



Coventry City Council

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# **Council Meeting**

20 February 2007

**Booklet 1**

Recommendations

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## **CABINET**

13<sup>th</sup> February 2007

Cabinet Members  
Present:-  
Councillor Arrowsmith  
Councillor Blundell  
Councillor Foster  
Councillor Mrs Johnson  
Councillor Matchet  
Councillor H Noonan  
Councillor O'Neill  
Councillor Ridley  
Councillor Taylor (Chair)

Non-Voting Opposition  
Representatives present:-  
Councillor Benefield  
Councillor Duggins  
Councillor Mutton  
Councillor Windsor (Substitute for Councillor Nellist)

Other Members  
Present:-  
Councillor Gazey  
Councillor Mrs Harper

Employees Present:-  
L. Bull (Community Services Directorate)  
F. Collingham (Chief Executive's Directorate)  
C. Green (Director of Children, Learning and Young People)  
M. Green (City Services Directorate)  
C. Hinde (Director of Legal and Democratic Services)  
R. Hughes (Head of Corporate Policy)  
L. Knight (Legal and Democratic Services Directorate)  
S. Manzie (Chief Executive)  
N. McChesney (City Development Directorate)  
J. McGuigan (Director of City Development)  
C. Pearson (City Development Directorate)  
J. Russell (City Development Directorate)  
C. Thomas (City Services Directorate)  
J. Venn (Chief Executive's Directorate)  
C. West (Acting Director of Finance and ICT)  
L. Wroe (City Development Directorate)

## **RECOMMENDATION**

### **189. Revenue and Capital Budget 2007/08**

The Cabinet considered a report of the Management Board, which recommended revenue and capital budget proposals for 2007/08, together with the Treasury Management Strategy for the Council's necessary borrowing and investments in 2007/08 to go forward to Council on 20<sup>th</sup> February 2007. The report also sought to inform members of the Government's final Revenue Support Grant (RSG) allocation for the Council and its

implications for future years revenue budgets.

The Cabinet noted that the Council had adopted its current Corporate Plan in June 2006, and a revised Medium Term Financial Strategy in October 2006. The Cabinet also noted that, as part of its Medium Term Financial Strategy, the City Council needs to consider capital and revenue budgets together, reflecting the inextricable links between the two programmes and the way they support the delivery of the Council's vision and objectives, as detailed in the report. The City Council also needs to consider the affordability of the programmes, robustness of the budget and the adequacy of reserves.

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

The Council is committed to improving performance and is now a "Three Star" authority under the Government's Comprehensive Performance Assessment (CPA) process. Clearly setting and managing the Council's budget is fundamental to this improvement, reflecting the investment of resources in priority areas and enabling the delivery of services on the ground. The Council's budget is therefore set in the context of the Corporate Plan, and the budget setting process is aligned 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 2006/07 alongside the initial budget proposals and the Medium Term Financial Strategy for 2007/08 and beyond.

The Medium Term Financial Strategy sets out how the Council will use its financial resources to achieve its objectives and deliver its services. The Council's capital plans and revenue budgets reflect corporate objectives over the medium term and are fully integrated. Reserves are managed corporately, and there is a forecast level of reserves remaining, which is appropriate to the needs of the authority.

The Council has continued to undertake its 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 the consideration of the Medium Term Financial Strategy in October 2006 at Scrutiny Board 1. In addition, Scrutiny Boards 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 the Cabinet as part of the formal budget setting process.

The Council's Trades Unions have been consulted and their views taken into consideration. The public consultation process was led by the Deputy Leader of the Council, supported by the Chief Executive and other senior Council staff. This consultation focused on the Council's strategic priorities and direction, current performance and the budget proposals set out in the December 2006 Cabinet report (minute 161/06 refers). The consultees included Coventry Youth Council; the business community through the Coventry and Warwickshire Chamber of Commerce; community

and voluntary sector organisations; a range of individual partner organisations, and the Coventry Partnership. A summary of the responses received in respect of the public consultation was attached as Appendix 1 to the report submitted.

The responses arising from the consultation process were considered when producing the final budget proposals and will also be used to inform future policy making decisions including the review of the Corporate Plan in June 2007.

