



Coventry City Council

7.1.1

Public report

Report to Cabinet

13th February 2007

Report to Council

20th February 2007

Report of Management Board

Title

Revenue and Capital Budget 2007/08

1. Purpose of the Report

1.1 The purpose of this report is to seek approval for the 2007/08 revenue budget proposals, Capital Programme and Treasury Management Strategy. The report also informs members of the Government's final Revenue Support Grant (RSG) allocation for the Council for 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 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 this report.

2.2 Note the implications of the budget for the 2008/09 and 2009/010 financial years in **Section 8** and instruct the Management Board to implement the strategy outlined in sections 8.7 and 8.8 to deliver a fully balanced budget in the medium term.

2.3 Approve the fees & charges as detailed in **Section 9**.

2.4 Note the Acting 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 £80m for 2007/08 and the future years' commitments arising from this programme of £100m in 2008/09 to 2011/12 (**Section 10 and Appendix 5**).

- 2.6 Approve those schemes in **Section 10.14, Table 15 and Appendix 5** as being of high priority for inclusion in future programmes, subject to the 2008/09 budget setting process..
- 2.7 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. (**Section 10.15**).
- 2.8 Recommend the City Council to approve the proposed Treasury Management Strategy for 2007/08 (**Section 14**), and the revised investment policy (**Appendix 6**), and to adopt the prudential indicators and limits described in **Section 15** and summarised in **Appendix 7**.

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 2006 and a revised Medium Term Financial Strategy in October 2006. These documents, together with the nine Cabinet Member Strategic Plans that were reviewed and adopted in July 2006 provide the context for the 2007/08 budget.

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

- 4.1 The City Council's vision for the city is set out in the Corporate Plan 2006/07 - 2008/09 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 Council has been consulting on two proposed amendments to the Council's Corporate Objectives to reflect the Council's priorities about the city centre and climate change as part of this year's budget setting process. The proposed amendments have been well received and the Council will look to adopt these when the Corporate Plan is reviewed and revised in June 2007. The proposed amended objectives are:
- Regenerate the city and ensure that people have a good choice of jobs and housing and *transform the city centre*
 - To make the city clean and green *and work to tackle climate change*
- 4.4 In addition to its corporate objectives the Council has a set of **Management Objectives** that 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
- 4.5 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
- 4.6 The council is committed to improving performance and is now a "Three Star" authority under the Government's Comprehensive Performance Assessment 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 always 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.

- 4.7 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.
- 4.8 The Medium Term Financial Strategy will enable our financial plans to support the delivery of the objectives laid out in the corporate plan whilst setting a sound financial planning framework to underpin the effective financial management of the Council. Inevitably, in aiming for a robust medium term position, the Council's budget needs to reconcile corporate spending priorities, available resources including agreed council tax increases and the availability of reserves. Importantly we need to take into account the spending pressures being faced by all local authorities arising from national issues in delivering a sustainable balanced budget in the medium term through the achievement of efficiency and value for money savings.
- 4.9 To assist councillors in setting the Council's revenue spending plans and capital programme, the Management Board has taken account of base budget issues and variations identified within the 2006/07 budgetary control position. It has also identified a range of management actions and incorporated formal member decisions taken during the year. Management Board then put forward a range of proposals for consideration based on a strategy of:
 - limiting additional resources to new developments 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 and time limited income streams
 - making strategic longer term use of assets and reserves to ensure appropriate investment and delivery in front line services.
- 4.10 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 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 Cabinet as part of the formal budget setting process.

- 4.11 The Council's Trades Unions have been consulted as part of the budget setting process and their views taken into consideration.
- 4.12 An extensive round of public consultation to inform the Council's budget setting has been led by the Deputy Leader of the Council, supported by the Chief Executive and other senior City Council officers. This consultation has focused on the Council's strategic priorities and direction, current performance and the budget proposals set out in the December 2006 Cabinet report. The consultees included: Coventry Youth Council; the Trades Unions 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**.
- 4.13 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 June 2007.
- 4.14 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.

