
Report to Cabinet

14th February 2006

Report to Council

21st February 2006

Report of Management Board

Title

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

1. Purpose of the Report

1.1 The purpose of this report is to seek approval for the 2006/07 revenue budget proposals, capital programme and the 2006/07 Treasury Management Strategy. The report also informs Members of the Government's final Revenue Support Grant (RSG) allocation for the Council for 2006/07 and 2007/08 and of the implications for future years' financial plans

2. Recommendations

Cabinet is asked to:

2.1 Recommend the City Council to 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 this report.

2.2 Note the implications of the budget for the 2007/08 and 2008/09 financial years in **Section 8** 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.

2.3 Approve the fees & charges as detailed in **Section 9 and Appendices 4 and 5**.

2.4 Note the Director of Finance and ICT's comments confirming the robustness of the estimates and adequacy of reserves in **Sections 12 and 13**

2.5 Recommend the City Council to 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 (**Section 10.10, Table 16**).

- 2.6 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. **(Section 10.12).**
- 2.7 Recommend the City Council to approve the proposed Treasury Management Strategy for 2006/07 **(Section 14)**, and the revised investment policy **(Appendix 7)**, and to adopt the prudential indicators and limits described in **Section 15** and summarised in **Appendix 8.**

3. **Background**

- 3.1 The City Council is required to set its budget and determine the Council Tax for the City and its parishes by no later than 11th March each year.
- 3.2 As part of its Medium Term Financial Strategy, the City Council considers capital and revenue budgets together. This reflects the inextricable links between the two programmes and the way they support the delivery of the Council's vision and objectives. This report brings together these programmes for consideration by Cabinet and subsequent recommendation to Council.
- 3.3 Members must also consider, as part of their budget setting process,
- the affordability of the programmes
 - robustness of the budget,
 - adequacy of reserves.

These issues, including the relevant strategies, policies and indicators, are also addressed in this report.

- 3.4 The Council adopted its current Corporate Plan in June 2005 and a revised Medium Term Financial Strategy in December 2005. These documents, together with the nine Cabinet Member Strategic Plans that were reviewed and adopted in July 2005 provide the context for 2006/07 budget.

4. **The Council's Policy Priorities**

- 4.1 The City Council's vision for the City is set out in the Corporate Plan 2005/06 - 2007/08 as follows:

"The Council wants Coventry to be a growing accessible city where people choose to live, work and be educated and businesses choose to invest."

In order to deliver this vision, the City Council has adopted a corporate balanced scorecard that sets out a number of corporate and management objectives.

- 4.2 **Corporate Objectives.** The 7 corporate objectives are set out below for information and clearly state priority areas for the Council:

- Improve the quality and efficiency of services and make it easier to access them
- Ensure the best quality education for all and that children and young people can achieve their maximum potential
- Regenerate the city and ensure people have a good choice of jobs and housing
- Promote health, independence and choice for all citizens
- Create a city where people feel safe and confident and no-one is disadvantaged by where they live
- Make the city clean and green

- Actively promote equality so that people from different backgrounds have similar life opportunities

4.3 The **Management Objectives** aim to improve the performance, efficiency and effectiveness of the Council, so that it is more able to deliver its priorities through better services and value for money for the people of Coventry. These management objectives are set out below:

- Money
 - Ensure sound management of the Council's resources
 - Deliver value for money to meet the Council's priorities
 - Maximise resources
- Improving the way we work
 - Improving the quality of our service delivery
 - Improve access to the services we provide
 - Improve the efficiency of our services
- People
 - Ensure Councillors are well trained and well supported
 - Develop the skills, competencies and motivation of our workforce
 - Build a representative workforce fairly treated
 - Maintain the health, safety and welfare of our workforce

4.4 In delivering its objectives the City Council has laid down a number of values which underpin everything it does:

- Demonstrate good leadership, honesty and responsiveness
- Put the customer first
- Provide good value for money
- Value diversity, social justice and community cohesion
- Work in partnership and deliver the Community Plan

4.5 The council is committed to improving performance and is now a "Two Star" authority under the Government's new Comprehensive Performance Assessment 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 always 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 2007/08.

4.6 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.

- 4.7 In accordance with the Medium Term Financial Strategy the Council will:
- move towards a robust medium term position, that reconciles corporate spending priorities, available resources including agreed council tax increases, and the availability of reserves.
 - take steps to highlight the spending pressures being faced by all local authorities arising from national issues, especially for Community Services and Children and Young People.
 - deliver a sustainable balanced budget in the medium term which takes on board the achievement of efficiency and value for money savings.
- 4.8 To assist councillors in setting the Council's revenue spending plans and capital programme, the Management Board put forward a range of proposals for consideration based on the strategy of:
- limiting additional resources to either technical base budget issues e.g. demographic, legal and demand led changes, or new developments as informed by corporate priorities
 - identifying savings, either from the rationalisation or more efficient delivery of services, or from reductions in those services that have historically been better funded
 - making transitional strategic use of revenue reserve balances
 - making strategic use of assets and reserves to ensure appropriate investment and delivery in front line services.
- 4.9 The Council has 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 has been involved in the process through consideration of both the Medium Term Financial Strategy and the initial budget proposals in December 2005 at Scrutiny Board 1, (the Council's Audit Committee). In addition Scrutiny Boards 1, 2 and 3 have 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.
- 4.10 The Council's Trades Unions have been consulted and their views taken into consideration.
- 4.11 The public consultation process has been led by the Leader and Deputy Leader of the Council, supported by the Chief Executive, the Director of Finance & ICT and the Director of Community Services. This consultation has focused on the Council's strategic priorities and direction, current performance and the budget proposals set out in the December 2005 Cabinet report. 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 to the public consultation are attached at **Appendix 1**.
- 4.12 The responses arising from the consultation process were considered when producing the final budget proposals in this report. They will also be used to inform future policy making decisions including the review of the Corporate Plan in April 2006.
- 4.13 The resulting Budget proposals in this report 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 we deliver services 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.

5. Formula Grant (FG) Settlement

- 5.1 The 'Formula Grant' allocated to each local authority is made up of two elements:
- Revenue Support Grant, and
 - 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. 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.

5.2 **Table 1: The FG Settlement for the Council is as follows:**

	Provisional Settlement £'000	Final Settlement £'000	Difference £'000
Entitlement	129,788	129,905	117

- 5.3 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 our grant allocation reflects new responsibilities such as our 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 it's final grant allocation, effectively negating the effect of the new system.

6. General Fund Revenue Budget

- 6.1 The General Fund Budget recommended in this report 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.
- 6.2 **Table 2** below shows a summary of the General Fund Revenue Budget. This information is shown in greater detail in **Appendix 2a**, which sets out the Cabinet Portfolio revenue budgets and sources of revenue funding. The technical adjustments, spending and saving proposals are outlined in detail in **Appendices 2b, 2c and 3** respectively.

Table 2: Summary of General Fund Revenue Budget

	£'000	£'000
Base Budget		236,538
ADD Technical Adjustments to Budgets (Appendix 2b)	8,738	
Spending Proposals (Appendix 2c)	1,610	10,348
LESS Saving Proposals (Appendix 3)		(7,928)
		238,958
LESS Contribution from reserves		(5,534)
Budget Requirement		233,424

6.3 As in previous years, all expenditure is shown in the Budget Requirement 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 help members in making year on year comparisons of expenditure, the Budget Requirement for 2005/06 has been restated to reflect these changes, (**see Appendix 2a**). 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 £233.4 is an increase of £9.9m or 4.4%.

Spend Proposals

- 6.4 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 our corporate objectives. Overall it is anticipated that these spend proposals will create up to 40 new posts. A summary of these proposals is included at **Appendix 2b and 2c**.
- 6.5 The City Council continues to invest in the new Children, Learning and Young People's Directorate. £3.2m of additional resources have been allocated for child placements to meet the actual cost of maintaining over 400 Coventry children in a safe and supportive environment.
- 6.6 The City Council continues to be committed to maintain the improvements in Community Services and it is recommended that £2.7m is added to existing budgets to ensure care for vulnerable adults and our increasingly aged population.
- 6.7 Investments are also to be made in the Council's City Services Directorate, with £350,000 new investment for Grounds Maintenance and Street Cleansing to improve performance.

- 6.8 The Council also needs to find additional monies to meet increasing energy costs, to continue the maintenance and investment in its income earning property portfolio, marketing the City and other legislative and unavoidable pressures.

Savings Proposals

- 6.9 To finance the additional revenue funding required to deliver our 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 vacancy¹ 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 this fact in the budget setting process, this ensures that those resources are allocated to the Council's 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. Not all losses of posts will lead to losses of people 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 are included at **Appendix 3**.
- 6.10 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 comes 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.
- 6.11 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.

Key issues emerging during the Budget Process

Children, Learning and Young People's Services

- 6.12 Following the requirement of the Children Act, the City Council is moving towards the introduction of a Children's Services Directorate bringing together some of the functions previously managed by Education & Libraries and by the Children's Services Group within Social Services & Housing. While the operational arrangements are still being finalised, the arrangements for financial management are well developed. There is a single unified finance team in place, and budgets are beginning to be managed across the areas covered by the emerging directorate. Unified reports are now being made to the Cabinet Member for Children, Learning and Young People's Services who already has full responsibility across the range of operational areas and budgets.

¹ Management of Vacancy saving is based on 1% of salaries budgets and reflects the time it takes to fill vacancies

- 6.13 From 2006/07 there is major change to the funding of schools. School spending is now funded by a new specific grant called Dedicated School Grant (DSG) which effectively takes it out of the Local Authority budget requirement. The transitional arrangements to this new grant, with associated changes to the Standards Fund and other smaller grant regimes, are extremely complex and have been the subject of extensive consultation by government during the course of 2005. The City Council has responded fully to this consultation and has had an impact on the final government proposals. At a local level there has been extensive discussion with stakeholders throughout the Education Service to address the technical issues and in particular there has been a sub group of the Schools Forum established to make recommendations on how to handle some of the fine detail.
- 6.14 It is not anticipated that following this preparatory work there will be difficulties in setting schools budgets for 2006/07 and 2007/08 – the new national system requires schools to be given two year budgets which would subsequently increase to three year budget figures following the 2007 Spending Review.
- 6.15 By removing DSG from the Local Authority budget, the net spend of all unitary authorities and County Councils will be decreased significantly. In Coventry education spending was the single biggest component of our spend, accounting for nearly 45% of the 2005/06 budget. In overall terms though, the cash impact of these changes on the City Council are generally neutral as the DSG broadly replaces the Schools Block in the former Revenue Support Grant.
- 6.16 The settlement for schools in 2006/07 and 2007/08 is fairly generous with cash increases of 5.5% and 5.3% respectively. However, there is a significant increase in the outputs which schools are expected to deliver for this level of resource. In particular the government agenda is for schools to develop extended services to pupils and communities moving beyond the traditional school day and historic pattern of school terms. In addition within schools there have been significant changes to the organisation of staffing and management structures following new DfES regulations. These are causing schools significant challenges and putting great pressure on costs. The long standing challenges for schools of managing special educational needs and behavioural issues within fixed delegated budgets also remain as an on-going pressure.
- 6.17 Within social care budgets of the new Directorate, another significant pressure is the increasing costs of children's residential placements. Figures earlier in this report demonstrate that the budget requirement in 2006/07 for residential placements has increased by £3.2m. Similar pressures are facing all Local Authorities. Locally, steps are being taken to try and contain these increases in costs. Work is currently underway to finalise a contract with a private provider for local residential care facilities to reduce the need to make more costly out of city placements. In addition plans are in place to develop a new service known as Turnaround which will help to intervene with families in crisis and prevent the need to take children and young people into care.
- 6.18 As the Children and Young People's agenda emerges one of the key issues will be the need to align budgets and services across Education, Social Services, Health and the Voluntary Sector to improve outcomes for children. In some areas this will specifically include consideration of pooling of budgets between the City Council and the Primary Care Trust. The City Council has already established some pooled budgets to meet the costs of the Children and Young Peoples Partnership Manager and support to that post. There is also consultation taking place on a proposal to establish integrated services for children with disabilities which will mean much closer alignment both of operational management and of budgets, and may involve specific pooling of budgets.

7 Other Budgets

7.1 **Table 4: Contingencies and Corporate Budgets** – The budget put forward includes the following contingencies and corporate budgets.

	£m
Contingency for inflation not allocated to service budgets - principally to cover Single Status (other resources for this are held in central HR budgets) and increases in Employers' Superannuation contributions	5.8
Policy Contingency to cover unforeseen in-year developments of a policy nature	0.3
Other Policy Initiatives (including Marketing Services to Maximise Income, Arena Community Facilities and Civil Contingencies)	0.2
Local Authority Business Growth Incentive Scheme (LABGI)	(3.0)
Other PPR Savings Proposals not included in above (Accelerated receipt of PFI grant £0.35m and Admin Review £0.25m)	(0.6)
Total Contingencies and Corporate Budgets	2.7

7.2 **Table 5: Contribution from Reserves** – The recommended budget for 2006/07 incorporates the use of these working balances as outlined below.

	£m	£m
Balance available as at 31 st March 2005		(23.3)
Approved and Potential policy commitments including Single Status (£3.8m), Swanswell (£1.2m), Costs of running the Value for Money Unit (£1m) and Waste Recycling (£1.4)		8.2
2004 PPR Budget Support for 2005/06		5.2
Use of PSA Reward Grant		1.1
Transfers into working balances:- Passenger Transport Authority	(0.1)	
Underspendings and Un-earmarked reserves from 2004/5	(2.7)	
		(2.8)
Estimated Uncommitted Balance 31 st March 2006		(11.6)
Contribution to support one off spending in 2006/07		0.6
Contribution to support 2006/07 Budget		5.0
Uncommitted Working Balances		(6.0)

- 7.3 **Levies from Other Bodies** - Levies are payable to other public authorities by the City Council as a contribution to their costs. These amounts are determined by the levying authority as follows.

Table 6: Levies from Other Bodies

	2006/07 £'000
West Midlands Passenger Transport Authority	15,108
Environment Agency	93
Total	15,201

The increase in the Passenger Transport levy reflects both a 2.5% increase in the costs of that body, together with the effects of changes in the West Midlands population.

- 7.4 **Parish Precepts** - Parish precepts are paid out of the General Fund. Additional Council Tax is then levied in those parishes to pay for the respective precepts. The 2006/07 budget contains provision to pay precepts as follows:

Table 7: Parish Precepts

2005/06 £	Parish	2006/07 £
3,150	Allesley	3,150
2,500	Keresley	1,500
5,650	Total	4,650

8 Council Tax and Impact on Future Years

- 8.1 The medium term financial strategy allows for a balance between service improvement and the need to keep Council Tax increases to a reasonable level. The proposed budget results in a 3.5% increase in the City Council's Council Tax. The impact is summarised below and illustrates the figures before Police and Fire precepts are added:

Table 8: Impact of Council Tax Increases

	2005/06 £	2006/07 £	%	Increase Per year £	Per week £
Band D	1133.16	1172.82	3.5	39.66	0.76
City Average	796.65	827.66	3.9	31.01	0.60

- 8.2 The addition of the Police and Fire precepts will affect the total % rise and actual level of Council Tax reported above. The final decisions on precepts are due to be determined by the respective authorities on 13th February (Fire) and 16th February (Police).
- 8.3 It should be noted that the Government has retained reserve "capping" powers and has made it clear that they will use these in relation to authorities that make excessive increases in tax levels. Increases over 5% have been indicated as an excessive level. The recommended Budget and consequent Council Tax levels in this report are therefore not likely to be capped.
- 8.4 The revenue proposals outlined above have implications for future years' budget projections. Although this year, we have received a two year settlement and therefore can be confident of the level of grant receivable in 2007/08, at this stage it is impossible to foresee all other likely factors affecting the Council's future financial position. Nevertheless, assuming no further adverse pressures, the possible effects on the budget could be as follows:-

Table 9: Possible future effects on the Council's financial position

	2007/08 £m	2008/09 £m
2006/07 Base Budget position (before use of reserves and including DSG adjustment)	239.0	239.0
Inflation, savings and built-in pressures	10.3	13.2
LESS resources – projected Formula Grant & Council Tax at assumed 2.5% increase	(238.6)	(244.6)
Anticipated funding gap	10.7	7.6

*Note this table assumes that all "cashable" Gershon savings will be achieved for future years. Some of these are still to be identified.

- 8.5 Further changes, both locally and nationally may arise and affect the size of the gap. It is recommended that the Management Board be instructed to continue to build on the work that has started this year and identify further service reductions and efficiency savings to bring this gap to a manageable level. Change on a large scale can take a number of years to achieve, needs to be carefully planned and does not lend itself to an annual cycle. Clearly however, the financial outcomes will be reflected in any budget.
- 8.6 It is possible that the following approach may be used to provide the capacity for on-going savings following fundamental review of service provision.

Table 10: Potential on-going savings required

	2007/08 £m	2008/09 £m
Potential Funding Gap	10.7	7.6
LESS Contribution from reserves	(4.0)	(2.0)
Required from new on-going efficiency savings and additional income streams	6.7	5.6

- 8.7 Cabinet received two reports at its meeting on 13th December 2005, the update of the Medium Term Financial Strategy and the medium term revenue and capital programmes. Considered together, they identified the then current gap between spending and resources forecasts for next year and the subsequent two years. Since that time, the Management Board has been working to balance the revenue budget and capital programme for 2006/07 onwards, and the outcome of that work is included in this report. This work has identified a more robust medium term position than has been previously apparent, however challenges remain, particularly for 2007/08.
- 8.8 The Council has already embarked on a programme to reduce spending and deliver efficiencies as set out in the medium term financial strategy. The outcome of some of this work is already included in these budget proposals.
- 8.9 These issues continue to be progressed as the Council seeks to deliver its corporate objectives and improve the delivery of value for money services. The current position, has moved on significantly from the medium term financial strategy and is outlined in the following paragraphs.
- 8.10 The Council has now established a Value for Money unit in the Chief Executive's Office, to manage the efficiency agenda and guide value for money improvements. Whilst the unit has taken longer to establish than had been previously anticipated, the availability of dedicated resources is seen as a significant step in making progress in this area. A newly engaged head of team is currently reviewing the areas of the Council's services and putting together advice on how best to move the value for money agenda forward. In addition, a corporate value for money strategy is being developed to co-ordinate the good work within each Directorate. As some of the Council's services costs are higher than average, work has also started to analyse the quality/quantity of services being delivered and consider, for instance, whether the additional cost is justified in terms of corporate priorities/quality or quantity of service. This is time consuming work requiring officers to get behind comparative costs, including benchmark data from other Councils.
- 8.11 In 2005/06, the Council embarked on its Coventry Direct service improvement programme to change the way in which services are delivered to focus on the needs of the customer. During 2005/06, major developments have taken place to establish the customer contact centre, to open one stop shops and win the contract for the Consumer Direct service across the West Midlands region. These developments are creating the foundations for a fundamental change to the way that front line services are delivered at a lower cost to the Council.
- 8.12 The Council has successfully implemented electronic document management in Housing Benefits and Local Taxation. The electronic storage of paper offers substantial benefits to the Council – reducing the need for filing and storage space and providing the opportunity to reduce accommodation used. This development has potential across the whole of the Council.

9 Fees & Charges and Grants

- 9.1 In setting its revenue budget, the Council assumes income levels to be raised from a range of fees and charges that it applies for the delivery of certain services. Most fees & charges for 2006/07 have been increased in line with inflation, in line with the MTFS or, where applicable, specific agreements. Two service areas are increasing some fees and charges above inflation and details are given below.

Libraries and Information Services

- 9.2 Coventry Libraries and Information Services (CLIS) have made no changes to their fees and charges since 2002. During that period income targets have been increased in line

with inflation while certain charges traditionally used to generate income have been under-achieving. Examples include overdue charges generated by late return of books. Some charged for services have been successful e.g. the DVD loan service. Overall however, there is an increasing gap between income targets set and their achievement.

- 9.3 In addition our charging structure is complex and not easy for our customers to understand. Comparisons with other West Midlands Metropolitan authorities also indicate disparities in charging structures. Proposals have been developed to support a more sustainable approach to income generation and simplify our charging structure. Appendix 4 gives details of the proposed fees and charges.
- 9.4 In future it may be possible to explore opportunities to provide free requests for materials held in CLIS and increase charges for Inter Library Loans from outside Coventry which cost the service more to provide. Other areas which will be investigated include creating a commercially marketable conference room for hire at Central Library and possibly other libraries and a review of research charges for Local and Family History enquiries at Central Library. These options require further research and it is intended to carry out some preparatory work with other authorities to explore the feasibility of this. Further revisions would be brought forward later in the year.
- 9.5 These proposals rationalise the charging structure and bring us into line with other West Midlands authorities. They are helpful to customers and will provide them with greater choice when they visit Coventry Libraries. They increase income generation by about £15,500 in a full year (estimated on existing performance) and place the emphasis on sustainable charges rather than on continued reliance on declining income streams, many of which are punitive.

Community Services fees, charges and grants

- 9.6 Specific information is detailed in **Appendix 5** and summarised in the following paragraphs.
- 9.7 In order to help meet the increasing costs of services provided and balance the budget, we have, this year, reviewed our policy of charging for community care services. We took account of government guidelines on charging, and were determined to develop a charging policy that was both fair and took full account of service users' and carers' views. We consulted widely with users, carers, the public and other stakeholders on a range of options for increasing charges. We listened to the responses we had from this consultation, and amended our proposals in response to those views. We have also taken full account of what users and carers tell us through complaints, comments and compliments, and through the range of user and carer forums that we support.

We now propose to:

- Increase the proportion of service users' income charged as a contribution to the costs of services, after disregarding the Minimum Living Allowance, from 40% to 50%.
- To introduce a notional weekly income of £1 for each additional £250 capital above £17,000, up to £20,999, and include this notional income in calculating the assessed charge.
- To charge users with capital over £21,000 85% of the full cost of their care services instead of 75% of the costs as at present.
- To increase the charge for transport for users by 25 pence in 2006-07 to £1.35 per return journey, and, further, to increase this annually by 15 pence per return journey over the next four years, to a maximum of £1 per journey/£2 per return journey, plus inflation increases as subsequently agreed.

- To increase the charges for meals by 20 pence in 2006-07 and by 20 pence plus inflation annually until 2010. This would meet the rising costs of cooking and delivery.
- To agree, in principle, to introduce charging for services that are actually provided over 52 weeks, rather than charge for planned services over 50 weeks, as at present. The current policy is one of the most common causes of complaint by users. This option is dependent on new information technology being introduced, and is unlikely to be available until 2008.
- To apply the revised charging policy equally to users of all services, including services for older people, people with learning or physical disabilities and people with mental health needs. At present, users of mental health services are excluded from charging.
- To instruct officers to bring a further report during 2008 on progress on implementing the revised charging policy, taking account of the availability of new IT at that stage.

We estimate that this will raise £280,000 additional income for the Council in 2006-07, rising to £459,000 in 2011/12

- 9.8 The Social Services budget especially is also greatly influenced by grant aid agreements, contracts and the application of specific grants provided by central government. The proposals affecting these areas are also outlined in **Appendix 5**.

10 Capital Programme

- 10.1 The main sources of funding for capital expenditure are as follows:

- Supported borrowing. These borrowing costs attract support from Government to pay for most of the cost of borrowing via the Revenue Support Grant mechanism. This is split into support for the Single Capital Pot (SCP) allocations relating to Transport, Education and Social Services, and specific allocations for individual schemes known as ring-fenced supported borrowing.
- Unsupported (prudential) borrowing. This attracts no revenue support from Government for interest and principal repayment charges. Appropriate revenue provision is needed to finance the full cost of prudential borrowing and such borrowing decisions must take into account affordability and sustainability.
- Capital receipts arise mainly from selling Council assets. They are a corporate resource to be used to support policy priorities. In special circumstances, the Council may choose to earmark a receipt for a specific purpose. A capital receipt may give rise to a loss of income from property rents, and the revenue implications of such receipts have to be considered.
- Capital grants are sought from external parties, including government bodies and the private sector, to help fund specific schemes. They are often subject to requirements imposed by the provider. From 2006/07 the Housing allocation previously included in the SCP, will be awarded as grant. At the time of writing, notifications of the level of this award are still awaited and notional figures have been included.
- Revenue funding including reserves, can be utilised to meet the cost of capital expenditure.
- Leasing is used as an additional means of financing the acquisition of assets.

The 2006/07 Single Capital Pot (SCP)

- 10.2 Under this year's SCP, individual government departments have set allocations based on plans submitted by councils for Transport and Education. Notwithstanding these allocations, authorities are free to spend them on whatever capital purposes they

determine. The government has provided revenue support for borrowing through the 2006/07 Formula Grant for the following capital allocations.

Table 11: Single Capital Pot

	Supported Borrowing 2005/06 £'000	Supported Borrowing 2006/07 £'000	Difference £'000
Transport	6,560	12,907	6,347
Social Services	212	211	(1)
Education	1,566	3,802	2,236
Total	8,338	16,920	8,582

- 10.3 The total transport allocation is shown below in more detail for 2006/07. This includes resources for the Integrated Transport element of the Local Transport Plan at a level that is 5% below our expectations. An "exceptional bid" was made in respect of the de-trunked section of the A45. This resulted in an award of £7.5m which although £3m below the bid level, nevertheless exceeded our expectations

Table 12: Transport Settlement

	£'000
LTP - Bridge and highways maintenance	3,720
LTP - Integrated Transport strategy	1,687
A 45 - Detrunking	7,500
Total Supported Borrowing	12,907

- 10.4 The 2006/07 Education capital settlement including ring-fenced borrowing and devolved grant is £13.4m as follows.

Table 13: Education Settlement

	£'000
Supported Borrowing	3,802
Ring-Fenced Supported Borrowing	2,574
Grant – including Devolved Formula	6,995
Total	13,371

Capital Receipts

- 10.5 Projected capital receipts are included in the table below. For information, these are separated between identified specific receipts and those that are anticipated to be yielded in the future. These forecast receipts will be used to fund the proposed capital programme.

Receipts totalling £15m have been incorporated in future years in Table 14 below to be generated from the sale of our least well performing assets, subject to a forthcoming report to Cabinet. However, the Table also shows a "receipts to be identified" figure of £37m between 2007/08 and 2010/11 which is necessary to finance the current programme of spend, including proposed new starts in the medium term. Management Board will continue to take action to review how the Capital Programme will be balanced in future years.

Table 14: Capital Receipts

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	Total £'000
Commercial & Operational Property	34,868	18,209	15,000	3,050	0	71,127
Miscellaneous	200	200	200	200	0	800
Receipts to be identified	0	13,263	4,641	9,919	9,105	36,928
Total Receipts	35,068	31,672	19,841	13,169	9,105	108,855

Forecast Capital Programme

- 10.6 A summary of the proposed programme including existing commitments and funding sources is outlined overleaf. This includes that part of the 2005/06 programme that has rescheduled in to 2006/07 as a result of the third quarter monitoring report for 2005/06. Full details of the proposed programme are included at **Appendix 6**. Those schemes asterisked in the appendix will be subject to a further report to members before they start.
- 10.7 The capital programme has evolved from a process which has scrutinised approved and provisional schemes from last years' capital programme together with new expenditure proposals, prioritised in relation to their importance and any specific external funding/supported borrowing that they attract. The final programme presented in this report includes the most up to date information from the capital finance settlement and presents capital schemes in the traditional Cabinet Member Portfolio format.
- 10.8 From table 15, it can be seen that the authority plans to incur £10.15m of prudential borrowing in 2006/07, and £4.35m in 2007/08. Provision has been made in the revenue budget to fund this. This borrowing, primarily for Coventry Direct, was identified when setting last year's programme.
- 10.9 Table 15 also includes a 5% allowance for the rescheduling of expenditure between the 2006/07 and 2007/08 financial years. This is a new concept for the Capital Programme and incorporates an adjustment shown at a corporate programme level. The aspiration will be to achieve 100% spend at an individual scheme level. However, we need to recognise the potential benefits of maintaining a degree of flexibility through the year and the fact that we are often faced with rescheduling due to factors outside our control.
- 10.10 The programme inevitably looks significantly reduced in the medium term due to the inability to reliably predict the level of available resources. Furthermore, new demands will become apparent as new initiatives are identified. In view of this and given the reliance on un-identified capital receipts to fund the programme in the medium term, it is proposed that only those projects and programmes due to start in the 2006/07 financial year be approved within this report as shown in table 16. It is recommended that the remainder of the programme, including those schemes only subject to feasibility studies in 2006/07, be approved in principle and subject to review during the next year's budget setting process.