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

The 'Formula Grant' allocated to each local authority is made up of two elements, these being the Revenue Support Grant and the National Non-Domestic Rate. Following the consultation period on the 2007/08 Provisional Settlement in December 2006, the Government announced the Final Settlement on 18<sup>th</sup> January 2007 at £134,109,000 for the City Council. The level of Formula Grant that an authority receives is dependent on its spending needs relative to other authorities, as determined by the Government. It also takes into account each authority's Tax Base, which reflects the amount of money it can raise through Council Tax.

There was no change to either the settlement methodology or data from the information that was released a year ago as part of the first multi year settlement. Coventry's adjusted formula grant increase is 4%, which is above the national average of 3.8% and the average increase for metropolitan districts of 3.5%. The increase has been significantly limited by the damping that is built into the settlement to pay for protection for those authorities that have benefited least well from the settlement. The damping effect is in the region of £6m in 2007/08.

The General Fund budget recommended within the report submitted reflects the final settlement; the Council's Priorities; and the approaches outlined in the Medium Term Financial Strategy. The budget recommendation also includes an increase in Council Tax of 3.4% and a contribution from reserves of £4m and the application of £4.47m resources from the Government's Local Authority Business Growth Incentive Scheme. A Contribution of £0.75m had already been assumed from this sources as part of a previous budget decision, making a total of £5.22m.

Table 2 of the report submitted shows a summary of the General Fund Revenue Budget. This information was provided in greater detail in Appendix 2 of the report, which set out the Cabinet Portfolio revenue budgets and sources of revenue funding. The spending and saving proposals were outlined in detail in Appendix 3 of the report.

As in previous years, all expenditure shown in the Budget Requirement is net of direct grants received (primarily from Central Government); and fees and charges. In order to compare the two years, account was taken of technical changes and transfers of responsibility within the final settlement for 2007/08 that result in an adjusted 2006/07 budget of £232.5m. The 2007/08 budget, at £240.1m, is an increase of £7.6m or 3.2%.

A range of savings and pressures had been identified through approved decisions, management actions and reviews of base budgets. The net total of these issues is a saving of £2.6m. The main movements were highlighted in the pre-budget report to Cabinet on 19th December 2006. In addition the Council have been affected by an increase in costs significantly above inflation across a range of separately negotiated contracts for energy adding over £1m to its bottom line (a pattern reflected throughout the economy).

Since the pre-budget report the Management Board has been working to balance the revenue budget and capital programme for 2007/08 onwards, and the outcome of that work was included in the report submitted. Spending and saving proposals that have changed since December 2006, were indicated in the text of Appendix 3.

Overall, the recommended budget for the General Fund includes £2.3m of new spending proposals, which specifically address the Council's corporate objectives and results in an increase of 18.5 posts. These proposals are shown in Appendix 3.

The City Council continues to invest in the Children, Learning and Young People's Directorate with additional resources made available for the Education Welfare Service to improve school attendance and education outcomes. There are proposals for new investment in Neighbourhood Management with increased resources for community led activities and to increase the capacity of the service above current levels through Neighbourhood Management Development Officers. There is a proposal for project management funding to support the New Deal for Communities scheme to support the significant long term capital investment project in the north of the City. Significant funding is proposed to support the City's arts, heritage and sports partners in a mix of new one-off and ongoing funding arrangements. There are specific proposals to support the 2007 School Games and to help maximise the opportunities that can be generated for the City from the 2012 Olympics.

In order to finance the additional revenue funding required to deliver the Council's corporate objectives, it is necessary to make savings and to reduce the level of some Council services. The budget proposals identify savings requiring specific policy related decisions amounting to £1.5m. The recommended savings in Cabinet Portfolios and Corporate Budgets have identified losses of up to 17 posts, however, not all losses of posts will lead to losses of individual employees given the Council's redeployment policy and the fact that some posts are currently vacant. Exact posts and the number of job losses cannot be finally agreed until the budget has been approved and its proposals implemented. A summary of the savings proposals were included at Appendix 3 of the report submitted.

In identifying saving options, care continues to be taken to protect those services that are considered to be a priority within the Corporate Plan or where the Council would otherwise fail to meet its statutory obligations. 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 that keep them in work. Other options are also considered such as re-training and voluntary redundancy.

The report submitted also included details of the proposed capital programme, including existing commitments and funding sources. This also includes the part of the 2006/07 programme that had been rescheduled in to 2007/08 as a result of the third quarter monitoring report for 2006/07. Full details of the proposed programme were included at Appendix 5 of the report and it was noted that new schemes asterisked within the appendix will be the subject of a further report to elected members before they commence.