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. Following the consultation period on the 2007/08 Provisional Settlement in December 2006, the Government announced the Final Settlement on 18th January 2007.

5.2 **Table 1: Coventry's Formula Grant Settlement**

	Provisional Settlement £'000	Final Settlement £'000	Difference £'000
Entitlement	134,109	134,109	nil

- 5.3 There are no changes to either the settlement methodology or data from the information that was released a year ago as part of the first multi year settlement. This means that the grant totals remain unchanged from the anticipated figures. 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.

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 3.4%, 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 source as part of a previous budget decision, making a total of £5.22m.

6.2 **Table 2** below shows a summary of the General Fund Revenue Budget. This information is shown in greater detail in **Appendix 2**, which sets out the Cabinet Portfolio revenue budgets and sources of revenue funding. The spending and saving proposals requiring decisions within this report are outlined in detail in **Appendix 3**.

Table 2: Summary of General Fund Revenue Budget

	£'000
Base budget	233,737
ADD	
Inflation and previous budget decisions	16,555
Balance of savings and pressures identified through approved decisions, management action and reviews of base budgets	(2,573)
Spending proposals (Appendix 3)	2,307
Sub-total	250,026
LESS	
Saving proposals (Appendix 3)	(1,463)
<u>Additional</u> LABGI Grant	(4,472)
Contribution from Reserves	(4,000)
Budget Requirement	240,091

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.

- 6.3 In order to compare the two years, we need to take account 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%.
- 6.4 A range of savings and pressures has already 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. In addition we have been affected by an increase in costs significantly above inflation across a range of separately negotiated contracts for energy adding over £1m to the Council's bottom line (a pattern reflected throughout the economy).
- 6.5 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 is included in this report. Where spending and saving proposals have changed since December, this has been indicated in the text of Appendix 3.

Spend Proposals

- 6.6 Overall, the recommended budget for the General Fund includes £2.3m of new spending proposals which specifically address our corporate objectives and which result in an increase of 18.5 posts. These proposals are shown in **Appendix 3**.
- 6.7 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.

Savings Proposals

- 6.8 To finance the additional revenue funding required to deliver our corporate objectives, it is necessary to make savings and to reduce the level of some Council services beyond those referenced in 6.4 above. The budget proposals in **Appendix 3** 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. 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.
- 6.9 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.

7 Other Budgets

7.1 This section briefly details the budgets and balances managed at a corporate level. The budget put forward includes the following contingencies and corporate budgets.

Table 3: Contingencies and Corporate Budgets

	£m
Contingency for inflation and increases in Employers' superannuation contributions not yet allocated to service budgets	0.3
Policy Contingency to cover unforeseen in-year developments of a policy nature	0.2
Local Authority Business Growth Incentive Scheme (LABGI)	(5.2)
Total Contingencies and Corporate Budgets	(4.7)

7.2 The recommended budget for 2007/08 incorporates the use of the working balances outlined below.

Table 4: Contribution from Reserves

	£m
Balance available as at 31 st March 2006	(14.5)
Approved and Potential policy commitments including Swanswell (£1.2m), Costs of running the Value for Money Unit over 3 years (£0.6m) and ICT Infrastructure (£0.5)	2.9
Budget Support for 2006/07	5.6
Use of LABGI grant for 2006/07	1.0

Transfers into working balances. These include a contribution from CLYP of £0.9m to partly offset our provisions for equal pay claims and a contribution from the Asset Management Revenue Account of £0.3m	(1.5)
Estimated Uncommitted Balance 31 st March 2007	(6.5)
Contribution to support 2007/08 Budget	4.0
Uncommitted Working Balances	(2.5)

This will leave the level of our uncommitted working balances at £2.5m, equivalent to 1% of our net budget. Section 13 provides further context to the adequacy of the City Council's reserves.