Table 15: 2006/07 – 2010/11 Capital Programme (Expenditure & Funding)

Expenditure	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Adult Education, Libraries, Sport & Leisure	13,778	14,353	1,210	110	100
Children, Learning and Young People's Services	25,774	17,827	4,948	1,250	500
City Services	19,970	15,000	5,475	4,975	4,975
Community Services	950	840	700	710	720
Corporate & Customer Services	11,175	4,497	50	50	0
Finance & Equalities	65	0	0	0	0
Health & Housing	9,876	11,769	10,926	10,326	7,306
Urban Regeneration & Regional Planning	46,770	25,775	19,445	8,387	7,731
Total	128,358	90,061	42,754	25,808	21,332
5% Allowance for Rescheduling	(6,418)	6,418			
Programme after Rescheduling	121,940	96,479			
Funding					
Supported borrowing	16,920	9,544	5,580	5,897	6,231
Ring Fenced Borrowing	8,070	4,328	635	0	0
Prudential Borrowing	10,150	4,350	0	0	0
Total Borrowing	35,140	18,222	6,215	5,897	6,231
Government Grants	44,110	39,970	14,964	6,396	5,726
Capital Receipts	35,068	31,672	19,841	13,169	9,105
Revenue Contributions	1,331	5,170	1,014	126	50
Leasing	6,291	1,445	720	220	220
Total	121,940	96,479	42,754	25,808	21,332

Table 16: Approved / Provisional Programme

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Approved Programme	121,940	58,904	18,423	2,340	750
Provisional Programme	0	37,575	24,331	23,468	20,582
Total Programme	121,940	96,479	42,754	25,808	21,332

10.11 The proposed capital programme strikes a balance between the need to invest in the infrastructure of the city and service delivery. In particular, the programme offers the following investment:

- A £26m programme in 2006/07 for Children, Learning and Young People's Services, the majority of which will be invested in schools across the City.
- Continued cultural development in the City, particularly at the Belgrade Theatre and the Herbert Art Gallery & Museum.
- £6.4m for Phase 2 of the Coventry Direct scheme. Spending on this phase will be subject to a report back to members in the near future on the progress of Phase 1.
- A Strategic Housing Regeneration programme of £4.5m.
- Redevelopment schemes in Swanswell, Canley, Stoke Aldermoor and our New Deal for Communities (NDC) areas.
- Investment of over £32m in total on a major Highways and Lighting programme, the Local Transport Plan, Primelines, A45 de-trunking and significant environmental improvements to the Burges/High Street/Broadgate areas of the city centre.
- £0.8m for the acquisition of vehicles for an expanded Kerbside Recycling programme.
- £1.2m over two years is included for improving the provision of play areas in the city.

10.12 A Capital Monitoring Group exists within Housing Policy and Services to ensure that the housing programme is delivered. As much of this programme is made up of individual grants, flexibility needs to be exercised between its various elements to achieve the desired level of spend and a recommendation has been included in this report to allow this practice to continue.

11 Budget Risks

11.1 In making budget recommendations to Members, officers have robustly challenged budgets with a view to ensuring maximum benefit from the resources available. This has included a risk analysis with a view to ensuring that budgets and reserves are set at appropriate levels. Inevitably, in agreeing the budget, the Authority carries some risks, and these are set out in summary below. Some of these risks are already included within the City Council's overall risk register and where this is not the case, it is intended that they will now be added to the register. All of these risks will therefore be monitored through our existing processes for managing risk.

11.2 **Street Lighting PFI** - Officers are currently preparing a report with proposals for a Street Lighting PFI deal. This identifies an affordability gap of £1.3m to be funded from 2008/09. This figure, together with the preparatory costs of £500k have been built into the budget figures within the Medium Term Financial Strategy, however it is recognised that between the expression of interest and the completion of any contract, the costs may change

significantly – either positively or negatively – or indeed the scheme may not proceed at all.

- 11.3 **Inflationary Pressure in the Energy Market** - The Council is due to renew one of its key contracts for the supply of energy before the start of the new financial year. Officers are currently monitoring the market in this highly volatile area (where prices can change dramatically on a daily basis) with a view to achieving the best price. It is possible that the final price we achieve will represent an additional cost above current prices which can't yet be identified.
- 11.4 **Treasury Management** – The City Council has historically, incurred lower than expected debt charges and higher than anticipated interest receipts creating a budget surplus position in-year. For 2006/07 a more robust estimate has taken place, reflecting trends in previous years. Interest and cash management, by their nature, are volatile and there is therefore a small risk that a budget pressure could occur. Conversely there remains the risk that our budgeting continues to be too cautious, and a surplus occurs.
- 11.5 **Ricoh Arena** - The Council has been a key player in initiating and supporting the successful launch of the Ricoh Arena. Council have been kept fully informed of costs additional to the original estimates, as a result of construction delays. Costs are being closely monitored and it is the council's intention to seek compensation for some of these costs. All reported costs have been included in the budget and Medium Term Financial Strategy but it is recognised that the final level of cost may be different. Members will be kept fully informed as these issues progress.
- 11.6 **Children's Placements** – This area has been a consistent cause of budgetary pressure for several years due to the numbers of children requiring care and the inflationary pressures on this market. We have endeavoured to put realistic budgetary provision in place and are adopting strategies for managing these pressures.
- 11.7 **Rescheduling & Pressure in Capital Spend** - The City Council manages a range of high spending complex capital projects. These often require negotiations or permissions with third parties that can take longer than anticipated to conclude. Similarly construction work can be delayed for a range of factors sometimes outside of our control. Rescheduling in the timing of projects as well as inflationary cost pressures can have an impact on cashflow forecasts and ultimately treasury management policy.
- 11.8 **Achievement of Savings and Efficiencies** - A range of savings have been identified in this budget setting process. It is also acknowledged that further savings will be required in future years. This is necessary to meet the Government's Gershon targets and to enable us to achieve a balanced and sustainable budgetary position in the medium term. There is a risk that savings may not be achieved as identified. This would put pressure on the City Council to make service cuts or increase Council Tax above desirable levels. There is also the opportunity that other saving opportunities may emerge that had not been previously identified, although this is less likely.
- 11.9 **Herbert Art Gallery and Museum** – This scheme is proceeding on the basis of a loan of £3m from the Alan Edwards Higgs Trust as part of the funding package. It is anticipated that the repayment of this loan will be addressed by the new charity to be established to run the museum and therefore these figures have not been included in the Council's Medium Term Financial Strategy. Should the trust be unable to make these repayments, the burden would ultimately revert to the Council.
- 11.10 **Capital Receipts** – Historically the Council has underestimated its ability to generate capital receipts which has resulted in greater than expected capital resources available to meet our capital spend at year end. In view of this, our current and future years' capital programmes have taken a more robust approach to the achievement of receipts. These

receipts are subject to market forces and our ability to dispose of assets within the time frames currently assumed. If these projected receipts targets are not hit then this may compromise our ability to resource our capital programme in the medium term.

- 11.11 **Litigation** - The Council has made no specific reserves for litigation of any kind against its decisions or actions, both past or in the future. A body such as the Council enters into many contracts, undertakes much work and makes a wide range of decisions that may from time to time give rise to challenge in the courts. The Council would robustly challenge any such allegations and ensures that it has adequate insurance provisions against such actions. Apart from its insurance fund, the Council holds no specific provision for such an eventuality.
- 11.12 **Single Status** - The Single Status Agreement, implemented on 1st June 2005 has resulted in significant additional costs to the City Council's paybill budgets. The precise way in which the total and pattern of these budgeted costs compare with the actual paybill will depend on a number of variables including the scale and pattern of turnover and the final impact of the appeals process. There is a risk that either in total or at a directorate level there will be budgetary variations resulting from the effects of these factors. As far as possible, Officers will seek to manage any variations within the overall paybill. The ultimate outcome will be to incorporate the Single Status adjustments within our ongoing pay budgeting processes as soon as is practicable.
- 11.13 In considering the Council's corporate objectives in the context of the Council's financial position, resources have been allocated to meet corporate priorities, and savings have been identified. There are a number of risks which now need to be managed:
- a) that the new resources actually deliver the corporate objectives. Operational plans and quarterly monitoring reports will specifically address this issue,
 - b) that ongoing spending and income are controlled to budgets. Compliance with the Council's budgetary control rules is essential,
 - c) that treasury management procedures provide for cash to be available, at minimal cost, when required. The strategy and regular monitoring provide adequate safeguards.
- 11.14 There are always risk elements in setting a budget. These are supported by the Authority's holding of general reserves. Given the level of reserves available to us as set out in **section 13.2, table 17** officers are satisfied that the risks taken are acceptable. In addition to the Council's overall resources, the Council's Working Balance forecast stands at £6.0 m (**see section 7.2, table 5**) at the end of 2006/07, this is an essential safeguard against unforeseen risk.

12 Robustness of the Budget

- 12.1 Under the terms of the Local Government Act 2003, the Chief Financial Officer (the Director of Finance and ICT) is required to give assurance on the robustness of the estimates included in the forthcoming budget.
- 12.2 In the view of the Director of Finance and ICT the budget being recommended to the City Council is supported by robust estimates of income and expenditure. This judgement is based on the following reasons:
- i) The budget has been set within the guidelines of the authority's Medium Term Financial Strategy, approved by members, that sets out the broad policies and assumptions, that lie behind the Council's medium term financial planning process.
 - ii) There is a medium term financial plan in place that sets out the known changes to the current budget over three years incorporating the concept of strictly controlled

- Directorate budgets, known policy changes and best estimates of the impact of inflationary pressures and expectations of resources.
- iii) The authority operates an integrated Medium Term Policy and Financial Planning process that incorporates a comprehensive and detailed assessment of the new policy and technical changes that will affect the proposed budget and the medium term budgetary position of the authority.
 - iv) Individual Directorates, working to strict budgets (plus inflation), have prepared detailed service budgets which are the financial representation of the authority's statutory duties and corporate service objectives for the coming year.
 - v) The authority's individual service Management Teams and its corporate Management Board have been fully involved in the detailed make-up of the information included in the Policy and Financial Planning process.
 - vi) All of the Authority's political groups have been provided with information on the Policy and Financial Planning process and have been consulted on the options available in a way that will enable them to take a full part in the final decisions about budget setting.
 - vii) As discussed further in section 13 below, the Authority's level of reserve balances is sufficient to meet other unforeseen eventualities, within reasonable limits of assessed risk, that may potentially need to be met by the authority.

13 Adequacy of Reserves

13.1 In line with section 12 above, the Local Government Act 2003 also requires the Chief Financial Officer to give assurance on adequacy of reserves of the Authority for which the budget provides.

13.2 **Table 17: The position on reserves was as follows at the 2004/05 outturn stage:**

Reserve	Closing Balance 31 st March 2004 £'000	To/(from) Reserve £'000	Closing Balance 31 st March 2005 £'000
Former Directorate Reserves (now managed corporately)	22,744	(1,885)	20,859
Management of Capital	19,226	(1,428)	17,798
Insurance Fund	5,628	(569)	5,059
Schools	8,238	1,538	9,776
Corporate Resources	14,995	5,285	20,280
Working Balances	3,000	0	3,000
Total	73,831	2,941	76,772

13.3 The final position of reserve balances carried forward into 2006/07 will not be known until finalisation of the 2005/06 accounts. The best current estimate is that the total level of reserves is likely to be around £65m at the end of 2005/06 compared with the £77m reported at the end of 2004/05. It is the view of the Director of Finance and ICT that the City Council holds an adequate level of reserves to support the recommended budget for 2006/07. This judgement is based on the following reasons:

- (a) The Council is well provided for in terms of its reserves compared to its overall level of budget and much better provided for than many other authorities.
- (b) The level of reserves in the key risk areas of insurance is sufficient to meet any likely calls on these reserves (within reasonable limits of assessed risk).
- (c) The level of reserves is sufficient to support contributions to 2006/07 directorate based budgets (including schools) and Corporate commitments both for capital and revenue purposes.
- (d) The level of uncommitted Working Balances provides a sufficient level of resource to meet any other unforeseen eventualities (within reasonable limits of assessed risk) balanced against pressures to not hold an excessive level of reserve balances.

13.4 The Council's policy on the use of reserves is set out in its Medium Term Financial Strategy. The overriding aim is to ensure that the use of reserves is focused on the delivery of the Council's corporate priorities, recognising that reserves can only be used once. Whilst the level of reserves remains high, a number are dedicated to specific purposes, such as schools and insurance, and the remainder have been brought together and are regularly scrutinised by the Management Board in order to ensure the best use possible for the corporate objectives of the authority.

14 Treasury Management

14.1 Treasury management's objective is to manage the Council's cashflows so that sufficient money is available at all times to deliver its services. In particular, the overall aim of our Treasury Management Policy is to minimise the revenue costs of debt, at an acceptable level of risk, as well as to ensure future stability and predictability. More explicitly, the policy objectives are:

Borrowing

- To reduce the revenue costs wherever possible;
- To undertake funding in any year at the cheapest cost taking a medium term view (e.g. five years);
- To manage the total debt maturity profile to ensure a fairly even spread of future repayments;
- To review actively opportunities to redeem (i.e. repay early) and reschedule debt (i.e. replace one debt with another) as interest rates change, to reduce revenue costs.

Investment

- To maintain capital security,
- To maximise the revenue benefit by pursuing the following options, as appropriate given prevailing and forecast interest rates:
 - retain external investments
 - repay existing loans, or
 - avoid new borrowing

Interest Rate Forecasts

14.2 The purpose of this section is to identify likely future trends in interest rates to guide the borrowing and investment strategy.

14.3 Economic growth had been substantially weaker than anticipated as the slowdown in house price inflation and higher debt servicing costs combined to undermine consumer spending growth. Activity is expected to remain weak initially but to stage a recovery as the year progresses. The Bank of England believes that the rebound in consumer activity, together with continued strength in public sector spending and a rise in corporate investment, will encourage higher growth in the future. This is open to debate and it is

clear that the forecasting of interest rates in the current climate is difficult and a cautious approach is needed in treasury activity.

- 14.4 The international economic situation creates further uncertainty in the forecast. UK longer term interest rates have been influenced by US interest rates, which currently appear unrealistically low, and there continues to be risk of an upward shift in rates. The exact timing of this is however difficult to predict.
- 14.5 In 2005 base rate was cut from 4.75% to the current level of 4.5%. It is anticipated that rates may fall marginally before increasing to current levels towards the end of 2006/07. Longer term borrowing rates have been low in recent months. However these too are expected to increase slightly during 2006/07.

Borrowing

- 14.6 Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2006 is:

Table 18: Estimated Long Term Borrowing as at 31st March 2006

Type of Debt	Total £m
PWLB	223.5
Money Market	70.0
Stock Issue	12.0
Total	305.5

- 14.7 The main funding sources used by Coventry are:
- The Public Works Loans Board (PWLB) ~ this is, in effect, the Government. Although loans may be obtained at variable rates of interest they are normally at fixed rates.
 - Money Market ~ these are loans obtained from financial institutions, such as banks. These have generally been less competitive than PWLB loans. However, a comparatively recent development has been the LOBO (lenders option, borrowers option) which is essentially a long term loan at an initial fixed rate for typically 3-4 years then variable thereafter. Should the lender exercise the option and seek to increase the rate beyond a certain level the borrower can choose to repay the loan. Coventry has £68m of such loans.
 - Stock Issue ~ this is loan stock issued by the City Council in 1996. In 2003/04 approximately £88m of the total of £100m was redeemed as part of a debt restructuring.
- 14.8 Given the revenue budget and associated capital programme outlined above, the estimated funding requirement for the City Council for 2006/07 is summarised below:

Table 19: 2006/07 Funding Requirement

	£m
Previous borrowing which matures and needs to be replaced	2.8
New funds to finance the Capital Programme	35.1
Total forecast funding requirement	37.9

This sum will increase if new government supported borrowing is awarded during the year.

In the light of the interest rate forecast, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2006/07, the Director of Finance will, under delegated powers, undertake the most appropriate form of borrowing depending on prevailing interest rates at the time. In addition to borrowing to fund the capital programme, the Director of Finance will also monitor the opportunities for rescheduling debt. In essence this entails redeeming debt early when long term rates are low. This will only be done if revenue benefits justify it.

