

## **CABINET**

15<sup>th</sup> February 2005

Cabinet Members  
Present:-

Councillor Ahmed  
Councillor Arrowsmith  
Councillor Blundell  
Councillor Foster  
Councillor Matchet  
Councillor H Noonan  
Councillor O'Neill (Chair)  
Councillor Ridley

Non-Voting Opposition

Representatives present:- Councillor Duggins  
Councillor Mutton  
Councillor Nellist

Other Members

Present:- Councillor Chater  
Councillor Clifford  
Councillor Charley  
Councillor Mrs Stone

Employees Present:-

I. Brindley (Finance and ICT Directorate)  
A. Clemons (Chief Executives Directorate)  
F. Collingham (Chief Executives Directorate)  
M. Coult (Finance and ICT Directorate)  
D. Elliott (City Development Directorate)  
A. French (Finance and ICT Directorate)  
C. Hinde (Director of Legal and Democratic Services)  
R. Hughes (Head of Corporate Policy)  
P. Jennings (Finance and ICT Directorate)  
L. Knight (Legal and Democratic Services Directorate)  
S. Manzie (Chief Executive)  
J. McGuigan (Director of City Development)  
B. Parker (Education and Libraries Directorate)  
A. Ridgwell (Director of Finance and ICT)  
D. Sleigh (Social Services and Housing Directorate)  
I. Woods (Finance and ICT Directorate)

Others Present:-

S. Sharp (PriceWaterhouse Coopers)  
G. Stevens (Audit Commission)

## RECOMMENDATIONS

### 171. Corporate Capital Monitoring Report 2004/05 (September – November 2004)

The Cabinet considered a report of the Director of Finance and ICT, which detailed the latest position on the Council's capital programme for 2004/05, following the most recent budget monitoring exercise to the end of November 2004.

The report summarised approved programme changes, other technical adjustments, proposed changes of £0.407m, the estimated out-turn, an analysis of variations and the position vis-à-vis the PPR process.

In line with the Prudential Code for Capital Finance in Local Authorities, and as part of the 2004/05 Treasury Management Strategy report, the Council adopted a number of Prudential Indicators. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance. Although these indicators are essentially technical treasury management tools, the Prudential Code requires that they should be reported on during the year.

The indicators, together with the relevant figures as at December 2004, were detailed in Appendix 7 of the report submitted and highlights that the City Council's activities are within the amounts set as Performance Indicators for 2004/05.

It is proposed that the Maturity Structure Limit indicators are amended to the following levels to allow for the re-scheduling of long term loans:

<b>Maturity Structure Limits</b> highlighting the risk arising from the requirement to refinance debt as loans mature:	
< 12 months	0% to 15%
12 months – 24 months	0% to 10%
24 months – 5 years	0% to 20%
5 years – 10 years	0% to 30%
10 years +	40% to 100%

Re-scheduling is the early repayment of a loan and its replacement with another loan at a lower interest rate, or the modification of the terms of the loan to reduce interest charges. As they currently stand, the limits restrict the opportunities for the City Council to benefit from restructuring debt. The Head of Corporate Finance will, under delegated powers, continue to make decisions on rescheduling options as they arise.

The Cabinet, after due consideration of the options and proposals contained in the report and matters referred to at the meeting decided to:-

- (i) Approve the proposals detailed within the report submitted, for further additions of £0.407m to the programme.

- (ii) Approve the revised capital budget for the year of £107.564m (incorporating approved changes/technical adjustments to the budget (a reduction of £2.327m) and the new proposals detailed in (i) above (an increase of £0.407m)).
- (iii) Approve the estimated out-turn of £103.723m against the revised budget of £107.563m, giving a total variance of £3.841m (comprising net slippage of £3.519m and underspends of £0.389m now being reported, in addition to £0.447m net accelerated spend and £0.380m underspends previously reported).
- (iv) Refer the report submitted to Scrutiny Board 1 for their information and consideration.

**RESOLVED that the City Council be recommended to approve the revised capital finance Prudential Indicators as detailed in section 5.8 of the report submitted.**

**173. General Fund and Capital Budget Requirement 2005/06 (including the Treasury Management Strategy 2005/06**

The Cabinet considered a joint report of the Management Board which sought to inform members of the Government's final Revenue Support Grant (RSG) allocation for the Council and its implications for the next year's revenue budget; recommend budget proposals for 2005/06 to go forward to Council on 22<sup>nd</sup> February 2005; recommend the proposed restructuring of the City Development Directorate and the proposed revised arrangements for Neighbourhood Management in the City; an initial capital programme for 2005/06 and provisional schemes for 2006/07 and 2007/08 for recommendation to Council on 22<sup>nd</sup> February 2005; recommend the Treasury Management Strategy for the Council's necessary borrowing and investments in 2005/06; recommend the prudential indicators and limits for 2005/06 to be recommended to Council on 22<sup>nd</sup> February 2005; and recommend approval of the proposed fees, grant aid agreements and contracts and use of Government Grants within Social Services for 2005/06.

The Cabinet noted that, as part of its Medium Term Financial Strategy, the City Council needs to consider capital and revenue budgets together, reflecting the inextricable links between the two programmes and the way they support the delivery of the Council's vision and objectives, detailed in the report. The City Council also needs to consider the affordability of the programmes, robustness of the budget and the adequacy of reserves. It was further noted that the Council adopted its current Corporate Plan in April 2004, and a new Medium Term Financial Strategy in November 2004, which provides the context for the budget setting, and will review and adopt a new Corporate Plan in April 2005, which will guide future policy and decision making.

The report also set out the City Council's vision for the City and the corporate objectives, which had been identified in order to deliver the vision. It was noted that the Council has to consider a number of things when deciding upon its corporate objectives including: the views of local people; the needs of the City; the performance of its services; government policy and statutory plans; the Coventry Community Plan and other strategic plans. In addition Council also has to consider the effect that the ending of some external funding streams could have on Coventry in the future. Consultation on the Council's corporate objectives had been undertaken in 2002/03 and it was noted that additional consultation on options for the 2005/06 budget had been carried out with local voluntary organisations and businesses, the Coventry Trades Unions, key partners and local people on specific issues.

It was noted that the Council's financial planning and budget setting process takes place within the context of the Council's policy priorities and corporate objectives, set out in the Corporate Plan. In addition, the Council has formally approved a Medium Term Financial Strategy, which sets out how the Council will use its financial resources to achieve its objectives and deliver its services. The Council's capital plans and revenue budgets reflect corporate objectives over the medium term and are substantially integrated, with reserves managed corporately and a forecast level of reserves remaining that is appropriate to the needs of the authority. In particular the Medium Term Financial Strategy will enable the Council to move towards a robust medium term position which reconciles corporate spending priorities, available resources including agreed council tax increases and availability of reserves, highlight the spending pressures faced by all Local Authorities arising from national issues and deliver a sustainable balanced budget within three years.

The Cabinet noted that Management Board had prepared a range of options and spending proposals which, limit expenditure on new developments to those that are either unavoidable, directly attributable to the Corporate Plan or relate to major service improvements; identify savings, either from the rationalisation or more efficient delivery of services, or from reductions in those services that have historically been better funded; make transitional strategic use of revenue reserve balances; plan fundamental changes to the way services are provided that can result in budget reductions; and make strategic use of assets and reserves to ensure appropriate investment and delivery in front line services.

This year the Council is seeking to make a step change from having laid the foundations of a soundly managed authority to refocusing the council's strategic direction. This means focusing on delivering day to day services consistently and effectively, moving partnership working up a gear to ensure that there is real impact seen on the ground, and ensuring that the Council obtains all the resources it can as part of the West Midlands metropolitan area, but also as part of the Coventry and Warwickshire sub-region. One of the key regional and sub-regional issues is a greater focus on Coventry's Housing Strategy, which is reflected in the capital plans set out in the report.

It was reported that following the achievement of a two star status by Social Services, the budget proposals included a further investment of £3m revenue funding to continue this improvement. It was also noted that, in line with the corporate objective to "develop and maintain excellent education in our city" and the Medium Term Financial Strategy, the Council would again spend all of the additional government funding allocation on education in Coventry. It was further reported that, in recognising the importance of Street Services, especially highways and lighting, for the Council and residents, the budget proposals include capital programme investment of £10m in this area.

The Council has also responded to the wishes of the communities as reflected in the objectives to "reduce crime and fear of crime" and "achieve the goals of local neighbourhoods and communities and improve the city centre". The budget proposals include a new annual investment of £1.4m to enable the provision of 75 Neighbourhood Wardens and 10 Community Support Officers, within a new Neighbourhood Management structure based in the communities.

A significant programme of investment in the affordable housing agenda allows the £12m received by the Council as a result of the governments "Right to Buy" scheme, to be invested into Coventry to provide further social and affordable housing in the City over the medium term. This innovative approach identifies a range of flexible mechanisms for increasing the opportunities, in this limited market, enabling more families and citizens to aspire to a better standard of living.

The Council continues to invest in its workforce as part of its modernisation process. The budget allows for the Council to extend the staff development programme and the management development programme both of which are essential to the capacity building of staff. An on-going annual investment, ultimately rising to over £6m has been identified to fund the single status agreement, satisfying the Council's legal obligation to address the issue of equal pay for equal work.

Also, the budget lays the foundations for a fundamental transformation of service delivery designed around the needs of the customer. The £20m identified for the Coventry Empowered programme will allow Coventry customers and citizens to access Council services in a variety of ways of their choosing. This will allow more customers than ever before to access services, to receive them more quickly and efficiently, to reduce the number of repeat calls required and to ensure that they can talk to an officer of the Council, trained to deal with their enquiry at all reasonable times.

The Budget proposals also identify savings of more than £4m that can be made by the Council, so that revenue resources can be allocated to the Council's priorities as outlined above. The majority of the proposed savings arise as a result of more efficient use of the Council's resources and reducing services of lower priority.

The report also advised the Cabinet of the final Formula Grant Settlement, announced by the Government on 27th January 2005. The level of formula grant that an authority receives is dependent on its Formula Spending Share (FSS) and its Tax Base, which is the measure of the taxable capacity of an area.

The effect of the Final Settlement in Coventry was that the education support increased by £1.506m since the Provisional Settlement. For the remainder of the authority, there was an increase in FG of £465,000. This increase relates to the Capital Financing element of the grant. When compared to 2004/05, this Settlement represents an increase in FG of 6.3%, after allowing for the net transfers of responsibility.

The report detailed the General Fund Budget recommended by Management Board, reflecting the final settlement, the Council's priorities and the approaches outlined in the Medium Term Financial Strategy, which incorporated spending proposals and savings options, key issues identified within the budget setting process, the contributions and impacts on other budgets and reserves, levies from other bodies and the impact on Council Tax. It also outlined the Capital Programme Proposals including the overall capital strategy, the forecast capital programme, the position on reserves, the Treasury Management Strategy and proposals for 2005/06.

The Director of Finance and ICT corrected an error in the report on page 9, which indicated that the budget recommendation included an increase in Council Tax of 2.5%, and should have read 3.9%.

The Cabinet, after due consideration of the options and proposals contained in the report and matters referred to at the meeting decided to:-

- (i) Note the Director of Finance and ICT's comments in sections 11 and 12 of the report confirming the robustness of the estimates and adequacy of reserves.
- (ii) Note the implications of the budget for the 2006/07 and 2007/08 financial years detailed in section 8 of the report and instructed the Management Board, as part of the 2005 PPR process, to provide recommendations on the necessary actions required to deliver a fully balanced budget within three years.
- (iii) Approve the recommended change arising from the review of the City Development Directorate described in Section 6 and Appendix 3 involving:-
  - (a) The creation of the Property Management Service
  - (b) Setting up of the freestanding Highways Service
  - (c) Proposals in relation to adding two new senior staff to Culture and Leisure

- (d) Integration of the Development Control and Strategic Planning elements of Planning with further restructuring to follow (to be agreed by Members when proposals are brought forward).
- (iv) Approve the budget reductions in relation to the above review, summarised in Appendix 2 of the report, and the further discussion to take place involving the Head of Regeneration Services and the Head of Area Co-ordination to agree the most effective way of managing project management issues within the resources available.
- (v) Approve the proposals as documented in the neighbourhood management review, and detailed in Section 6 and Appendix 4 of the report, subject to further discussion and consultation on the boundaries of the three area structure. These include the proposals to reduce the numbers of community safety, area renewal and capacity building officers and those to increase the numbers of wardens and invest in police community support officers. The proposals also include the idea of ward and constituency forums (detailed arrangements to be agreed).
- (vi) Approve the fees and charges, the grant-aid agreements and contracts and the proposed expenditure of Personal Social Services Grants from Government within the Social Services and Housing Directorate in 2005/06 as set out in Appendix 5 of the report.
- (vii) Authorise the Head of Housing Policy and Services to vire between the elements of the Housing Capital Programme in line with previous years to achieve spend during the year
- (viii) Approve the proposed Treasury Management Strategy for 2005/06, summarised in section 13 of the report.

**RESOLVED that the City Council be recommended to**

- (1) Determine that its budget requirement calculated for the financial year 2005/06 in accordance with the requirements of Section 32 of the Local Government Finance Act 1992 shall be £382,289,879 (a council tax rise for the City Council of 3.9%) as outlined in Section 6 of this report.**
- (2) Approve the Capital Programme of £123.802m for 2005/06, the future years' commitments arising from this programme of £72.063 (2006/07 to 2009/10) and the provisional schemes for commencement in 2006/07 onwards, as detailed in section 10 of the report.**
- (3) Approve the revised investment policy detailed at Appendix 7 of the report.**
- (4) Adopt the prudential indicators and limits described in Section 14 and summarised in Appendix 8 of the report.**

174. **Council Tax Report 2005/06**

Further to Minute 144/04 the Cabinet considered a report of the Director of Finance and ICT calculating the Council Tax level for 2005/06 that results from the Collections Fund revenue estimates for the year and makes appropriate recommendations regarding the Council Tax levy for the City of Coventry 2004/05.

It was noted that the figures in recommendations have been based on the assumed Fire and Police Authorities' precepts for 2005/06. Any amendments to the figures, would, therefore, be reported at the Council meeting on 22nd February 2005.

It was also noted that the recommendations follow the structure of resolutions drawn up by the Local Authority Associations to ensure that the legal requirements are fully adhered to in setting the Council Tax and, as a consequence, the wording of the proposed resolutions is necessarily complex.

**RESOLVED that the City Council be recommended to determine the report at their meeting on 22<sup>nd</sup> February 2005.**

175. **Swanswell Initiative – Learning Quarter Land Acquisition**

Further to Minutes 29/04 and 31/04, the Cabinet considered a joint report of the Director of City Development, Director of Legal and Democratic Services and Director of Finance and ICT, which detailed a one off opportunity to secure substantial funding from Advantage West Midlands (AWM) to fund the acquisition of a suitable site for a new City College, which is a key component of the proposed new Learning Quarter within the Swanswell Initiative. The Cabinet noted the very challenging timetable required by AWM.

At their meeting on 17 August, the Cabinet the principle of facilitating a suitable site by negotiation between Whitefriars and City College and detailed the proposed land acquisition and funding.

The land required, and currently owned by Whitefriars, was identified on the plan appended to the report. The Cabinet noted that Plots 1, 2 and 3 make up the site and that Plot 4 is currently owned by the City Council. The plan also shows 7 residential tower blocks on the site that Whitefriars are in the process of demolishing. The Cabinet were advised that 5 of the 7 will be down by 31 March 2005. Section 11 of the report submitted details the legal arrangements whereby the Council will allow Whitefriars to remain on site and to complete the demolitions as a soon as possible after 31 March 2005.

The report submitted to Cabinet on 17<sup>th</sup> August 2004, detailed how Whitefriars are prepared to dispose of their land at "Housing Value" (£500k/acre); whilst City College can only pay "Education Value" (£250k/acre). The dilemma for the Council was that it was being asked to Gap Fund the difference (ie @ £250k/acre) in order to guarantee that the project could proceed. Council funding had not been identified at that time.



A range of options, involving substantial scrutiny of the City College development Business Plan, have been investigated. Cabinet charged officers with responding to 9 specific issues detailed in the previous report, and the responses are detailed in Appendix 2 of the report now submitted.

As the end of the financial year approaches, AWM have identified underspends, and have provisionally offered to fund the Council's acquisition of the land concerned. They do not wish to acquire the land themselves due to their accounting procedures, which would effectively penalise them for holding such a legal interest. Consequently the Council will acquire the freehold interest. The Council will subsequently dispose of the majority of the land to the City College via a long lease on detailed terms to be agreed with City College, but provisionally agreed at £250/acre. The remainder of the site will be retained for the new school and other Council elements of the Learning Quarter.

The clear advantages to the Council of the AWM funding offer are that the Council will retain the Freehold interest in the whole of the Learning Quarter, providing additional controls over those it has as planning authority, regarding quality of design, usage and management of the Quarter, both now and in the future; the costs of acquisition will be met by AWM, although the Council will still be required to fund the land required for the new school, via a payment to AWM rather than Whitefriars. The savings to the Council were detailed in Section 9 of the report.