- 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 5: Levies from Other Bodies

	2007/08 £'000
West Midlands Passenger Transport Authority	15,416
Environment Agency	107
Total	15,523

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 2007/08 budget contains provision to pay precepts as follows:

Table 6: Parish Precepts

2006/07 £	Parish	2007/08 £
3,150	Allesley	3,300
1,500	Keresley	1,500
4,650	Total	4,800

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 3.4% 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 7: Impact of Council Tax Increases

	2006/07	2007/08		Increase Per year	Per week
	£	£	%	£	£
Band D	1172.82	1212.7	3.4	39.88	0.77
City Average	827.66	855.98	3.4	28.32	0.54

- 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 Whilst the position for 2007/08 has now been balanced, significant challenges remain in subsequent years. The revenue proposals outlined above have implications for future years' budget projections. Given the forthcoming report from the Lyons Review of Local Government Finance and the forthcoming Comprehensive Spending Review 2007, it is impossible to accurately predict the Council's future financial position. Nevertheless, assuming no further adverse pressures, the possible effects on the budget could be as follows.

Table 8: Possible future effects on the Council's financial position

	2008/09 £m	2009/10 £m
2007/08 Base Budget position	240.1	240.1
Inflation, savings and built-in pressures	12.6	21.9
LESS resources – projected Formula Grant & Council Tax at assumed 2.5% increase	(245.6)	(251.5)
Anticipated funding gap	7.1	10.5

- 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 our current work to 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 The council's approach to reducing spending and delivering efficiencies has recently been identified within our Medium Term Financial Strategy and Value For Money Strategy. Building on this strategic outline, officers are currently taking a three pronged approach to this work which is progressing across Directorates:

- Service redesign work is being undertaken aligned to the Coventry Direct programme involving the redesign of front line processes transferring to the Contact Centre, the improvement of specialist services remaining in Directorates and the development of a joined up relationship between the Contact Centre and Directorates.
- Implementation of the three year rolling programme of VFM reviews reported as part of the Value For Money Strategy.
- Reviews based on Audit Commission Value For Money profiles. These profiles compare Coventry's costs for individual areas of service compared with our nearest comparator authorities. This information helps us to review those services whose costs are relatively high compared to other comparable authorities, to identify whether the extra cost is justified by the quality or quantity of service. This work will result in proposals for reducing costs (whilst protecting service delivery as far as possible).

8.7 These approaches, together with our continued ongoing monitoring of the City Council's budgetary position (which itself can offer opportunities to free up resources from time to time), will provide the mechanism by which Management Board will seek to produce a balanced medium term financial position. Incorporating the planned use of reserve contributions set out in the medium term financial strategy, the following table reflects one way in which the revenue position might be balanced over the medium term.

Table 9: Balancing Future Revenue Programmes

	2008/09 £m	2009/10 £m
Potential Funding Gap	7.1	10.5
LESS Contribution from reserves	(2.0)	0.0
Further savings to be achieved from the combination of approaches outlined in the Value For Money Strategy and Sections 8.6 and 8.7 above	(5.1)	(10.5)

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 2007/08 have been increased in line with inflation or, where applicable, specific agreements. Notable instances of where service areas are increasing fees and charges above inflation are detailed below.

9.2 The Performing Arts Service

Fees for out of school activities provided by the Performing Arts Service will increase by 7.5%. For most fee paying service users this will equate to an increase of £1 per school term. Families that qualify for free school meals receive their tuition free of charge and will therefore not be affected by this increase. Pensioners and full-time students will continue to receive a discount of 25%.

9.3 Bereavement Services

From January 2008, the level of increase applied to Bereavement Services Fees and Charges will rise by 5% above the rate of inflation. This level of increase is seen as necessary to off-set the capital costs incurred in replacing the cremators at Canley Crematorium in order to meet new legislative requirements. It will also enable the service to meet additional service demands, including the development of Lentons Lane Cemetery.

In recommending this level of increase careful consideration of regional benchmark information has been taken into account and whilst the proposed increases will move Coventry from the bottom to middle quartile compared with our regional neighbours, they are felt as acceptable given the planned level of significant investment in the service in coming years.

9.4 Community Services Fees, Charges and Grants

The Community Services budget especially is greatly influenced by grant aid agreements, contracts and the application of specific grants provided by central government. The proposals affecting these areas are outlined in **Appendix 4**.

10 Capital Programme

10.1 In **Appendix 5** there are proposals for a Capital Programme of £80.3m. The proposed programme seeks to strike a balance between the need to invest in the infrastructure of the city and improving our level of service delivery. In particular, the programme offers the following investment:

- A £16m programme in 2007/08 for Children, Learning and Young People's Services, the majority of which will be invested in schools across the City,
- Investment of over £23m in total on a major highways and lighting programme, the Local Transport Plan, Primelines, and the beginning of significant environmental improvements to the Burges and Ironmonger Row,
- Continued cultural development in the city at the Herbert Art Gallery & Museum,
- A Strategic Housing Regeneration programme of £5.8m,

- The continuation of significant redevelopment schemes in Swanswell, Stoke Aldermoor and our New Deal for Communities (NDC) areas,
- A £6m investment in our property portfolio including the repair and maintenance of operational and commercial property, reducing the general backlog of property maintenance, improving the working environment and compliance with property related legislative requirements.
- Continuation of the previously approved Coventry Direct scheme,

10.2 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.
- 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.

More detailed information is provided below on these resources.

The 2007/08 Single Capital Pot (SCP)

10.3 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 2007/08 Formula Grant for the following capital allocations.

Table 10: Single Capital Pot

	Supported Borrowing 2006/07 £'000	Supported Borrowing 2007/08 £'000	Difference £'000
Transport	5,407	3,921	(1,486)
Transport– A45 Detrunking	7,500	0	(7,500)
Social Services	211	210	(1)
Education	3,802	4,263	461
Total	16,920	8,394	(8,526)

10.4 In overall terms there is a reduction of some £8.5m, largely as a result of the completion of works on the A45 and the associated resources. Supported Borrowing is only part of the picture as the Government also provides grant funding for the transport and education sectors.

10.5 The total transport allocation is shown below in more detail for 2007/08. This includes resources for the Integrated Transport element of the Local Transport Plan at a level that reflects an uplift in relation to the Integrated Transport Block Allocation of 12.5% because of the "excellent" status awarded to the local transport plan. It should be noted that this is the first year that reflects a change in the method of funding this programme, (as indicated in the allocation shown in the table below). In previous years the funding has been resourced by Supported Borrowing only.

Table 11: Transport Settlement

	£'000
LTP - Bridge and highways maintenance	1,033
LTP - Integrated Transport strategy	2,888
Total Supported Borrowing	3,921
LTP - Bridge and highways maintenance	1,068
LTP - Integrated Transport strategy*	433
Road Safety Funding**	20
Grant Funded	1,521

* Subject to confirmation from DfT; ** Transferring from the Police.

10.6 The 2007/08 Education capital settlement including devolved grant is £12.1m as follows.

Table 12: Education Settlement

	£'000
Supported Borrowing	4,263
Grant – including Devolved Formula	7,836
Total	12,099

Capital Receipts

- 10.7 Projected capital receipts are included in the table below. These forecast receipts will be used to fund the proposed capital programme. Management Board will continue to take action to review how the Capital Programme will be balanced in future years and in particular have tasked a Strategic Capital Group with bringing options forward to achieve this.

