the report detailed the capital and treasury management related prudential indicators.

The Cabinet agreed to:

1. Approve the final revenue outturn underspend of £1.0m (section 2.1 and Appendix 1) which will be added to the Council's General Fund reserve.
2. Approve the final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £146.7m against a final budget of £175.9m; £26.5m expenditure rescheduled into 2018/19 and a net underspend of £2.7m.
3. Approve the outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

RESOLVED that, the Cabinet recommend that Council approve reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy.