



Coventry City Council

Council Meeting

21 February 2006

Booklet 2

Recommendations

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CABINET

14th February 2006

Cabinet Members
Present:-
Councillor Blundell
Councillor Foster
Councillor H Noonan
Councillor O'Neill (Chair)
Councillor Ridley

Non-Voting Opposition
Representatives present:-
Councillor Benefield
Councillor Duggins
Councillor Mutton

Other Members
Present:-
Councillor Gazey
Councillor Mrs Stone

Employees Present:-
J. Bolton (Director of Community Services)
A. French (Finance and ICT Directorate)
C. Hinde (Director of Legal and Democratic Services)
R. Hughes (Head of Corporate Policy)
S. Manzie (Chief Executive)
A. Matthews (City Development Directorate)
J. McGuigan (Director of City Development)
A. Ridgwell (Director of Finance and ICT)
D. Soanes (City Development Directorate)
S. Venters (Legal and Democratic Services Directorate)
C. West (Education and Library Services Directorate)

Apologies

Apologies for absence were received from Councillors Arrowsmith, Kelsey, Matchet, Nellist and Taylor.

RECOMMENDATIONS

212. General Fund and Capital Budget Requirement 2006/07 (including the Treasury Management Strategy 2006/07)

The Cabinet considered a report of the Management Board which recommended revenue and capital budget proposals for 2006/07, together with the Treasury Management Strategy for the Council's necessary borrowing and investments in 2006/07 to go forward to Council on 21st February 2005. The report also sought to inform members of the Government's final Revenue Support Grant (RSG) allocation for the Council and its implications for future years revenue budgets;

The Cabinet noted that the Council had adopted its current Corporate Plan in June 2005, and a revised Medium Term Financial Strategy in December 2005. The

Cabinet also 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, as 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.

The report set out the City Council's vision for the City and indicated that the City Council had adopted a corporate balanced scorecard that sets out a number of corporate and management objectives, in order to deliver the vision. The City Council had laid down a number of values which underpin everything it does, these being to demonstrate good leadership, honesty and responsiveness; put the customer first; provide good value for money; value diversity, social justice and community cohesion; and work in partnership and deliver the Community Plan.

The Council is committed to improving performance and is now a "Two Star" authority under the Government's new Comprehensive Performance Assessment (CPA) process and will be inspected again under a revised CPA framework in March 2006. Clearly setting and managing the Council's budget is fundamental to this improvement, reflecting the investment of resources in priority areas and enabling the delivery of services on the ground. The Council's budget is therefore set in the context of the Corporate Plan, however, the budget setting process has been further developed this year to deliver a much closer alignment with the Council's performance management framework. This has included aligning the formal consideration of the Council's half-year performance in delivering the Corporate Plan and Cabinet Member Strategic Plans for 2005/06 alongside the initial budget proposals and the Medium Term Financial Strategy for 2006/07 to 2008/09.

The Medium Term Financial Strategy 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 fully integrated. Reserves are managed corporately, and there is a forecast level of reserves remaining, which is appropriate to the needs of the authority.

The Council also introduced an improved consultation process, both within the Council and in the wider public arena, to inform the final proposals it wishes to put forward. The Council's scrutiny function was involved in the process through Scrutiny Board (1), (the Council's Audit Committee) who considered both the Medium Term Financial Strategy and the initial budget proposals in December 2005. In addition Scrutiny Boards (1), (2) and (3) considered the half year review of performance of the relevant Cabinet Member Plans so that any relevant issues that needed to be considered could be referred to Cabinet as part of the formal budget setting process.

The Council's Trades Unions have been consulted and their views taken into consideration. The public consultation process was led by the Leader and Deputy Leader of the Council, supported by the Chief Executive, the Director of Finance and ICT and the Director of Community Services. This consultation focused on the Council's strategic priorities and direction, current performance and the budget

proposals set out in the December 2005 Cabinet report (minute 166/05 refers). The consultees included Coventry Youth Council; the business community through the Coventry and Warwickshire Chamber of Commerce; community and voluntary sector organisations; a range of individual partner organisations, and the Coventry Partnership. A summary of the responses received in respect of the public consultation was attached as Appendix 1 to the report submitted.