Table 13: Capital Receipts

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	Total £'000
Commercial & Operational Property	23,085	21,202	14,000	0	0	58,287
Miscellaneous	300	300	300	300	300	1,500
Total Receipts	23,385	21,502	14,300	300	300	59,787

Forecast Capital Programme

- 10.8 A summary of the proposed programme including existing commitments and funding sources is outlined in **Table 14**. This includes that part of the 2006/07 programme that has rescheduled in to 2007/08 as a result of the third quarter monitoring report for 2006/07. Full details of the proposed programme are included at **Appendix 5**. New schemes asterisked in the appendix will be subject to a further report to members before they start.
- 10.9 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 by Cabinet Member Portfolio.
- 10.10 From **Table 14**, it can be seen that the authority plans to incur £8.458m of prudential borrowing in 2007/08, and £3.5m in 2008/09. Provision has been made in the revenue budget to fund this. The majority of this borrowing relates

to Coventry Direct (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. On 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 LSC to enter into the lease agreement.

There is an option to fund this expenditure from Prudential borrowing. Given the likely medium to long-term pressure on our capital resources, this option is recommended as the most suited to our current financial position and has been built into the figures presented here.

10.11 We have made significant efforts to minimise the level of rescheduling that will affect the 2007/08 Programme. To this end, the programme shown in **Table 14** 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, 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.

10.12 In addition we 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 we 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 (e.g. 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.

Table 14: 2007/08 – 2011/12 Capital Programme (Expenditure & Funding)

Expenditure	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Children, Learning and Young People	15,810	8,818	1,792	2,895	545
City Services	18,524	5,500	5,517	5,652	0
Community Services	9,729	8,623	8,623	5,823	3,823
Culture, Leisure & Libraries	12,400	4,460	3,000	0	0
HR Corporate & Customer Services	6,180	2,733	50	0	0
Neighbourhood, Health & Equalities	130	0	0	0	0
Urban Regeneration & Regional Planning	26,471	20,851	1,647	750	0
Total Approved Programme	89,244	50,985	20,629	15,120	4,368
Allowance for Rescheduling	(8,924)	8,924			
Programme after Rescheduling	80,320	59,909			
Funding					
Supported borrowing	8,394	3,748	3,841	3,930	0
Ring Fenced Borrowing	2,977	2,517	0	0	0
Prudential Borrowing	8,458	3,500	0	0	0
Total Borrowing	19,829	9,765	3,841	3,930	0
Government Grants	36,018	19,877	6,478	8,416	3,868
Capital Receipts	23,385	21,502	14,300	300	300
Revenue Contributions	0	7,708	0	0	0
Leasing	1,088	200	200	200	200
Total	80,320	59,052	24,819	12,846	4,368
(Resources Available) / to be identified	0	857	(4,190)	2,274	0

10.13 **Table 14** shows that the programme for 2007/08 is balanced and that for 2008/09 to 2011/12 there is a small net surplus of resources with the surplus occurring in 2009/10 and small deficits in 2008/09 and 2010/11. This position will be managed in future years' budget setting processes.

10.14 The programme inevitably looks significantly reduced in the medium term due to the inability to reliably predict the level of available resources particularly beyond the end of the current spending review period. 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 2007/08 financial year be approved within this report as shown in **Appendix 5**. It is recommended that the remainder of the programme, including those schemes only subject to feasibility studies in 2007/08, be approved as high priority for inclusion in future programmes subject to review within future budget setting processes. The relevant schemes are listed as memorandum items at the bottom of each page in Appendix 5 and their total effect shown in **Table 15**.

Table 15 : High Priority Schemes For Inclusion in Future Programmes (subject to review)

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Highways Investment	0	2,900	2,900	2,900	2,900
Gating Programme	0	100	100	100	100
Property Repairs and Improvements	0	4,964	6,140	5,980	5,980
War Memorial Park (Matched Funding)	0	0	150	90	0
Investment in School Sports Provision	0	800	200	0	0
CLYP Neighbourhood Accommodation	0	500	0	0	0
Future schemes to be considered	0	9,264	9,490	9,070	8,980

10.15A 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 considering the risks 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 the major financial ones for the coming year are set out in summary below. Where appropriate these risks are included within the City Council's overall risk register and will therefore be monitored through our existing processes for managing risk or where more appropriate through our ongoing budgetary control processes.