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 includes the most up to date information from the capital finance settlement and presents capital schemes by Cabinet Member Portfolio.

The authority plans to incur £8.458m of prudential borrowing in 2007/08, and £3.5m in 2008/09 and provision has been made in the revenue budget to fund this. The majority of this borrowing relates to Coventry Direct (which was identified when setting the 2005/06 and 2006/07 programme) and the Swanswell development car park.

The Capital Programme approved in February 2006 contained a City Council contribution of £8.6m for the Swanswell regeneration scheme. This scheme includes proposals and corporate funding for a £5m multi storey car park (MSCP) required to secure planning permission for Phase 2 of the City College relocation to the Swanswell area.

It is intended that the MSCP be procured and funded by the Council up to a maximum of £5m and upon completion, the MSCP will be leased to City College for 148 years on the basis that the Council recovers the cost of Council funding towards the car park (including financing costs) over the first 30 years of the lease, which equates to an annual lease payment of £325k. After 30 years, or earlier if the balance of the lease is settled, the rent for the MSCP and site reverts to a peppercorn for the remainder of the lease term. The annual payment will also reduce should part early repayment be made by the College. These arrangements are subject to the College receiving approval from the Learning and Skills Council to enter into the lease agreement.

There is an option to fund this expenditure from Prudential borrowing and given the likely medium to long-term pressure on the Council's capital resources, this option is recommended as the most suited to its current financial position and has been built into the figures presented within the report.

The Council have made significant efforts to minimise the level of rescheduling that will affect the 2007/08 Programme and to this end, the programme includes a 10% allowance for the rescheduling of expenditure between the 2007/08 and 2008/09 financial years. This concept was introduced last year at a level of 5% and incorporates an adjustment shown at a corporate programme level. The aspiration will be to achieve 100% spend at an individual scheme level. However, the Council needs to recognise the

potential benefits of maintaining a degree of flexibility through the year and the fact that it is often faced with rescheduling due to factors outside its control.

In addition the Council have tried to ensure that expenditure profiles are as realistic as possible at an individual scheme level rather than reflecting the aspirations of project and service managers. In the past the Council have sought to put expenditure profiles in the Capital Programme that erred on the side of optimism and 100% success in project progress through the year. The Programme in this report has revised this approach somewhat by assuming that, in fact, 100% success is unlikely. In some instances, for example the Herbert Art Gallery and Museum scheme, the project plans and target completion dates assume a greater level of spend than shown in this programme. If this level of progress is achieved, this acceleration of expenditure can be comfortably accommodated within the overall medium term programme resources.

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

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

- (1) Determine that its budget requirement calculated for the financial year 2007/08 in accordance with the requirements of Section 32 of the Local Government Finance Act 1992 be £240,091,068 (a council tax rise for the City Council of 3.4%) as outlined in Section 6.2, Table 2 of the report submitted.**
- (2) Note the implications of the budget for the 2008/09 and 2009/10 financial years as detailed in Section 8 of the report and instruct the Management Board, to implement the strategy outlined in sections 8.7 and 8.8 of the report submitted to deliver a fully balanced budget in the medium term.**
- (3) Approve the fees and charges as detailed in Section 9 of the report.**
- (4) Note the Acting Director of Finance and ICT's comments confirming the robustness of the estimates and adequacy of reserves, as detailed in Sections 12 and 13 of the report.**
- (5) Approve the Capital Programme of £80m for 2007/08 and the future years' commitments arising from this programme of £100m in 2008/09 to 2011/12) as detailed in Section 10 and Appendix 5 of the report.**
- (6) Approve those schemes in Section 10.14, Table 15 and Appendix 5 of the report as being of high priority for inclusion in future programmes, subject to the 2008/09 budget setting process.**
- (7) Authorise the Head of Housing Policy and Services to vire between the elements of the Housing Capital Programme in line with previous**



years to achieve spend during the year, as detailed in Section 10.15 of the report.

- (8) Approve the proposed Treasury Management Strategy for 2007/08 as detailed in Section 14 of the report, the revised investment policy detailed in Appendix 6 of the report, and adopt the prudential indicators and limits described in Section 15 and summarised in Appendix 7 of the report submitted.

190. **Council Tax Report 2007/08**

Further to Minute 172/06, the Cabinet considered a report of the Acting Director of Finance and ICT calculating the Council Tax level for 2007/08 that results from the Collections Fund revenue estimates for the year and makes appropriate recommendations regarding the Council Tax levy for the City of Coventry 2006/07 and assesses the wider impact of the Tax on the City.

The Cabinet noted that the figures in the recommendations had been based on the assumed Fire and Police Authorities' precepts for 2007/08 and that the actual figures would be confirmed at the meeting of Council, scheduled for 20<sup>th</sup> February 2007.

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

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

- (1) Note that at its meeting on 23rd January 2007 the Council's Cabinet approved the following amounts as its Council Tax base for the year 2007/08 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992:

- a) 87,386.8 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year;
- b)
- |          |       |
|----------|-------|
| Allesley | 358.7 |
| Keresley | 216.8 |

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

- (2) Calculate the following amounts for the year 2007/08 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:

- a) **£712,421,669** being the aggregate of the amounts that the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act, other than any expenditure estimated to be incurred which will be charged to a Business Improvement District (BID) revenue account as set out in section 43(2)(a) of the Local Government Act 2003. (Gross Expenditure including the amount required for the working balance);
- b) **£472,330,601** being the aggregate of the amounts that the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act, other than any income estimated to be received which will be credited to a BID revenue account as set out in section 43(2)(b) or (c) of the Local Government Act 2003. (Gross Income including reserves to be used to meet the Gross Expenditure);
- c) **£240,091,068** being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 32(4) of the Act, as its budget requirement for the year;
- d) **£134,112,296** being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of Formula Grant (the sum of Revenue Support Grant and National Non Domestic Rates) [£134,109,375] and the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with the Act as amended by the 1994 Regulations (Council Tax Surplus) [Nil] and pursuant to the Collection Fund (Community Charge) directions under Section 98(4) of the Local Government Finance Act 1988 (Community Charge Surplus) [£2,921].
- e) **£1,212.75** = 
$$\frac{2(c) - 2(d)}{1(a)} = \frac{240,091,068 - 134,112,296}{87,386.8}$$

being the amount at 2(c) above, less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax

for the year. (Average Council Tax at Band D for the City including Parish Precepts).

f) £4,800 being the aggregate amount of all special items referred to in Section 34(1) of the Act. (Parish Precepts);

g) £1,212.70 =  $\frac{2(e) - 2(f)}{1(a)}$  =  $\frac{1,212.75 - 4,800}{87,386.8}$

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

h)	Coventry Unparished Area	1,212.70
	Allesley	1,221.90
	Keresley	1,219.62

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

i)	Valuation Band	Parts to which no special item relates £	Parish of Allesley £	Parish of Keresley £
	A	808.47	814.60	813.08
	B	943.21	850.37	948.59
	C	1077.96	1086.14	1084.11
	D	1212.70	1221.90	1219.62
	E	1482.19	1493.43	1490.65
	F	1751.68	1764.97	1761.68
	G	2021.17	2036.50	2032.70
	H	2425.40	2443.80	2439.24

being the amounts given by multiplying the amounts at 2(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a

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

- (3) Note that for the year 2007-08 the West Midlands Police Authority and West Midlands Fire Authority have stated that the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below:

Valuation Band	West Midlands Police Authority £	West Midlands Fire Authority £
A	61.23	29.62
B	71.43	34.56
C	81.64	39.50
D	91.84	44.43
E	112.25	54.31
F	132.66	64.18
G	153.07	74.05
H	183.68	88.86

- (4) Set the following amounts as the amounts of Council Tax for the year 2007/08 for each of the categories of dwellings shown below, having calculated the aggregate in each case of the amounts at 2(i) and 3 above, in accordance with Section 30(2) of the Local Government Finance Act 1992:

Valuation Band	Parts to which no special item relates £	Parish of Allesley £	Parish of Keresley £
A	899.32	905.45	903.93
B	1049.20	1056.36	1054.58
C	1199.10	1207.28	1205.25
D	1348.97	1358.17	1355.89
E	1648.75	1659.99	1657.21
F	1948.52	1961.81	1958.52
G	2248.29	2263.62	2259.82
H	2697.94	2716.34	2711.78