The responses arising from the consultation process were considered when producing the final budget proposals and will also be used to inform future policy making decisions including the review of the Corporate Plan in April 2006.

The resulting budget proposals will enable the Council to deliver real and significant service improvements for the people of Coventry. The budget also allows the Council to respond to the needs of residents and commence new initiatives, improving both the infrastructure of the City and the way services are delivered to the public. Also, as part of the Council's Medium Term Financial Strategy, the budget sets the framework, which supports the ongoing delivery of the Council's corporate objectives.

The 'Formula Grant' allocated to each local authority is made up of two elements, these being the Revenue Support Grant and the National Non-Domestic Rate. Following the consultation period on the 2006/07 Provisional Settlement in December 2005, the Government announced the Final Settlement on 31st January 2006 at £129,905,000 for the City Council. The level of Formula Grant that an authority receives is dependent on its spending needs relative to other authorities, as determined by the Government. It also takes into account each authority's Tax Base, which reflects the amount of money it can raise through Council Tax.

The 2006/07 settlement is the first time Central Government have used a new methodology to allocate resources between local authorities. Nationally, this has shown a shift away from Shire Counties and the South East towards Unitaries and the North East. In Coventry's case, the only real uplift in the Council's grant allocation reflects new responsibilities such as obligations under the national free concessionary fares schemes for over 60s; the continuation of the additional money introduced last year to keep increases to a minimum; and around £2m for formula grant changes. Unfortunately due to the floors and ceilings system in operation whereby all authorities are protected from cash reductions in their budgets through the limitation of increases to those authorities gaining under the new system, Coventry "lost" £2.6m of its final grant allocation, effectively negating the benefits of the new system.

The General Fund budget recommended within the report submitted reflects the final settlement; the Council's Priorities; and the approaches outlined in the Medium Term Financial Strategy. The budget recommendation also includes an increase in Council Tax of 3.5% and a contribution from reserves of £5.5m.

Table 2 of the report submitted shows a summary of the General Fund Revenue Budget. This information was provided in greater detail in Appendix 2a of the report, which set out the Cabinet Portfolio revenue budgets and sources of revenue funding. The technical adjustments, spending and saving proposals were

outlined in detail in Appendices 2b, 2c and 3 of the report respectively.

As in previous years, all expenditure shown in the Budget Requirement is net of direct grants received (primarily from Central Government); and fees and charges. For 2006/07 there have been some significant changes to funding methodologies and in order to provide year on year comparisons of expenditure, the Budget Requirement for 2005/06 was restated to reflect these changes and was detailed in Appendix 2a of the report submitted. The most significant change relates to the introduction of the Dedicated Schools Grant (DSG), which effectively takes the cost of schools' funding out of the budget figures. There are also a number of other smaller transfers. Once the effect of all these changes has been accounted for, it results in an adjusted 2005/06 Budget Requirement of £223.5m (previously £382.3m). The 2006/07 budget at £233.4m therefore represents an increase of £9.9m or 4.4%.

Overall, the recommended budget for the General Fund includes some £10.3m of new spending proposals. Of this, £8.7m has been included to address technical base budget issues including statutory and unavoidable spend. This spend is often in key priority areas such as Children's placements and the street scene. A further £1.6m has been included for new spending proposals all of which specifically address the Council's corporate objectives. Overall it is anticipated that these spend proposals will create up to 40 new posts.

In order to finance the additional revenue funding required to deliver the Council's corporate objectives, it is necessary to make efficiency savings and to reduce the level of some Council services. The Budget proposals identify efficiency and other savings of £7.9m including a management of vacancy saving of £1.1m. This management of vacancy saving reflects the fact that each year the Council experiences staff turnover that results in budgets being freed up. By addressing the issue in the budget setting process, the Council is able to ensure that those resources are allocated to priority areas. The majority of the other savings arise as a result of more efficient use of the Council's resources and reducing services of lower priority. The recommended savings in Cabinet Portfolios and Corporate Budgets have identified losses of up to 12 posts, (4 of which are currently vacant) although these will be offset to a degree by the new posts being created. The Cabinet noted that not all losses of posts will lead to redundancy given the Council's redeployment policy and the fact that some posts are currently vacant. Exact posts and number of job losses cannot be finally agreed until the budget has been approved and its proposals implemented. A summary of the savings proposals were included at Appendix 3 of the report submitted.

In identifying saving options, care has been taken to protect those services, which are considered to be a priority within the Corporate Plan or where the Council would otherwise fail to meet its statutory obligations. In total over £1.2m of savings come from within support services. These sums are over and above the on-going savings of £4.4m identified in the 2004 PPR process and reflect the Council's commitment to driving down these costs to the lowest reasonable level.

It is almost always the case that the City Council's budget setting process has an effect on jobs either because of resource switching to new priorities or because of the need to make savings. The Council manages these changes for people through the processes it has agreed with the Trade Unions. The experience for

individuals of being told that their post may be deleted under restructuring is clearly distressing but Trade Unions are consulted about the people who are affected and the Council tries to help people make choices, which keep them in work. Other options are also considered such as re-training and voluntary redundancy.

A number of key issues emerging during the Budget Process were identified within the Children, Learning and Young People Services Directorate and were detailed within the report submitted.

The report also provided details of the proposed capital programme for 2006/07 to 2010/11. The total 5 year programme of £308,313,000 included £121,940,000 for 2006/07. The capital programme is funded from supported borrowing (the single capital pot) from Central Government; prudential borrowing; government grants; capital receipts; revenue contributions and leasing. The Council intends to use £10,150,000 in prudential borrowing in 2006/07 and £4,350,000 in 2007/08, primarily to fund the Coventry Direct Programme. The report also identified the forecast use of all funding streams over the 5 years of the programme, including a total of £36,928,000 capital receipts still to be identified. The report outlined that the on-going review and management of the capital Programme was led by Management Board supported by the Capital Working Group.

The report also provided detailed information in respect of other budgets; the Council Tax and the Impact on Future Years; Fees, Charges and Grants; Budget Risks; the Robustness of the Budget; Adequacy of Reserves; Treasury Management; the Prudential Code; and Leasing.

RESOLVED that the City Council be recommended to:-

- (1) Determine that its budget requirement calculated for the financial year 2006/07 in accordance with the requirements of Section 32 of the Local Government Finance Act 1992 be £233,423,777 (a council tax rise for the City Council of 3.5%) as outlined in Section 6.2, Table 2 of the report submitted.**
- (2) Note the implications of the budget for the 2007/08 and 2008/09 financial years as detailed in Section 8 of the report and instruct the Management Board, as part of the 2006 budget setting process, to provide recommendations on the necessary actions required to deliver a fully balanced budget in the medium term.**
- (3) Approve the fees and charges as detailed in Section 9 and Appendices 4 and 5 of the report.**
- (4) Note the Director of Finance and ICT's comments confirming the robustness of the estimates and adequacy of reserves, as detailed in Sections 12 and 13 of the report.**

- (5) Approve the Capital Programme of £121.940m for 2006/07, the future years' commitments arising from this programme of £80.417m (2007/08 to 2010/11) and the provisional schemes for commencement in 2007/08 onwards as detailed in Section 10.10, Table 16 of the report.
- (6) 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, as detailed in Section 10.12 of the report.
- (7) Approve the proposed Treasury Management Strategy for 2006/07 as detailed in Section 14 of the report, the revised investment policy detailed in Appendix 7 of the report, and adopt the prudential indicators and limits described in Section 15 and summarised in Appendix 8 of the report submitted.

213. **Council Tax Report 2006/07**

Further to Minute 189/05 the Cabinet considered a report of the Director of Finance and ICT calculating the Council Tax level for 2006/07 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 2006/07.

The Cabinet noted that the figures in recommendations have been based on the assumed Fire and Police Authorities' precepts for 2006/07. Any amendments to the figures, would, therefore, be reported at the Council meeting on 21st February 2006.