Investments

- 14.9 Under the City Council's Investment Policy cash management investments are made both directly by the City Council, reflecting day to day cashflow management decisions and also through fund managers, where cash resources are not required in the short term. In addition, the City Council holds long term investments for operational or policy reasons, representing past capital expenditure. These include Birmingham Airport Holdings Ltd, the Coventry Solihull Waste Disposal Company and the North Coventry Holdings Ltd (Arena).
- 14.10 The Investment Policy has been updated with the aim of both rationalising some aspects and providing greater opportunities to improve investment returns. Specifically, whilst continuing to ensure that the City Council only invests with strong counterparties, the policy will allow for:
- An increased number of counterparties with which the City Council can invest, through the use of more than one rating agency. In particular there will be increased scope to make deposits with the larger building societies. Typically, the maximum that will be deposited with most of the larger building societies will rise from £1m to £5m;
 - An increase in the maximum duration of some short term bank and building society deposits (defined as those up to 1 year) from between 1 and 6 months to 1 year;
 - A revision of the maximum amount that can be invested with any one counterparty so that it is the lower of a specified amount and a % of total investments. Current limits are set based only on the former.
 - The enabling of deposits invested for up to 3 years with certain banks and building societies. Following the ODPM Investment Guidance in 2004 authorities have been able to directly invest for more than 1 year. This enabling revision to the policy would allow the City Council to take advantage of this change, should interest rate movements and cashflow predictions indicate that it was worthwhile.
- 14.11 The approach outlined is in line with our Treasury Management Advisor's advice and consistent with that of other authorities. The revised policy is included in **Appendix 7**.

- 14.12 Fund manager performance is reviewed in the corporate Revenue Monitoring report for 2005/06, which is being considered separately by Cabinet. The returns from fund manager investments fluctuate from year to year. However, since 2001 performance has exceeded the target rate, with performance anticipated to be marginally above the target in 2005/06. It is felt that the longer term perspective, as well as diversification justifies the continuation of the use of fund managers.
- 14.13 The City Council will retender for fund manager services during 2006.

15 The Prudential Code

Prudential Code and Indicators

- 15.1 The Local Government Act 2003 and associated CIPFA Prudential Code for Capital Finance set the framework for the new local government capital finance system. From 2004/05 authorities have been able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. This is a fundamental feature of the current system. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues.

Revenue Related Prudential Indicators

- 15.2 Within **Appendix 8** those indicators with references 35 – 38 and 39 highlight the revenue impact of the proposed capital programme. In particular, the increased level of capital investment is forecast to raise the proportion of the council's net revenue stream (the amount to be met from government grant and local taxpayers) taken up by capital financing costs from 5.92% in 2006/07 to 6.27% in 2008/09. These figures represent a reduction over those anticipated when the 2005/06 budget was set. This is due in part to reduced interest rates.
- 15.3 In addition, the impact on a Band D Council Tax of the current proposed programme compared to the programme approved last year is set out in indicator 39. This shows a marginal change over the years 2006/07 to 2008/09, reflecting capital financing costs net of revenue savings arising from schemes to be resourced from Prudential Borrowing. By incorporating net revenue savings this illustrates the broader impact of the investment proposals.

Capital and Treasury Management Related Prudential Indicators

- 15.4 These indicators, set out in **Appendix 8**, include:
- Authorised Limit (Ref 59)~ This reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.
 - Operational Boundary (Ref 60) ~ This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.
 - Net Borrowing less than "Year 3" Capital Financing Requirement (Ref 45) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding

year plus the estimates of any additional capital financing requirement for 2006/07 and the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose.

- Debt Maturity Structure, Interest Rate Exposures and Investments Longer than 364 Days (Ref 67 – 73, 74, 77) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.
- Other indicators highlight Planned Capital Spend (Ref 51), Actual Debt at 31st March 2005 (Ref 64), the adoption of the Treasury Management Code (Ref 66).

All these prudential limits need to be approved by full Council, but can be revised by Council during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting that you ask for the approval of full Council to the changes required.

16 Leasing

The City Council uses operating leases for non-fixed plant and equipment, where this method of funding represents best value. The capital programme includes £6.3m of spend to be resourced from leasing in 2006/07, but this will only be used where this is value for money when compared with other forms of funding, such as unsupported borrowing.

Quarterly reports on the Treasury Management Strategy will be presented to Cabinet, as part of the budget monitoring process.

17 Other Specific Implications

	Implications (See below)	No Implications
Best Value	✓	
Children and Young People	✓	
Comparable Benchmark Data	✓	
Corporate Parenting	✓	
Coventry Community Plan	✓	
Crime and Disorder	✓	
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations	✓	
Information and Communications Technology	✓	
Legal Implications	✓	

	Implications (See below)	No Implications
Neighbourhood Management		✓
Property Implications	✓	
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact	✓	

17.1 Best Value

The City Council's 2006/07 Budget and Capital Programme has been prepared in accordance with the Best Value Accounting Code of Practice. This requires all authorities to account for support services in the same way, in order to achieve comparability of financial data. In particular, it lays down whether specific costs should be shown against departmental or central service accounts. In accordance with this code, corporate and democratic core costs, together with unapportionable overheads, have been separated from the service costs of Cabinet portfolios.

17.2 Children and Young People

The implications of this report for the Schools element of the budget are dealt with within section 6.

17.3 Comparable Benchmark Data

The City Council is part of a number of benchmarking clubs which enable us to monitor our costs against other comparable organisations. In particular, the Council belongs to such a club for treasury management purposes, consisting of all West Midlands districts. Regular monitoring reports produced refer to benchmarks where these are available.

17.4 Corporate Parenting

Additional resources for Children and Young People's Directorate will make a significant contribution towards raising standards for vulnerable children.

17.5 Coventry Community Plan

The themes and priorities of the second Coventry Community Plan have been taken into consideration in formulating the proposals in developing the Council's Corporate Plan and Cabinet Member Strategic Plans. As part of the budget setting process the Coventry Partnership has been consulted on the Council's priorities, performance and initial budget proposals.

17.6 Crime and Disorder

Resources have been allocated for a Community Cohesion Institute to be established within Coventry.

17.7 Finance

The financial implications are included within the main body of the report.

17.8 Human Resources

The budget proposals will have some impact on employment levels. Any redundancies that do arise will be managed within the City Council's Security of Employment Agreement.

17.9 Impact on Partner Organisations

Appendix 5 contains information that impacts upon our dealings with some partner organisations.

17.10 Information and Communications Technology

Appendix 3 details savings in costs which relate to a review of schools broadband network, to be conducted in partnership with Customer and Business Support.

17.11 Legal Implications

This report is expressed formally to comply with section 32 of the Local Government Act 1992 and Section 25 of the Local Government Act 2003.

17.12 Property Implications

Additional resources are included for property repairs to support the required maintenance programme.

17.13 Risk Management Implications

Budget risks are included in section 11 of the report.

17.14 Trade Union Consultation

The trade unions have been consulted as part of the budget setting process.

17.15 Voluntary Sector – The Coventry Compact

The Council has undertaken extensive consultation as part of the budget setting process. Consultees included community and voluntary sector organisations and a range of partner organisations.

18 Timescales and Monitoring

18.1 The actions that result from the spending and savings decisions will be monitored and evaluated through the Council's new performance management system – through quarterly monitoring by Councillors of the new Cabinet Member Strategic Plans and by service managers through their Operational Plans. This information will be used to inform future policy and financial planning.

18.2 Once the budgets for 2006/07 have been approved, effective budgetary control and monitoring is essential to ensure that expenditure is kept within approved budgets. The key principles of budgetary control, which are well established, are outlined below:

- Most budget heads include provision for the full cost of inflation in that year and will not be increased during the year.

- Directors are responsible to their Cabinet Members to manage within their budgets, and any variations from approved spending on budgets must, wherever possible, be compensated elsewhere within the Cabinet Member's resources.
- Once the budget has been set, the delivery of policy is constrained by the resources available; if necessary, policy has to be amended during the year, or resources found from other sources, to ensure that the total service portfolio budget is not overspent.
- Effective budgetary control reporting is crucial. Individual Departments and Management Board now monitor revenue budgets monthly and capital budgets quarterly. Budgetary Control Guidelines require that Cabinet Members are regularly briefed on their budgetary control position during the year. In addition, Cabinet will receive summary reports on a quarterly basis.

18.3 Regular monitoring of the achievement of capital receipts will occur through the Capital Working Group.

18.4 Quarterly reports on the Treasury Management Strategy are presented to Cabinet.

	Yes	No
Key Decision	√	
Scrutiny Consideration		√
Council Consideration	√ 21 st February 2006	

List of background papers

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Papers open to Public Inspection - None

Appendices

Appendix 1 – Public Consultation

Appendix 2a – General Fund Budget 2006/07

Appendix 2b & 2c - Detailed table of technical changes and spending proposals

Appendix 3 – Detailed table of savings options

Appendix 4 - Coventry Libraries and Information Services fees and charges

Appendix 5 – Social Services : Annual Increases in Fees

Grants to Voluntary Organisations

Central Government Grants

Appendix 6 – Capital Programme 2006/07 to 20010/11

Appendix 7 - Council Investment Policy

Appendix 8 – Council Prudential Indicators

CONSULTATION ON THE COUNCIL SERVICES AND BUDGET SETTING

1. Introduction

- 1.1.1 During December and January the Council consulted with partners, local organisations and groups to find out their views about the services that the Council provided and how well they were meeting the needs of people in the City.
- 1.1.2 The Council reported on its priorities, current performance and budget proposals and asked for views on the issues that needed to be addressed in the future. In addition the Council asked for views on where and how its services could be improved and whether they could be delivered more efficiently.

2. Consultation Process

- 2.1.1 A variety of consultation sessions were arranged over December and January. These were attended either by the Leader or Deputy Leader of the Council, together with a Management Board member. Wherever possible the opportunity was taken to attend existing group meetings to maximise participation in the process, there were also open invitations sent to partners from the public and private sector and the voluntary and community sector.
- 2.2 Overall consultation took place with:
- Coventry Youth Council
 - Coventry Cultural Partnership
 - Coventry Chamber
 - Public/ Private Partners
 - Voluntary and Community Partners
 - Coventry Partnership
- 2.3 There has been opportunity for Scrutiny Board members to comment upon current performance and future priorities including spending proposals through the presentations that they received from Cabinet Members on the Cabinet Member Plan half-year reviews.

3. Outcomes of Consultation

- 3.1 Attached as part A of this appendix is a summary of the key comments made during the consultation. There were no specific comments recorded from the Cultural Partnership Group or Coventry Partnership meetings although it is likely that some individual group members may have contributed through other forums. This information will also be used by the Council in considering it'
- 3.2 It can be seen from the wide range of comments that there was general support for the Council's priorities and that some suggestions were made about possible gaps to be addressed in the future. In particular there was support relating to the spending proposals on Children's services, street cleansing, waste recycling and marketing and promoting the City.

Improvements to highways, housing schemes and major developments in Coventry were also viewed as high priority for further capital investment.

3.3 The presentations of Cabinet Member Plan reviews provided Scrutiny Board members with opportunity to ask questions about current performance and future proposals. Specific discussions relating to the spending proposals included improvements to recycling and kerbside collection, a strategy to deal with hazardous trees, street cleansing, fly tipping and the promotion/marketing of Coventry. Highways and street lighting improvements, transport improvements and options around some of the City's major developments were also discussed in some depth. Reassurance was sought that proposed savings in running costs in Legal and Democratic Services would not mean a reduction to Member Support Services. It was also acknowledged that there were short term externally funded projects in areas such as Community Safety, Health Inequalities and Smoke Free Coventry where the Council would need to make decisions in the future on how and whether funding was to be continued.

3.4 **The Council has also undertaken consultation with the council's trades unions as part of the budget setting process through the Trade Union Core Group and the views expressed have been taken into consideration in the production of the Council's budget proposals.**

**Appendix
(Part A)**

**CONSULTATION ON COUNCIL SERVICES AND BUDGET SETTING
Summary of Views**

Corporate Objectives	Comments	Sector
<p>Improve the quality and efficiency of services and make it easier to access them.</p>	<ul style="list-style-type: none"> • There could be opportunities to share resources with partners and neighbouring local authorities to achieve value for money and efficiency savings. 	<p>Public/ Private</p>
<p>To ensure the best quality of education for all and that children and young people can achieve their maximum potential.</p>	<ul style="list-style-type: none"> • There was considerable support for continued focus on making improvements in educational attainment. • Voluntary and community sector were interested in learning about plans to improve key stage 1 and how this linked to early years development. • At key stage 1 we should also be interested in Children's social development and not just educational attainment. • This corporate objective focuses upon Children and Young People and does not specifically address the issue of Lifelong Learning. This appears to be an important gap in the Council's priorities. • Education is important and closely linked to the creation of jobs and employment. • Partnership working will be of increasing importance in the delivery of Children's Services. • Children in schools are the future workforce for the City and education is key to attracting people to live, work and stay in Coventry. 	<p>All sectors</p> <p>Voluntary/Community</p> <p>Public/ Private</p> <p>Business (Chamber)</p>

Corporate Objectives	Comments	Sector
<p>To regenerate the city and ensure people have a good choice of jobs and housing.</p>	<ul style="list-style-type: none"> • There was considerable support for the Housing Strategy and the desire to achieve a mix in Housing provision. • The mix should include both affordable and aspirational housing to encourage people to stay in Coventry as their income rises. • Introduction of rent deposit schemes could be introduced to improve the take up of private rental opportunities. • The range of Housing in the City is an important issue for businesses in Coventry and key for them in attracting their workforce, • There is not yet a clear vision of the types of jobs and employment that Coventry wants to attract for the future. More joint work is needed on this involving partners and universities. • The vision for the City Centre infrastructure is not yet clear and plans do not appear to adequately reflect tourism. • More opportunities to provide support for small to medium businesses, recognising that there are legislative limitations. • Concern that there is a shortage of commercial freehold property available in the City whilst other properties remain empty. • Important that Coventry gets the right media coverage and that there is effective promotion of the City. • Important to get the Casino back on to the agenda. • Tourism is important for the City with a lot of potential visitors. • Coach parking will be a problem in the future. • Parking is a significant problem which means that it is difficult to hold business meetings in the City Centre. • The Council should look to see whether there is any more that it can do to refurbish derelict properties. 	<p>All sectors</p> <p>Public/Private Business Sector Voluntary/Community.</p> <p>Business (Chamber)</p> <p>Public/Private</p> <p>Public/ Private</p> <p>Public/ Private</p> <p>Business (Chamber)</p> <p>Youth Council</p>
<p>To promote health, independence and choice for all citizens.</p>	<ul style="list-style-type: none"> • There was considerable support for the Councils priority to help people to live independently in their own homes. • The development of Community Services Directorate will enable better connections between social care provision and quality of life services such as Culture and Leisure and Adult Education. • There should be more emphasis on a holistic approach to supporting people with learning disabilities to include housing, education and 	<p>Voluntary/Community</p>