The Council will acquire the site identified as Plots 1, 2 and 3 on the plan attached as Appendix 1 to the report, from Whitefriars before 31 March 2005. AWM will provide capital funding to facilitate the acquisition. The Council will then dispose of the site at market value to support Swanswell Initiative development. Capital receipts from any disposals will be payable to AWM.

If any capital receipts received exceed that paid for the land, such "overage" shall be shared between AWM and the Council, on a basis to be agreed. The Council will be required to complete a grant agreement with AWM and also to complete a separate legal agreement, in favour of AWM, to secure the obligations agreed under the grant agreement.

The Cabinet noted that if Whitefriars and AWM are able to perform, the land purchase must be completed by 31 March. If it is not, officers will report back with options for dealing with the funding gap, as originally intended.

**RESOLVED that the City Council be recommended to:-**

- (1) Approve the Heads of Terms detailed in section 5 of the report, provisionally agreed with AWM and to delegate the decision on entering into the agreement with AWM to the Directors of Legal & Democratic Services; City Development; and Finance & ICT, as detailed in Section 11, and also referred to in Section 7 of the report submitted.**
- (2) Approve the completion of the necessary grant agreement with AWM to secure and draw-down such funding.**

- (3) Authorise the Director of Legal and Democratic Services to complete all necessary legal documentation with AWM, as detailed in section 11 of the report.**
- (4) Subject to (1) and (2) approve the acquisition of the land concerned from Whitefriars Housing Group, as detailed in Section 10 of the report.**
- (5) Note that the Director of City Development will report back on the Heads of Terms for the subsequent disposal of the majority of the site to City College, as soon as these have been agreed, and the addition to the capital programme of £3.15m in 2004/05.**
- (6) Note the extremely challenging timescale for completing the above, and acknowledge that if this is not achieved by all of the parties involved that this funding will be not be available. All matters, including the land purchase have to be completed by 31 March 2005 and Section 8 of the report detail the way forward if funding is not used by the deadline.**

**177. Response to Consultation Paper: "Drinking Sensibly – The Government Proposals"**

The Cabinet considered a report of the Head of Corporate Policy, which sought approval to a response to the Consultation Paper on "Drinking Sensibly - The Governments Proposals", published in January 2005 on behalf of the Home Office, Department for Culture, Media and Sport and the Office of the Deputy Prime Minister.

A Consultation paper on "Drinking Sensibly" was received by the City Council on 21<sup>st</sup> January and brief information was sent via the Members Bulletin on 28th January 2005, explaining the content of the paper and offering further information if required. This consultation follows the publication in November 2004 of the Government's National Alcohol Harm Reduction Strategy.

The paper outlines the Government's concerns about the level of alcohol-fuelled violence currently being reported across the country and sets out a proposed response, although it does not rule out other options. The paper details recent measures introduced and new proposals to combat a range of issues, including under- age sales, irresponsible promotions, alcohol related disorder and changing the culture of "binge drinking".

Responses to the Consultation Paper must be returned to the Home Office by 28<sup>th</sup> February 2005. The proposed response has been developed in consultation with the Coventry Community Safety Partnership, the Crime and Disorder Reduction Strategy Programme Delivery Group and the Children and Young People's Strategic Partnership.

The Consultation Paper reviews recent legislation and other measures and makes it clear that responsibility for tackling alcohol misuse cannot rest with the Government alone but requires partnership working at both national and local level, between the Government, the drinks industry, health and police services, individuals and communities.

There are 6 Chapters within the Consultation Paper, covering the Introduction; Alcohol Disorder Zones (ADZ); Under-Age Sales; Changing the Culture; Irresponsible Promotions; and Conclusions.

The proposed response was detailed at Appendix 1 of the report submitted, and responded to questions raised under each of the chapters.

The Cabinet, in considering the report, discussed issues in relation to licensing of premises and Alcohol Dispersal Zones, and how these linked with the Consultation Paper. In respect of Alcohol Dispersal Zones, the Cabinet were of the view that evidence should be gathered where problems occur, in order that any Alcohol Dispersal Zones could be established on evidence based information.

The Cabinet, after due consideration of the options and proposals contained in the report and matters referred to at the meeting decided to approve the proposed response to the consultation and refer the report for consideration by Scrutiny Board 2 on 17<sup>th</sup> February 2005.

**RESOLVED that the City Council be recommended to endorse the views of the Cabinet.**