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:-

- (1) Note that at its meeting on 24th January 2006 the Council's Cabinet approved the following amounts as its Council Tax base for the year 2006/07 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992:

- a) 86,957.2 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year;
- b)

Allesley	358.2
Keresley	217.8

being the amounts calculated by the Council, in accordance

with Regulation 6 of the regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which one or more special items relate.

- (2) Calculate the following amounts for the year 2006/07 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- a) **£714,967,311** being the aggregate of the amounts that the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act, other than any expenditure estimated to be incurred which will be charged to a Business Improvement District (BID) revenue account as set out in section 43(2)(a) of the Local Government Act 2003. (Gross Expenditure including the amount required for the working balance);
 - b) **£481,543,534** being the aggregate of the amounts that the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act, other than any income estimated to be received which will be credited to a BID revenue account as set out in section 43(2)(b) or (c) of the Local Government Act 2003. (Gross Income including reserves to be used to meet the Gross Expenditure);
 - c) **£233,423,777** being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 32(4) of the Act, as its budget requirement for the year;
 - d) **£131,433,984** being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of Formula Grant (the sum of Revenue Support Grant and National Non Domestic Rates) [£129,904,877] and the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with the Act as amended by the 1994 Regulations (Council Tax Surplus)[£1,518,845] and pursuant to the Collection Fund (Community Charge) directions under Section 98(4) of the Local Government Finance Act 1988 (Community Charge Surplus) [£10,262].

e) £1,172.87 = $\frac{2(c) - 2(d)}{1(a)} = \frac{233,423,777 - 131,433,984}{86,957.2}$

being the amount at 2(c) above, less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year. (Average Council Tax at Band D for the City including Parish Precepts).

f) £4,650 being the aggregate amount of all special items referred to in Section 34(1) of the Act. (Parish Precepts);

g) £1,172.82 = $\frac{2(e) - 2(f)}{1(a)} = \frac{1,172.87 - 4,650}{86,957.2}$

being the amount at 2(e) above, less the result given by dividing the amount at 2(f) above by the amounts at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of the area to which no special item relates. (Council Tax at Band D for the City excluding Parish Precepts);

h)	Coventry Unparished Area	1,172.82
	Allesley	1,181.61
	Keresley	1,179.71

being the amounts given by adding to the amount at 2(g) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, at the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate. (Council Taxes at Band D for the City and Parish).

i)	Valuation Band	Parts to which	Parish of	Parish of
		no special item relates	Allesley	Keresley
		£	£	£
	A	781.88	787.74	786.47
	B	912.19	919.03	917.55
	C	1042.51	1050.32	1048.63
	D	1172.82	1181.61	1179.71
	E	1433.45	1444.19	1441.87
	F	1694.07	1706.77	1704.02
	G	1954.70	1969.35	1966.18
	H	2345.64	2363.22	2359.42

being the amounts given by multiplying the amounts at 2(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwelling listed in different valuation bands.

- (3) Note that for the year 2006-07 the West Midlands Police Authority and West Midlands Fire Authority have stated that the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below:

Valuation Band	West Midlands	West Midlands
	Police Authority	Fire Authority
	£	£
A	58.41	28.79
B	68.14	33.59
C	77.88	38.39
D	87.61	43.19
E	107.08	52.79
F	126.55	62.39
G	146.02	71.98
H	175.22	86.38

- (4) Set the following amounts as the amounts of Council Tax for the year 2006/07 for each of the categories of dwellings shown below, having calculated the aggregate in each case of the amounts at 2(i) and 3 above, in accordance with Section 30(2) of the Local Government Finance Act 1992:

Valuation Band	Parts to which no special item relates	Parish of Allesley	Parish of Keresley
	£	£	£
A	869.08	874.94	873.67
B	1013.92	1020.76	1019.28
C	1158.78	1166.59	1164.90
D	1303.62	1312.41	1310.51
E	1593.32	1604.06	1601.74
F	1883.01	1895.71	1892.96
G	2172.70	2187.35	2184.18
H	2607.24	2624.82	2621.02