Corporate Objectives	Comments	Sector
	<p>employment.</p> <ul style="list-style-type: none"> • Informal carers have an important role and help to reduce costs for the statutory services they need to be provided with ongoing support. • Costs of out of district placements are high and savings may be difficult to achieve. • The voluntary sector would like more information on the availability of adaptive housing so that they can be more closely involved in the allocation process. • There was support for the extra care housing programme for the elderly enabling older people to maintain independence for longer. • The Partnership Board is seen as an important forum for planning future priorities. • Supporting people to stay in their own homes is a costly priority and therefore emphasises the importance of collaborative working with the Primary Care Trust and other partners to look for efficiency savings. • Healthy eating in schools could be encouraged if healthy options were made to be cheaper than less healthy alternatives. 	<p>Public/ Private</p> <p>Youth Council</p>
<p>To create a city where people feel safe and confident and where no-one is disadvantaged by the neighbourhood in which they live.</p>	<ul style="list-style-type: none"> • It is important to work alongside young people to develop facilities that they want. • The City image could be improved significantly by ensuring that light bulbs are replaced promptly. • There was considerable support for the neighbourhood management agenda. It provides good opportunities for joint working, co-ordination of resources and developing joint initiatives for achieving efficiency savings. • It was seen as importance to make improvements to less popular areas of Coventry and ensure that there was a good range of services including leisure and community facilities, shops and the environment. • Look at ways to improve the way in which the community and young people facilities that are available are promoted in neighbourhoods. • The refurbishment of older buildings has provided some good examples of facilities for young people. • Young people would like to be involved in deciding what facilities 	<p>Voluntary/Community</p> <p>Public/ Private</p> <p>Youth Council</p>

Corporate Objectives	Comments	Sector
	<p>should go into parks. This has started through the Youth Council.</p> <ul style="list-style-type: none"> • Introduce more street lights for safety and cameras for security. • Allocate specific areas to portray graffiti and issue licenses to buy spray paint. 	
To make the city clean and green.	<ul style="list-style-type: none"> • Continued emphasis on collaborative working is needed to tackle instances of fly tipping. • Make it easier for older people to get their bins emptied. • Look to introduce more litter bins on the street. 	Public/Private Youth Council
Actively promote equality so that people from different backgrounds have similar life opportunities.	<ul style="list-style-type: none"> • Ensure that black minority groups are treated equally in the way in which they are supported to live independently in their own homes. 	Public/Private

Management Objectives		
Money	<ul style="list-style-type: none"> • Concern over high levels and rises in Council Tax. • Further clarification needed on the process of moving from grant provision to full cost recovery in Social Care. • There is a need to make sure that Capital Projects are sustainable and it is important not to go for grants just because they are available it must fit with the strategic plan. 	Voluntary/Community Public/Private Voluntary/Community Public/ Private
People	<ul style="list-style-type: none"> • Single status has been an important process to enable equal pay for traditionally low paid areas such as carers. • Important to sort Single Status to enable employees to get on with delivering value for money services. 	Voluntary/Community Public/Private
Improving the way we work	<ul style="list-style-type: none"> • Considerable support for the way in which the Council works in partnership with the voluntary sector, supported by the CVSC and Community Empowerment Network arrangements. Their experience has suggested that this is better than in some other authorities. • Coventry Compact has been viewed as a good piece of work and an opportunity to promote a national profile. • It could be possible to take a more strategic approach to the allocation of Neighbourhood Renewal Funding (NRF). This could involve joint working and identification of areas of common interest • The Council was supported in its decision to spend money on improvements to roads and catch up of repairs programme. 	Voluntary and Community Public/ Private Sector

General Fund Budget 2006/07

2005/06 Final Budget £'000	Cabinet Member Portfolios*	2006/07 Base Budget £'000	2006/07 Technical Adjus'mts Appx 2b £'000	2006/7 Spend Proposals Appx 2c £'000	2006/07 Saving Proposals Appx 3 £'000	2006/07 Final Budget £'000
18,758	Adult Education, Libraries, Sport and Leisure	21,615	320		(277)	21,658
(¹)202,146	Children, Learning and Young People's Services	75,443	5,065	421	(1,017)	79,912
25,277	City Services	26,499	744	699	(445)	27,497
(¹)97,286	Community Services	69,882	4,012		(2,708)	71,186
755	Corporate and Customer Services	(654)	980		(440)	(114)
6,648	Finance and Equalities	7,711	(100)		(649)	6,962
7,906	Health and Housing	7,591			(463)	7,128
62	Policy, Leadership and Governance	242	50	80	(46)	326
12,508	Urban Regeneration and Regional Planning	18,968	792	350	(188)	19,922
12,030	Corporate and Democratic Core and Unapportioned Overheads	12,052				12,052
383,376	Total Cabinet Member Portfolios	239,349	11,863	1,550	(6,233)	246,529
(14,661)	Asset Management Revenue Account	(24,933)	400		(595)	(25,128)
4,193	Contingencies and Corporate Budgets	7,076	(3,318)	60	(1,100)	2,718
(5,608)	Contribution from Reserves to support General Fund Budget	(367)			(4,954)	(5,321)
0	Contribution from Reserves to support one off spend pressures	0			(580)	(580)
14,984	Levies from Other Bodies	15,407	(206)			15,201
6	Parish Precepts	6	(1)			5
382,290	City Council General Fund Budget Requirement 2006/07	236,538	8,738	1,610	(13,462)	233,424
(158,844)	Removal of equivalent 2005/06 DSG plus other grants					

223,446	City Council General Fund Budget Requirement 2006/07	236,538	8,738	1,610	(13,462)	233,424
(283,349)	Financed by: Central Government Resources					(129,905)
(97,493)	Council Tax @ 3.5% increase					(101,990)
(1,448)	Collection Fund Surplus					(1,529)
(382,290)	Total Resources					(233,424)
158,844	Removal of equivalent 2005/06 DSG plus other grants					
(223,446)	Total Resources					(233,424)

(1) 2005/6 includes £158,844 of equivalent Dedicated Schools Grants plus other grants

- During the policy and financial decision making process, revenue and capital information was presented in a 'themed' format to aid decision making. **Appendix 2b, 2c and 3** now present this information in Directorate format in line with budget allocations. The table above is on a portfolio basis and therefore may not exactly align to the Directorates proposals. The overall totals for the technical adjustments and spend proposals above will reconcile to the overall totals in **Appendices 2b and c**. The overall total for savings proposals above, less the £4,954k and £580k contribution from reserves will reconcile to the savings total in **Appendix 3**.

As in previous years, all expenditure is shown in the Budget Requirement 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 help members in making year on year comparisons of expenditure, the Budget Requirement for 2005/06 has been restated to reflect these changes. 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 portfolio budgets include 2.95% in respect of the pay award already agreed for 2006/07 and 2.5% price inflation on running expenses and income, as well as an inflation allowance on "contract" areas that reflects the mix of pay and price inflation as appropriate. They have also been updated to reflect the policy decisions made in previous PPRs.

PROPOSED TECHNICAL CHANGES TO BASE BUDGETS

Appendix 2b

Proposed Technical Changes	2005/06 £000 Budget	2006/07 £000 Proposal	2007/08 £000 Proposal	2008/09 £000 Proposal	Comments	Post Implications
	£000	£000	£000	£000		
<u>Children's Services</u>						
Children's Placements	16,511	3,174	3,024	2,774	Additional resource required to meet the ongoing financial commitment for residential and fostering placements for vulnerable children (independent sector and local authority).	0
Transporting Children	170	212	212	212	Additional costs directly associated with the support arrangements for vulnerable children.	0
Asylum Seekers	0	100	100	100	Financial support for children not granted permission to remain in the country, for whom the government makes no grant provision	0
Fostering Payments	3,921	300	600	600	Changes in basis of payments and increase in level of allowances to bring into line with neighbouring authorities to address recruitment/retention of carers.	0
Friend and Family Service	16,511	320	320	320	Provision for payments to family/friends as alternative to children remaining longer than necessary in local authority foster care	0

Proposed Technical Changes	2005/06 £000 Budget	2006/07 £000 Proposal	2007/08 £000 Proposal	2008/09 £000 Proposal	Comments	Post Implications
	£000	£000	£000	£000		
Special Guardianship	0	100	100	100	Resources to complete Special Guardianship Assessment and design and implement Special Guardianship plans, both of which are required by new legislation and the courts. Without additional resource, workers would have to be redirected from other legal work. The impact of not securing this would be increased risk to children and a significant drop in our performance of keeping children safe. All court processes are now driven by tight judicial timescales.	2
Safeguarding Children Grant	0	650	650	650	Funding necessary to replace a Government Grant which was used to meet the cost of employing social workers across a range of children's services. This grant will fall out in 2006/7.	0
Teachers Pay Grant	0	209	214	219	Funded as part of Formula Grant	0
Total		5,065	5,220	4,975		

Proposed Technical Changes	2005/06 £000 Budget	2006/07 £000 Proposal	2007/08 £000 Proposal	2008/09 £000 Proposal	Comments	Post Implications
	£000	£000	£000	£000		
<u>Community Services</u>						
Adults Community Care and Adult Protection historic budget shortfall and Learning Disability Purchasing Pressure	23,804	1,986	1,199	521	The 2003 PPR partially supported a bid for resources to meet the underlying budget pressures by agreeing additional resources in 2004/5 and 2005/6. However, this budget remains under pressure and resources are required on an ongoing basis to continue support to vulnerable adults. Funding is also used to support a grant to Age Concern. There also continues to be pressures on the Learning Disability budget, with new school leavers and new packages for those whose needs are currently being met by carers.	Reduction of 4 posts

Proposed Technical Changes	2005/06 £000 Budget £000	2006/07 £000 Proposal £000	2007/08 £000 Proposal £000	2008/09 £000 Proposal £000	Comments	Post Implications
Transfer of Clients from Learning Disabilities to Older People	16,299	255	255	255	There are significant pressures on the budgets for adults with Learning Difficulties (LD). There are currently 42 people who have learning disabilities who are also now over 65 and therefore classed as "elderly". This is a new phenomenon as in previous generations only a few adults with LD lived into their 60s. We now need new packages of care for these older people – sometimes in existing older people's provision but also for some in more specialist provision for older people with LD. There are neither the resources in the LD budget or the older people's budget to purchase the additional or new resources required. This is a bid to meet these costs.	0
Physical Disabilities Budget Reduction	3,702	(300)	(300)	(300)	There have been underspends on this budget over the last two years and these are expected to continue	0
Older People Purchasing Pressures	31,838	726	1,150	1,150	The Older People's purchasing budget has been supported over the last two years by the use of Government grants and underspends in provider services. There are underlying budget pressures, including a reduction in Supporting People income.	0
Residential Allowances and Preserved Rights	0	1,345	1,465	1,509	Resources required as grant funding is now included as part of RSG	0
Total		4,012	3,769	3,135		

Proposed Technical Changes	2005/06 £000 Budget £000	2006/07 £000 Proposal £000	2007/08 £000 Proposal £000	2008/09 £000 Proposal £000	Comments	Post Implications
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City Development

Car Park Income	(4,655)	200	200	200	Over the years, car park closures and resistance to increasing charges has meant this target has become unachievable	0
Property Repairs (reserve exhausted)	855	348	348	348	The Repairs Fund balance that supported the revenue/capital resources has been switched for corporate use in recent years. This has led to a re-evaluation of the level of revenue/capital resources required on an ongoing basis to maintain the council's commercial portfolio. The additional funding is designed to ensure that revenue resources available annually are at a sufficient level to support the required maintenance programme.	0
Herbert Art Gallery and Museum Trust	89	100	100	0	The Trust is unlikely to be established in 2006/7 and savings previously identified in relation to NNDR (reduction for charitable status) are unlikely to be realised as soon as expected	0

Proposed Technical Changes	2005/06 £000 Budget £000	2006/07 £000 Proposal £000	2007/08 £000 Proposal £000	2008/09 £000 Proposal £000	Comments	Post Implications
Transport Salaries (base budget)	518	244	244	244	The adjustment is required to redress the balance between capital and revenue funding for the cost of Officers working on transport schemes. In recent years capital resources have been switched to fund all of these costs but this position is no longer sustainable	0
Total		892	892	792		

City Services

Grounds Maintenance (base budget)	1,923	260	260	260	This represents the shortfall in the base budget that is required to maintain the Grounds Service at its current standard.	0
Loss of major commercial contract	(403)	300	300	300	In July 2004 a major contractor ceased using Waste Services. Despite an efficiency exercise it has not been possible to reduce all of the income target	0
Street Cleansing	1,864	184	184	184	To provide Pavement Sweepers & litter bins which were funded out of reserves in 05/06 and to fund a budget shortfall to maintain the current standard of Street Cleaning service.	0
PFI Public Lighting	0	0	430	1,300	Resources for project costs to support the scheme. Approximately £70k will be required in 2006/7 and can be funded from resources already identified.	0
Total		744	1,174	2,044		

Proposed Technical Changes	2005/06 £000 Budget £000	2006/07 £000 Proposal £000	2007/08 £000 Proposal £000	2008/09 £000 Proposal £000	Comments	Post Implications
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Other

Community Centres	220	220			Continuation of funding provided in 2005/06 prior to completion of Best Value Review	0
Coventry Partnership		50	50	50	To maintain current level of service	0
Local Elections	19	80	80	80	Additional cost of new regulations relating to the electoral system. These regulations are aimed at improving the voting process and standardising polling hours.	0
Coventry Direct	7,490	1,000			The Coventry Direct programme was approved on the basis of achieving savings over the medium term including £2m in 2006/07, of which £1m were originally intended to be secured through procurement efficiencies. Many of the savings identified by individual services within this budget include the withholding of inflation on budgets which in many cases will be made feasible through improved procurement. In the light of this, it is felt that these savings should not be included twice. Therefore, for one year only, savings anticipated from the Coventry Direct programme have been reduced by £1m.	0
Total		1,350	130	130		

Proposed Technical Changes	2005/06 £000 Budget £000	2006/07 £000 Proposal £000	2007/08 £000 Proposal £000	2008/09 £000 Proposal £000	Comments	Post Implications
Centrally Held Budgets						
Contingencies and Corporate Budgets	0	(774)	(560)	(560)	Various savings due to a net surplus on pay/price inflation and benefit subsidies being higher than expected.	0
Local Authority Business Grant Incentive (LABGI)	0	(2,950)	(750)	(750)	In year achievement of grant, plus amount carried forward from 2005/6	0
Capital Financing costs and costs of using Reserve Balances	0	400	850	900	Revenue provision for the cost of meeting the Capital Programme and the impact of contributions from reserves (loss of investment income).	0
Parish precepts	6	(1)			Parish precepts are lower than anticipated	0
Total		(3,325)	(460)	(410)		
Net Technical Changes		8,738	10,725	10,666		

New Spending Proposals

Appendix 2c

New Spending Proposals	2005/6 Budget	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
<u>Children's Services</u>						
Directorate	40	121	60	60	Additional support including legal work and consultancy on a range of projects relating to the establishment of the new Directorate.	0
Children's Services		300	0	0	Additional management, HR and policy development capacity for the change agenda.	0
Sub Total		421	60	60		
<u>City Development</u>						
Sports Trust	0	150	150	150	Sports centre renewal	0
Marketing the City	0	200	200	200	To improve profile	0
Sub Total		350	350	350		
<u>City Services</u>						
Street Cleansing	1864	294	201	201	Additional resources to improve street cleanliness	14
Grounds	1923	60	0	0	Hazardous trees	0
Legionella	0	215	215	215	Funding to address requirements for legionella surveys	2

New Spending Proposals	2005/6 Budget	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
Waste Recycling	597	0	0	514	To extend Kerbside collection. 2006/07 and 07/08 are funded from reserves	18
Whitley Depot additional security	45	80	120	120	To provide 24 hour, 365 day per year physical security presence to improve security	8.5
Smoke Free Coventry	0	50	50		Resources to support project due to grant fall out	0
Sub Total		699	586	1050		
<u>Corporate Policy</u>						
Peace Month	0	30	30	30	Annual event in Coventry	0
Labour and Conservative Party Conferences	0	30	30	30	Annual Council Promotions stands	0
Community Cohesion Institute	0	20	20	20	To be established in Coventry	0
Sub Total		80	80	80		
<u>Other</u>						
Half Marathon	0	60	60	60	To replace NRF funding which drops out after 2005/6	0
Sub Total		60	60	60		
Total		1,610	1,136	1,600		

Savings Proposals

Appendix 3

Savings Proposals	2005/6 Budget £'000	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
Children's Services						
Management Services Admin	461	(20)	(20)	(20)	Deletion of a clerical post	1 vacant
Broadband	630	(50)	(50)	(50)	A review of costs of the schools broadband network, to be conducted in partnership with Customer and Business Support	0
Home to School Transport	2,099	(65)	(65)	(65)	Implementation of a Review by City Services to reduce costs of home to school transport	0
Children's Services	24,023	(394)	(394)	(394)	Savings from new management structure. In 2006/07, the level of saving can be delivered from withholding price inflation.	Unknown as new structure not yet in place.
Disability Foster Scheme	220	(50)	(50)	(50)	Review of scheme	0
Recruitment and Retention	83	(15)	(15)	(15)	Reduction in budget	0
LEA Block Overheads	145	(145)	(145)	(145)	Savings as a consequence of new schools funding arrangements	0
Total		(739)	(739)	(739)		
Community Services						
New Homes for Old	180	(1,430)			This money, resulting from previous PPR decisions, will now not be required until 2007/08.	0
Potential Income	(1,803)	(280)	(325)	(375)	Increase in charges for services	0
Lift Installations	233	(50)	(50)	(50)	Savings from reducing duplication in the process by dealing directly with the supplier.	0
Policy and Performance	3,236	(320)	(320)	(320)	Support Team - savings to be achieved through reducing the training budget and deleting vacant three posts. There will also be two potential redundancies, which may involve the Security of Employment applying.	Reduction of 5 posts (including 3 vacant)
Housing	3,149	(370)	(370)	(370)	£160k for Supporting People funding not needed, £160k from reducing emergency accommodation expenditure and £50k due to increased income in grant administration	Reduction of 1 post
Older People's Management	259	(80)	(80)	(80)	Efficiency savings from management costs	Reduction of 2 posts

Savings Proposals	2005/6 Budget £'000	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
Older People	-	(268)	(268)	(268)	Newly freed up resource to offset reduction in Supporting People funds in Housing Care, and a surplus on the Access and Systems Capacity Grant.	0
Total		(2,798)	(1,413)	(1,463)		
City Development						
Culture and Leisure	16,404	(112)	(112)	(112)	Withholding inflation on all supplies and services budgets.	0
Regeneration, Planning and Transport, Property and Projects	9,225	(283)	(283)	(283)	These savings will be achieved through withholding price inflation for 2006/7, centralising and restructuring backroom work practices.	0
Property Services	-	(60)	(60)	(60)	Centralisation of the Property Services.	0
Staffing Efficiencies Target	-	(56)			This will not disrupt front-line service delivery	0
CCTV Control Rooms		(25)	(125)	(125)	Amalgamation of CVOne and ESU control rooms	0
Total		(536)	(580)	(580)		
City Services						
CCTV Control Rooms	0	(25)	(125)	(125)	Amalgamation of CVOne and ESU control rooms	0
Bereavement Services	(142)	(50)	0	0	Additional fees and charges will be applied to revenue in 06/07. This additional income will be used to fund the capital bid for replacement cremators from 07/08 onwards.	0
Catering Service	151	(20)	(20)	(20)	Reduction in vehicles (2-3)	0
Refuse/Fleet Savings	3,791	(50)	(100)	(100)	Replacement of existing refuse fleet in Sept 2006	0
Highways	1,905	(110)	(110)		Revenue savings which reflects capital investment	0
Waste Services	4,388	(75)	(75)	(75)	Operational review of Waste Services including reinvesting further efficiencies	Reduction of 3 posts
Skip Licensing	0	(100)	(200)	(200)	Additional income	0
Central Repairs	0	(15)	(15)	(15)	Efficiency savings to be met by careful prioritisation of repairs work and more efficient working by internal providers	0
Total		(445)	(645)	(535)		

Savings Proposals	2005/6 Budget £'000	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
Libraries						
Libraries	539	(76)	(76)	(76)	Efficiency savings and revision of libraries services	0
Total		(76)	(76)	(76)		
Other						
Directorate Management of Vacancy target	0	(1,066)	(1,066)	(1,066)	Each Directorate given a target of 1% of employee budgets	0
Total		(1,066)	(1,066)	(1,066)		
Corporate						
Review of administration cost	0	(250)	(250)	(250)	Council wide review of admin costs.	To be confirmed
Review of Corporate Budgets	0	(500)	(500)	(500)	Savings from overall review of budgets held corporately	0
Accelerated Receipt of Grant	0	(350)			Technical change to cashflow of Government Grant for PFI	0
Asset Management Revenue Account	0	(160)	(146)	(1,005)	Resources released due to review of budgets	0
Review of Council/School cash relationship	0	(67)	(67)	(67)	Cash flow savings from a review of the timing of payments and interest rates	0
Devolved Capital Cash	0	(18)	(18)	(18)	Cash flow savings from new arrangements for paying capital grants	0
Total		(1,345)	(981)	(1,840)		
Finance and ICT						
Finance and ICT	4,354	(252)	(252)	(252)	The Directorate will be implementing service excellence reviews in order to identify efficiency savings to meet its savings targets. These are not intended to reduce the level of service provided.	Not yet determined

Savings Proposals	2005/6 Budget £'000	2006/7 £000	2007/8 £000	2008/9 £000	Comments	Post Implications
Housing Benefit Subsidy	67,389	(200)	(200)	(200)	Additional housing benefit subsidy arising from improvement in claims procedures	0
Expenses payments	0	(65)	(65)	(65)	Efficiency savings in expenses payments	0
Total		(517)	(517)	(517)		
Legal and Democratic Service						
LDS	1,076	(115)	(115)	(115)	Savings on running expenses across various cost centres within LDS.	0
Open Day	0	(40)	0	(40)	Review methods of publicising council services	0
Total		(155)	(115)	(155)		
Chief Executive's						
Human Resources		(117)	(141)	(141)	Commitment to make savings from recruitments and other areas of service and income generation from Corporate Training Centre	0.5
Human Resources		(30)	(30)	(30)	Income generation target for counselling and support services	0
Community Wellbeing		(50)	(50)	(50)	Savings to be made from running costs (£29k) and grants to community sector (£3K)	0
Neighbourhood Management		(23)	(23)	(23)	This saving will be made from service delivery, specifically events and activities in areas	0
Corporate Policy		(31)	(31)	(31)	Savings to be found through non-staff savings	0
Total		(251)	(275)	(275)		
Total		(7,928)	(6,407)	(7,246)		

COVENTRY LIBRARIES AND INFORMATION SERVICES FEES AND CHARGES

Service area	Existing charge	Proposed charge	Income loss or increase	Rationale
Book overdues Adults (there are no charges for 15 year olds and under)	£0.14 per day open	£0.14 per day open	No effect	Coventry charges are already higher than all but one WM Metropolitan authorities. Book loans are static and an additional charge is unlikely to improve income but may deter customers
Spoken Word Loan charge (adult)	£1.00 for 28 days	£1.00 for 28 days	No effect	See above
Spoken word overdue charge (adult)	£0.26 per day open	£0.14 per day open	(£1,000)	To bring spoken word cassettes/CDs in line with book loans
Spoken word loan charge (15U)	Free	Free	No effect	To bring spoken word loans in line with book loans. Encourage use by young people.
Spoken word overdue charge (15U)	£0.13 per day open	Free	(£500)	As above
Music Cassette/CD loan charge	£0.55 x 1 £1.10 for 2+ 7 days	No change	No effect	To maintain use in this service area
Music Cassette/CD overdue charge	£0.14/£0.28 per day open	Full hire charge for 7 days once overdue	£1,000	To maximise income from overdue cassettes/CDs. Coventry is in the upper quartile for charges for these items in WM
DVD loan charge	£2.50 per week (7 days)	£2.50 for two nights for top DVD films £2.50 per week for others	£5,000 (increase of 10% on target)	Encourage quicker turn around of popular DVDs by reducing period off shelves ensuring that more popular CDs are available to hire. Improved choice for customers
DVD overdue charge	£0.50 per day open	Full hire charge once overdue	£1,000	Encourage quicker return of items, improving choice for customers and availability of items for loan, maximising income.
Computer hire	First hour free, one hour per day per customer. Charge for printing. Only one hour per day rule strictly	First hour free, printing charges status. Additional hours available at £1.00 per hour if	£10,000	At present computer occupancy is about 60% across the city with some libraries having much higher occupancy at peak times (75-90%) at Central and Stoke. The one free hour per day per person rule is strictly enforced to ensure equity of provision. The proposal would allow the additional paid hour

	enforced	available		providing space was available. Brings us into line with many other authorities, maintains equality of access, increases occupancy and generates income.
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Concessions already exist for all the above charges. Visually Impaired customers have free book, Spoken Word and music CD and cassette items with no overdue charges. We would take the opportunity to make similar concessions for Hearing Impaired customers who would have free book, Spoken word and DVD items with no overdue charges. Children, Passport to Leisure and Learning and 60+ all receive concessions at 50% of the usual charge.

COMMUNITY SERVICES' ANNUAL FEES, CHARGES, GRANTS TO VOLUNTARY ORGANISATIONS AND CENTRAL GOVERNMENT GRANTS

1. Purpose of this Appendix

- 1.1 This Appendix is part of the Council's 2006/07 budget making process, specifically in relation to expenditure on social services. It makes a series of recommendations on fees, grants to voluntary organisations and the allocation of Central Government Grants.

2. Recommendations

- 2.1 This report makes a number of separate recommendations:

2.1.1 Fees

- To approve a 2.95% increase in fees for contracted care services to adults and older people.
- To approve a 2.95% increase in direct payments for care services.
- To continue to delegate to service managers the authority to negotiate costs on an individual basis where residential or nursing placements or domiciliary care provision in respect of adults and older people, is not available at standard rates.
- To continue to delegate to service managers the authority to negotiate spot, block or cost and volume contracts for care services to adults and older people.

2.1.2 Charges for community care services

- To increase the proportion of service users' income charged as a contribution to the costs of services, after disregarding the Minimum Living Allowance, from 40% to 50%. This would raise an estimated additional £150,000 in 2006/07.
- To introduce a notional weekly income of £1 for each additional £250 capital above £17,000, up to £24,499, and include this notional income in calculating the assessed charge. It is estimated that this would raise at least an additional £12,000 income in 2006/07.
- To increase the charge for transport for users by inflation plus 25 pence in 2006-07 to £1.35 per return journey, and, further, to increase this annually by 15 pence per return journey over the next four years, to a maximum of £1 per journey/£1.95 per return journey, plus inflation increases as subsequently agreed. This would raise an estimated additional £18,000 in 2006/07, rising to £61,000 in 2011/12.
- To charge users with capital over £20,500 85% of the full cost of their care services instead of 75% of the costs, as at present. This would

raise an estimated additional £66,000 in 2006/07.

- To increase the charges for meals by 20 pence in 2006-07 and by 20 pence plus inflation annually until 2010. This would meet the rising costs of cooking and delivery, and would raise an estimated £34,000 in 2006/07, rising annually to £170,000 from 2010/11 onwards.
- To apply the revised charging policy equally to users of all services, including services for older people, people with learning or physical disabilities and people with mental health needs. At present, users of mental health services are excluded from charging.
- To agree, in principle, to introduce charging for services actually delivered, rather than charging users for services calculated on a 50 week year as at present. This option is dependent on new Information Technology (IT) being introduced, and is unlikely to be available until 2008. A further report will be presented to Members at that stage on progress on implementing the revised charging policy, taking account of the availability of new IT.

2.1.3 Grant Aid Agreements and Contracts

- To approve an average of 2.95% increase in funding for services commissioned from voluntary organisations through Grant Aid Agreements (GAAs).
- To approve levels of individual grants or contracts as set out in Annex A.

2.1.4.1 Government Grants

- To note the receipt of Government Personal Social Services Grants as set out below.

3. Information/Background

3.1 Annual Fees Increase

- 3.1.1 The Council's policy is that fees be increased in line with the general level of inflation increases applied to City Council budgets. For 2006/07 it is proposed that fees for commissioned and contracted services be increased by 2.95%. However, there are significant cost pressures already being experienced by many care providers, with increasing numbers of providers being able to demonstrate that the costs of provision are greater than the fee levels paid by the City Council. Older People's services have implemented a system of quality payments for residential and nursing homes in 2005/2006 which has rewarded quality provision in the City and helped to alleviate some, but not all, of the cost pressures and reduce the burden on third parties to contribute to the cost of care. This system of quality payments will be developed further in 2006/2007.

- 3.1.2 The effect on the Council's standard fee levels for residential care for Older People, as a result of this proposed annual increase is, as follows:

Older People's Care Homes Fee Levels

	Current Rate	Proposed Rate including 2.95% Inflation
Residential Homes		
Standard Rate	£261	£269
High Dependency Rate	£306	£315
Enhanced Rate	£381	£392
Nursing Homes		
Standard Rate	£434	£447

Proposed Rate

3.2 Grant Aid Agreements (GAA)& Contracts

- 3.2.1 During 2005/2006 a number of services commissioned through GAAs have been reviewed with a view to purchasing these services through contracts. These reviews have been taking place in parallel with work to agree a new model contract with the voluntary sector. This contract has now been agreed and will be used for all new contracts with effect from April 2006. These new contracts will be implemented within the levels of funding specified in this report.

3.3 Allocation of Central Government Grants

- 3.3.1 Government Personal Social Services Grants announced in December 2005 for 2006/07 for Coventry City Council total £8,925,000.

3.3.2 A summary of grant allocations is given below. Most of this year's proposed expenditure is a continuation from last year.

<u>Grant</u>	<u>2005/06 Allocation (£)</u>	<u>2006/07 Allocation (£)</u>	<u>Comments</u>
Access & Systems Capacity Grant	3,610,000	3,375,000	
Carer's Grant	1,187,000	1,189,000	Includes Children's Services
Human Resources Development Strategy	389,000	304,000	Includes Children's Services
Improving Information Management Capital Grant	164,000	164,000	Includes Children's Services
Mental Health Grant	802,000	796,000	
National Training Strategy Grant	573,000	656,000	Includes Children's Services
Preserved Rights Grant	1,691,000	1,431,000	
Delayed Discharges Grant	618,000	618,000	
Residential Allowance	1,085,000	0	
Individual Budget Pilots	0	200,000	
Preventative Technology	0	187,000	
CSCI Reimbursement Grant	0	5,000	Includes Children's Services
Total	10,119,000	8,925,000	

Descriptions of the purpose of these grants are set out below, in Annex B.

3.3.3 Additionally, 2 other external grants cease with effect from April 2006. These are as follows:

Name of Grant	Amount of Grant (£)	Alternative funding arrangements or impact of ceasing funding
Physical Activity Promotion	14,910	This was a 4-month project for continuation funding of Sports Development Worker (managed through CCC Sports and Leisure Dept) in NDC area to work with young people and encourage older people to take up some gentle exercise. Project was planned to end and there is minimal impact of it ceasing
Supporting Older people	14,910	This was a 4-month project continuation project to support older people to access the right welfare and other benefits that they are entitled to, project managed by Wood End Advice Centre. Project was planned to end and there is minimal impact of it ceasing
Total	29,820	

SERVICES TO BE FUNDED AND COMMISSIONED BY COMMUNITY SERVICES 2006/2007 to 2008/2009

SECTION A - Grant Aid Agreements (GAA)/Contracts requiring Members approval during 2006/07								
Ref No.	Organisation	Service Funded	User Group	Current Agreement	Expiry Date of Funding	2005/2006 Budget (£)	Budget 2006/2007 (£)	Period Requested and Expiry Date of Funding
A1	Gosford Asian Day Centre	To provide the employee costs and a contribution towards running costs of a day centre for older people from Asian communities.	OP	GAA	31/03/06	58,621	60,350	2 years 31/03/08
A2	North Warwickshire NHS Trust	To provide a home based support service for people with learning disabilities. Jointly funded with Supporting People.	LD /SP	Contract	31/03/06	30,000	30,885	1 year 31/03/07 Extend to 3 years after SP review
A3	Coventry Law Centre	To provide a welfare rights advice service and appeal tribunals advocacy and support service.	C	GAA (Corporate)	31/03/06	34,111	35,071	Yearly contract arranged corporately
A4	Foleshill Advice & Information Centre	Information and advice service based in the Foleshill area of the city.	C	GAA (Corporate)	31/03/06	59,815	61,499	Yearly contract arranged corporately
A5	Wood End Advice & Information Centre	Advice and information services in the Wood End area of the city.	C	GAA (Corporate)	31/03/06	78,458	80,667	Yearly contract arranged corporately
A6	Coventry Voluntary Services Council	Local development agency, which supports, advises and informs voluntary groups in Coventry.	C	Joint GAA	31/03/06	12,302	12,648	Yearly contract arranged corporately

A7	Community Drugs Team	To provide a supportive service to adult drug users in Coventry. Contract managed through Drugs and Alcohol Team Co-ordinator, Community Safety Team.	D&A	Contract	31/03/06	62,600	64,447	3 years 31/03/09
A8	Terrence Higgins Trust	Contribution towards the funding of a specialist community worker who is working with the African community (with the majority of the work with Asylum Seekers and Refugees).	PD	Joint Contract	31/03/06	12,702	13,060	2 years 31/03/08
A9	Coventry MIND (Day Centre – Coopers Lodge)	To provide employee costs and a contribution towards running costs of Coopers Lodge Day Centre.	MH	Joint Contract	31/03/06	51,361	52,807	3 years 31/03/09
A10	Coventry MIND (home-based support)	To provide employee costs and a contribution towards running costs of Coopers Lodge Day Centre.	MH	Joint Contract	31/03/06	63,446	65,232	3 years 31/03/09
A11	Coventry MIND (drop in Centre)	To provide employee costs and a contribution towards running costs of Mind Drop-In Centre.	MH	Joint Contract	31/09/06	46,821	48,139	3 years 31/03/09
A12	Coventry & Warwickshire Sign Language Interpreting Service (CWSLIS)	To purchase an additional 200 hours to meet increased demand for sign language interpreting service to enable deaf people to access services.	C	Joint GAA	Main contract ends 30/09/08	-	6,700	2 years 30/09/08
A13	Age Concern Appointeeship Scheme for Vulnerable Adults	To provide an Appointeeship service to adults who do not have friends or family who are able to provide this service and who are not able to manage their own finances.	LD	Contract	31/03/06	46,195	47,558	3 years 31/03/09 Subject to negotiation (See Note 1)
A14	Age Concern Retirement Options Project	To provide a social group for older people with learning disabilities to enable them to participate in community based activities,	LD	Contract	31/03/06	9,945	10,238	3 years 31/03/09 Subject to review of service

Note 1: The amount of this contract includes a PPR bid of £25,000 that is included elsewhere in this report

Key to Service Users Groups:

OP = Older People

D&A = Drugs & Alcohol

PD = Physical Disabilities

LD = Learning Disability

C = City-Wide/Corporate

SP = Supporting People

MH = Mental Health

COMMUNITY SERVICES - GOVERNMENT GRANTS**Access and Systems Capacity Grant**

Amount of Grant: £3,375,000
 Responsible Officers: Sally Burton (Older People)
 Lynda Bull (Adults)

This grant, which included a one-off additional allocation for 2005/06 only, is to enable local authorities to build up the stock of community based social services, and promote older people's independence, reduce delayed discharges and meet new targets for assessment. This is a specific formula grant without conditions.

Carers Grant

Amount of Grant: £1,189,000
 Responsible officers: Lynda Bull (Adults)
 Sally Burton (Older People)
 Howard Woolfenden (Children and Families)

This grant is to:

- i. Enhance provision of community care and children's services to allow carers to take a break from caring by stimulating greater diversity of provision
- ii. Stimulate a greater awareness by authorities of the need for services in their area to be more responsive to the needs of carers; and
- iii. Provide carers with services other than breaks services in keeping with the 2001 Carers and Disabled Persons Act.

The grant has been allocated as follows: 20% to Children's Services to support families of disabled children and young carers; 24% to Adults' (18-64); and, 56% to Older People. A maximum of 5% can be spent on administrative costs. This is a specific formula grant without conditions, but Coventry City Council plans to allocate the whole grant in support of carers.

Improving Information Management Capital Grant

Amount of Grant: £164,000
 Responsible officer: Derek Sleight (Policy and Performance)

This funding is ring-fenced for capital expenditure only for the purpose of improving information management for social care, including both adults and children's social services. The grant for 2006/07 and 2007/08 has been allocated to the Connecting Care project that will replace the existing social care information system, and meet the Council's responsibilities for introducing electronic social care records for adults and children and information sharing with other public agencies.

Mental Health Grant

Amount of Grant: £796,000
Responsible officer: Lynda Bull (Adults) in collaboration with Director of Mental Health (Primary Health Trust)

The Mental Health Grant is intended for use in developments designed to support implementation of the Mental Health National Service Framework standards and those necessary mental health service developments set out in the NHS Plan. Such investments should augment existing mental health expenditure and help support delivery of milestones set out in Mental Health Local Delivery Plans. It is a specific formula grant without conditions.

The grant will be used to continue the funding of existing schemes set up in previous years although there is a small reduction in the grant available compared with 2005/06.

Human Resources Development Strategy

Amount of Grant: £304,000
Responsible officers: Derek Sleigh (Policy and Performance)
Jos Parry (Children's Services)

This grant has been provided to support the development of both the children and young people's and adult's social care workforce, so that serious problems of recruitment and retention of staff can be tackled and reforms in service provision can be assisted through the development of new types of worker, career pathways and supporting learning and development frameworks.

This is a specific formula grant without conditions, though there is an expectation that a substantial proportion of the grant will be used for training and development in the independent sector.

This grant will be used to fund the Training Plans due to be submitted to the Community Services and Children and Learning Senior Management Teams for approval.

National Training Strategy Grant

Amount of Grant £656,000
Responsible Officers: Derek Sleigh (Policy & Performance)
Jos Parry (Children's Services)

This grant supports the training of social care staff across the statutory, private and voluntary sectors. The majority of the grant is provided for developing regulatory and mandatory qualifications in social care to meet the National Minimum Standards and recognised qualification routes for the continuous professional development of social workers, with further resources to fund Trainee Social Worker Schemes and to develop practice learning strategies that support placements (support students completing university social work degree programmes) across the statutory, private and voluntary sectors.

This grant will be used to fund the Training Plans due to be submitted to the Community Services and Children and Learning Senior Management teams for approval. Although the grant is issued without conditions, there is an expectation that a substantial proportion of the grant will be used for training and development in the independent sector.

Preserved Rights Grant

Amount of Grant: £1,431,000
Responsible Officers: Lynda Bull (Adults)
Sally Burton (Older People)

Under Section 50(1) of the Health and Social Care Act 2001, local authorities are responsible for the provision of residential accommodation for persons ordinarily resident in their area who were in relevant accommodation with Preserved Rights to higher rates of income support prior to April 2002. The Preserved Rights Grant is paid to local authorities to help them discharge these responsibilities. This is a specific formula grant without conditions.

This grant has reduced from previous years, reflecting the Government's expectation that the number of service users with these Preserved Rights reduces over time. The resource is allocated within Community Purchasing budgets to meet the resultant loss of income.

Delayed Discharges Grant

Amount of Grant: £618,000
Responsible officer: Sally Burton (Older People)

The grant was introduced in 2003-04 to accompany the Community Care (Delayed Discharges) Act 2003, which introduced reimbursement charges payable by local authorities to NHS Trusts for those delays in hospital discharge for which they are solely responsible. The aim of the grant is to encourage local authorities to work with health partners to invest to tackle the causes of delay in their local system. It will also be used for the prevention of hospital admissions as well as speeding up discharges and supporting case management. This is a specific formula grant without conditions.

Individual Budgets Pilot

Amount of Grant: £200,000
Responsible Officer: Lynda Bull (Adults)

This grant is to specifically support a national pilot of 13 Authorities in which the City Council has been invited to participate, incorporating a range of public funding streams, including Direct Payments, Independent Living Funding and Supporting people funding, which are managed by or on behalf of service users. The grant is £50, 000 in 2005/05, £200,000 in 2006/07 and pro rata for any following years, if the pilot is extended.

Preventative Technology

Amount of Grant: £187,000
Responsible Officers: Lynda Bull (Adults)
Sally Burton (Older People)

The purpose of the grant is to initiate a change in the design and delivery of health, social care and housing services and prevention strategies to enhance and maintain the well-being and independence of individuals.

Through the grant, the City Council will invest in telecare to help support individuals in the community. Nationally, this grant aims to help an additional 160,000 older people to live at home with safety and security and reduce the number of avoidable admissions to residential/nursing care and hospital. The main beneficiaries of this are expected to be older people.

Telecare is as much about the philosophy of dignity and independence as it is about equipment and services. Equipment is provided to support the individual in their home and tailored to meet their needs. It can include the basic community alarm service, or detectors or monitors of motion, falls, fire and gas that trigger a warning to a response centre.

CSCI Reimbursement Grant

Amount of grant: £5,000
Responsible Officer: Derek Sleigh (Policy and Performance)

Ministers have agreed that the Commission for Social Care Inspection (CSCI) will not, at present, take over responsibility for the review stage of local authority social services' complaints. Councils are being reimbursed funding previously top-sliced by way of this small specific grant, which will be spent on handling complaints made under the Community Care Act and the Children Act.

Appendix 6

CAPITAL PROGRAMME:
2006/07 – 2010/11

SUMMARY

Expenditure

Cabinet Member:

Adult Education, Libraries, Sport & Leisure
Children, Learning & Young People
City Services
Community Services
Corporate & Customer Services
Finance & Equalities
Health & Housing
Urban Regeneration & Regional Planning

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Adult Education, Libraries, Sport & Leisure	13,778	14,353	1,210	110	100
Children, Learning & Young People	25,774	17,827	4,948	1,250	500
City Services	19,970	15,000	5,475	4,975	4,975
Community Services	950	840	700	710	720
Corporate & Customer Services	11,175	4,497	50	50	0
Finance & Equalities	65	0	0	0	0
Health & Housing	9,876	11,769	10,926	10,326	7,306
Urban Regeneration & Regional Planning	46,770	25,775	19,445	8,387	7,731

Total Programme

	128,358	90,061	42,754	25,808	21,332
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5% Allowance for Rescheduling

(6,418) 6,418

Programme After Rescheduling

121,940 **96,479**

Cabinet Member
Adult Education, Libraries, Sport & Leisure

Approved Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Herbert Art Gallery	5,414	6,829	885	0	0
Belgrade Theatre	2,640	96	0	0	0
NDC Moathouse Campus	1,789	6,124	225	0	0
Libraries Refurbishment & Replacement	1,292	0	0	0	0
Sports Centre Repairs *	1,154	0	0	0	0
Play Areas	726	0	0	0	0
Southfields Old School	277	0	0	0	0
Whoberley Library	254	754	0	0	0
Coombe - Boathouse Refurbishment	110	0	0	0	0
Coventry Transport Museum	95	0	0	0	0
Memorial Park Water Feature	10	0	0	0	0
Meadowlands	5	0	0	0	0
Oak Farm Play Area	4	0	0	0	0
Longford Park Refurbishment	4	0	0	0	0
Coombe CCTV	2	0	0	0	0
Coombe Playground Refurbishment	2	0	0	0	0

Total Approved Programme

	13,778	13,803	1,110	0	0
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Provisional Programme

Play Areas*	0	550	100	110	100
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Total Provisional Programme

	0	550	100	110	100
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Total Programme

	13,778	14,353	1,210	110	100
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Cabinet Member
Children, Learning & Young People

Approved Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Schools Ring-Fenced Capital Allocation	4,408	4,641	0	0	0
Extension to Coundon Court School	4,026	140	0	0	0
Willenhall Wood/Chace	3,244	163	0	0	0
Children's Centres	2,166	0	0	0	0
Physical Education & Sports	1,965	0	0	0	0
Modernisation of Secondary Schools	1,640	2,000	709	0	0
Modernisation of Primary Schools	1,629	1,102	0	0	0
Children's Residential Services	1,500	0	0	0	0
Aldermoor Farm Replacement Primary	1,250	3,250	439	0	0
Moseley	1,148	73	0	0	0
New Pupils Places *	904	918	0	0	0
Schools Access Programme *	499	499	0	0	0
Pathways to Care	290	0	0	0	0
Charter School	250	0	0	0	0
Stivichall Primary School *	250	2,500	2,500	550	0
Leased Equipment	200	0	0	0	0
Surestart	139	6	0	0	0
Investment in School Sports Provision	100	0	0	0	0
Children's Service Office Accommodation	100	400	0	0	0
Howes	66	0	0	0	0

Total Approved Programme

25,774 15,692 3,648 550 0

Provisional Programme

Children's Centres	0	1,385	0	0	0
Pathways to Care	0	300	300	300	300
Investment in School Sports Provision	0	250	800	200	0
Leased Equipment	0	200	200	200	200

Total Provisional Programme

0 2,135 1,300 700 500

Total Programme

25,774 17,827 4,948 1,250 500

**Cabinet Member
City Services**

Approved Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Highways Investment*	10,000	0	0	0	0
Vehicle & Plant Replacement	5,297	0	0	0	0
Liveability Programme	1,524	1,000	0	0	0
Central Repairs Fund	1,500	0	0	0	0
Expansion of Kerbside Recycling	774	0	0	0	0
Asbestos Remedial Works	450	0	0	0	0
Electrical Wiring Remedial Works	250	0	0	0	0
Controlling Legionella	155	0	0	0	0
Monitored Careline Facility	20	0	0	0	0

Total Approved Programme

	19,970	1,000	0	0	0
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Provisional Programme

Highways Investment	0	10,000	2,900	2,900	2,900
Central Repairs Fund	0	1,500	1,500	1,500	1,500
Vehicle & Plant Replacement	0	1,225	500	0	0
Asbestos Remedial Works	0	450	0	0	0
Replacement Cremators	0	325	325	325	325
Electrical Wiring Remedial Works	0	250	0	0	0
Controlling Legionella	0	230	230	230	230
Monitored Careline Facility	0	20	20	20	20

Total Provisional Programme

	0	14,000	5,475	4,975	4,975
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Total Programme

	19,970	15,000	5,475	4,975	4,975
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**Cabinet Member
Community Services**

Approved Programme

Minor Adaptations
 Minor Works
 Replacement of NVQ etc from Torrington Site
 Maurice Edelman House

Total Approved Programme

Provisional Programme

Minor Adaptations
 Minor Works

Total Provisional Programme

Total Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Minor Adaptations	600	0	0	0	0
Minor Works	180	0	0	0	0
Replacement of NVQ etc from Torrington Site	100	150	0	0	0
Maurice Edelman House	70	0	0	0	0
Total Approved Programme	950	150	0	0	0
Minor Adaptations	0	500	500	500	500
Minor Works	0	190	200	210	220
Total Provisional Programme	0	690	700	710	720
Total Programme	950	840	700	710	720

**Cabinet Member
Corporate & Customer Services**

Approved Programme

Coventry Direct Phase 2*
Coventry Direct Phase 1
Social Services IT System: Connecting Care*
Replacement HR Payroll System
Refurbish Council House Data Centre*

Total Approved Programme

Provisional Programme

Coventry Direct Phase 3*

Total Provisional Programme

Total Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Coventry Direct Phase 2*	6,400	0	0	0	0
Coventry Direct Phase 1	3,000	0	0	0	0
Social Services IT System: Connecting Care*	767	767	0	0	0
Replacement HR Payroll System	558	130	50	50	0
Refurbish Council House Data Centre*	450	0	0	0	0
Total Approved Programme	11,175	897	50	50	0
Provisional Programme					
Coventry Direct Phase 3*	0	3,600	0	0	0
Total Provisional Programme	0	3,600	0	0	0
Total Programme	11,175	4,497	50	50	0

**Cabinet Member
Finance & Equalities**

Approved Programme

John White Community Centre

Total Approved Programme

Total Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
John White Community Centre	65	0	0	0	0
Total Approved Programme	65	0	0	0	0

Total Programme	65	0	0	0	0
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**Cabinet Member
Health & Housing**

Approved Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Social Housing Regeneration Fund*	4,500	0	0	0	0
Housing Adaptations	2,800	0	0	0	0
Private Sector Renewal	1,270	0	0	0	0
Social Housing Grant	376	0	0	0	0
Energy Efficiency	300	0	0	0	0
New Homes For Old	300	900	600	0	0
Kick Start	230	0	0	0	0
Gating Programme	100	0	0	0	0
Total Approved Programme	9,876	900	600	0	0

Provisional Programme

Social Housing Regeneration Fund*	0	5,793	5,250	5,250	2,230
Housing Adaptations	0	2,800	2,800	2,800	2,800
Private Sector Renewal	0	1,270	1,270	1,270	1,270
Social Housing Grant	0	376	376	376	376
Energy Efficiency	0	300	300	300	300
Kick Start	0	230	230	230	230
Gating Programme	0	100	100	100	100
Total Provisional Programme	0	10,869	10,326	10,326	7,306

Total Programme

9,876	11,769	10,926	10,326	7,306
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**Cabinet Member
Urban Regeneration & Regional Planning**

Approved Programme

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Primelines	9,042	8,930	1,348	0	0
Bannerbrook Park Acquisition	7,500	0	0	0	0
A45 De-trunking	7,500	0	0	0	0
Canley Regeneration *	3,705	1,870	282	20	0
Swanswell	3,646	2,500	2,500	0	0
Local Transport Plan:					
- Integrated Transport*	3,480	0	0	0	0
- Maintenance*	1,687	0	0	0	0
N D C before Masterplan *	3,120	3,627	6,500	750	750
Commercial Property R & M *	1,115	0	0	0	0
High Street/Burges/Broadgate*	1,018	1,032	550	0	0
Lower Precinct	610	0	0	0	0
City Centre Package	573	65	0	0	0
Arena Community Place	517	0	0	0	0
Corridor Regeneration	515	515	340	340	0
North East Regeneration & Riley Square	500	0	0	0	0
Far Gosford St Regeneration	480	400	400	320	0
Stoke Aldermoor Regeneration*	380	1,105	1,095	310	0
961 Foleshill Road	325	0	0	0	0
Stoney Stanton Corridor 2	300	0	0	0	0
Property Asset Management System	220	0	0	0	0
Access for Disabled People *	200	0	0	0	0
Electric Wharf	180	0	0	0	0
Civic Centre 4 Improvements	60	0	0	0	0
Central Depot	40	0	0	0	0
Pool Meadow	30	0	0	0	0
Computerisation of Planning Register	10	0	0	0	0
Westwood Infrastructure	8	0	0	0	0
Asian Healthcare Training Centre	7	0	0	0	0
Canal Basin	2	0	0	0	0

Total Approved Programme

46,770	20,044	13,015	1,740	750
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Provisional Programme

Local Transport Plan *	0	4,981	5,280	5,897	6,231
Commercial Property R & M *	0	750	750	750	750
Swanswell Academy	0	0	400	0	0

Total Provisional Programme

0	5,731	6,430	6,647	6,981
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Total Programme

46,770	25,775	19,445	8,387	7,731
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COUNCIL INVESTMENT STRATEGY AND POLICY

A. **Strategy Guidelines** – The main principles governing the Council's investment criteria are the security and liquidity of its investments, although the return will be a consideration. The Council will ensure:

- It has sufficient liquidity in its investments. For this purpose it will set a minimum amount to be held in short term investments (specified investments).
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counter parties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

The Director of Finance and ICT will maintain a counter party list in compliance with these criteria. The current proposed criteria are shown below for approval. These criteria determine the counterparty groups that may be used, rather than the specific investment type to be entered into. This latter issue is dealt with within section D.

- Banks and Building Societies ~ the Council will use banks and building societies which have at least the following Fitch (or equivalent) ratings:
 - Short Term ~ F1
 - Long Term ~ A
 - Individual ~ C
 - Support ~ 3
- Bank Subsidiary ~ the Council will use these where the parent bank has the necessary ratings outlined above.
- Treasury Operations ~ some banks operate separate treasury operations, effectively a treasury or dealing operation of the bank. Where these have the required Short and Long Term ratings, but no Individual or Support rating the Council will use these where the "parent" has the necessary ratings.
- Money Market Funds ~ the Council will use Money Market Funds which have at least a AAA Long Term Rating.
- UK Government (including gilts and the DMO)
- Local Authorities, Parish Councils etc
- Supranational institutions

Where a counterparty does not have a Fitch rating, the equivalent Moody's or Standard and Poor's rating will be used.

B. Specified and Non Specified Investments

In the normal course of the council's cash flow operations it is expected that both specified and non specified investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain a minimum of £20m of investments in specified investments. The use of longer term instruments (greater than one

year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the council's liquidity requirements are safeguarded. The Director of Finance and ICT, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

C. Annual Investment Strategy

The key requirements of both the CIPFA publication, Treasury Management in the Public Services : Code of Practice and Cross Sectoral Guidance Notes and ODPM investment guidance issued on 12th March 2004, are to set an annual investment strategy covering the identification and approval of the following:

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year. This will need to define broad categories of investment and the regularity of monitoring.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

This strategy is to be approved by full Council.

D. Investment Policy – The proposed investment policy is:-

D1 Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These would include investments with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. An investment scheme that has been awarded a high credit rating by a credit rating agency. This covers a money market fund rated by Fitch (or equivalent) rating agency.
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society). This covers bodies with a minimum rating of F1 for banks and building societies as rated by Fitch (or equivalent) rating agency.

In accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are set out below:

	Minimum Short Term Rating	Minimum Long Term Rating	Limit (the lower of)	Time Limit
Upper Limit Category	F1+	AA -	£10m (25%)	12 months
Lower Limit Category	F1	A -	£5m (15%)	12 months
Money Market Funds		AAA	£10m (25%)	12 months
UK Government (Debt Management Office)			£10m (25%)	12 months
Local Authorities ~ a			£5m (15%)	12 months
Local Authorities ~ b			£2.5m (10%)	12 months

Local Authorities "a" include London Boroughs, Metropolitan districts, County Councils and unitary authorities.

Local Authorities "b" include shire districts, fire & civil defence authorities, passenger transport authorities and police authorities.

Lending to bodies within the same group (subsidiaries and treasury operations) have a total group limit of that of the parent body.

D2 Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

1. Supranational Bonds greater than 1 year to maturity:
 - (a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).
 - (b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})

The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt-edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
2. Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category 1 above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
3. Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.

4. Any bank or building society that has a minimum long-term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). The limits are:-
 - the lower of £10m or 25% of total investments at the time the investment is made;
 - minimum long term rating AA-;
 - duration up to 3 years.

For the purposes of the monetary limit the total amount deposited, including both specified and non specified investments with a single institution cannot be more than £10m or 25% of total investments.

5. Any non-rated subsidiary of a credit rated institution included in the *specified* investment category. These institutions will be included as an investment category subject to having a parent institution with the minimum full rating as set out above in section A. The limits for subsidiaries are:
 - the lower of £2.5m or 10% of total investments at the time the investment is made;
 - duration up to 6 months.

Other than by making investments within categories 4 and 5, as laid out above, the City Council will not directly invest in non specified investments.

In aggregate (i.e. direct investments and those via fund managers) the total of non specified investments falling into categories 1, 2, 4, and 5 will not exceed the lower of £40m or 50% of investments, subject to a minimum of £20m of investments in specified investments.

In addition, the City Council holds share or loan investments for policy reasons. These are non-specified investments. In such instances the acquisition of the share or loan capital represents capital expenditure of the authority and is reported on as part of the capital monitoring process.

E. The Monitoring of Investment Counter parties

The credit rating of counter parties will be monitored regularly, at least monthly. However the Council receives credit rating advice from its advisers, Butlers, on a daily basis as and when ratings change, and counter parties are checked promptly. There will be a minor time delay between rating changes and the Council receiving notification, and on occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counter party failing to meet the criteria will be removed from the list immediately by the Director of Finance and ICT and, if required, new counter parties which meet the criteria will be added to the list.

F. Use of External Fund Managers

It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories. The terms of the fund managers' investment policies are agreed with them. In summary, these include the requirement that the average duration of the investments in each portfolio does not exceed 3 years. In addition, limits apply to investments in individual counterparties.

Appendix 8

Summary Prudential Indicators

REF (para)	Actual 04/05 £000's	Budget 05/06 £000's	Forecast 06/07 £000's	Forecast 07/08 £000's	Forecast 08/09 £000's
35-	Ratio of financing costs to net revenue stream:				
38	(a) General Fund financing costs				
	17,908	21,260	23,888	26,774	27,257
	(b) General Fund net revenue stream **				
	361,180	380,984	403,311	417,634	434,642
	General Fund Percentage				
	4.96	5.58	5.92	6.41	6.27
39	Estimates of Council Tax (Band D equiv) ~ 2006 Programme				
			67.26	69.69	62.58
39	Estimates of Council Tax (Band D equiv) ~ 2005 Programme				
			72.04	76.30	
45	Net borrowing and the capital financing requirement:				
	gross borrowing				
	248,824	327,995	365,933	384,184	390,418
	less investments (see para 88 definition)				
	-42,838	-55,151	-76,347	-87,791	-99,568
	less transferred debt reimbursed by others (para 93)				
	-23,183	-22,458	-22,060	-21,621	-21,139
	= net borrowing				
	182,803	250,386	267,526	274,772	269,711
	Capital Financing Requirement in year 3 (as below)				358,788
	net borrowing must not exceed year 3 CFR				358,788
		357,572	364,350	358,788	
	Capital Expenditure (Note this excludes leasing)				
51	General Fund				
	98,606	114,807	115,649	95,034	42,034
	Capital Financing Requirement (CFR)				
53 & 57	Capital Financing Requirement				
	318,245	332,825	357,572	364,350	358,788
59	Authorised limit for external debt				
	Authorised limit for borrowing				
	375,500	398,873	399,563	406,279	406,279
	+ authorised limit for other long term liabilities				
	0	0	0	0	0
	= authorised limit for debt				
	375,500	398,873	399,563	406,279	406,279
60	Operational boundary for external debt				
	Operational boundary for borrowing				
	313,922	368,873	387,563	394,279	394,279
	+ Operational boundary for other long term liabilities				
	0	0	0	0	0
	= Operational boundary for external debt				
	313,922	368,873	387,563	394,279	394,279
64	Actual external debt				
	actual borrowing at 31 March 2005				
	248,824				
	+ actual other long term liabilities at 31 March				
	0				
	= actual external debt at 31 March 2005				
	248,824				
66	CIPFA Treasury Management Code?				
	Has the authority adopted the TM Code?				
	Yes				
	Interest rate exposures				
67-	upper limit on fixed rate exposures				
			110%	110%	110%
73	upper limit on variable rate exposures				
			30%	30%	30%
74	Maturity structure of borrowing - limits				
		lower	upper		
	under 12 months	0%	15%		
	12 months to within 24 months	0%	20%		
	24 months to within 5 years	0%	20%		
	5 years to within 10years	0%	30%		
	10 years & above	40%	100%		
77	investments longer than 364 days				
	upper limit :				
		40,000	40,000	40,000	
**	Net RevenueStream is adjusted to include DSG previously part of RSG)				