- 11.2 New External Funding Arrangements** – The council is involved in a number of major investment projects that involve significant reliance upon external partners and external sources of finance. Street Lighting PFI, the regeneration of the NDC (New Deal for Communities) area and Building Schools for the Future are three very different examples of such arrangements. All of these schemes carry some degree of financial risk, the level of which is very difficult to predict at their outset. It is important to recognise that the financial implications of such schemes can change significantly – either positively or negatively – as the schemes progress. Officers representing the Council in each of the schemes are constantly vigilant to ensure that the financial implications for the Council are minimised and that we achieve the best possible value for money. Progress on these large schemes is closely monitored and regularly reported to members as they progress. Each of the schemes has a detailed risk register that is regularly reviewed.
- 11.3 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 continue to put realistic budgetary provision in place and implement strategies for managing these pressures, for example the contract to provide more local residential placements.
- 11.4 Services for Adults with Learning Difficulties**
Our services for adults with learning difficulties have been the subject of significant cost pressure in the recent past. A report to Cabinet on 31st October 2006 outlined the strategy for helping to manage these pressures. Nevertheless further medium to long-term pressures will inevitably arise in this area and we recognise the need to bring forward further proposals to manage these.
- 11.5 The A Factor**
The Council is engaged in ongoing discussion with its External Auditors about how much money we need to set aside to repay debt. This follows a change in accounting rules in 2004 and is commonly referred to as the 'A' Factor. The worst possible outcome of these discussions is that the Council is forced to set aside some additional resources in response to the Auditors' belief that there has been historic under provision in the amounts we have set aside to repay debt incurred over many years. Officers are continuing to negotiate and we have therefore not currently made any provision in the accounts for such contributions. We nevertheless need to recognise the risk that a subsequent decision forces us to re-address this position.
- 11.6 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 cash-flow forecasts and ultimately treasury management activity. We have attempted to place more rigour than ever on assessing the assumed profile of capital spending with the aim of not putting an unrealistic year 1 expenditure profile into our Capital Programme. Our expectation is that this will prevent the level of rescheduling experienced in recent years. This area will continue to be closely monitored through 2007/08.

- 11.7 **Achievement of Savings and Efficiencies** - A range of savings has been identified in this budget setting process and it is also acknowledged that further savings will be required in future years. This is also necessary to meet the Government's Gershon targets and to enable us to achieve a balanced and sustainable budgetary position in the medium term. Notwithstanding our approach of balancing our aspirations with what we think are realistic savings targets, 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.
- 11.8 **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 achieved then this may compromise our ability to resource our capital programme in the medium term.
- 11.9 **Equal Pay Claims** - The Council's 2005/06 financial outturn position was reported to Council on 27th June 2006. The report made reference to the hundreds of claims against the Council that had been received under equal pay legislation and the provision in our accounts that had been made for an estimated settlement amount. The Council is already robustly challenging these claims and would clearly do likewise with any future potential claims. Nevertheless, there remains a possibility that further claims are lodged with the Council over and above those already received. If this happens we will need to reassess the overall level of resources that we have currently set aside.
- 11.10 **Pay Award** – This budget includes provision for a Local Government pay award of 2% in line with government direction on pay restraint at a national level. Clearly an award in excess of this amount will need to be managed within our ongoing budgetary control process.
- 11.11 **New Revenues and Benefits System** – We are currently preparing to implement a new revenues and benefits system to replace the existing Civica system. In so doing it is recognised that there may be some short-term disruption to the collection of Council Tax revenues. Every effort will be made to keep this disruption to a minimum.
- 11.12 **Wide Area Network**
There are plans to continue the enhancement the network of ICT infrastructure (cabling and other technologies) across the City – commonly referred to as our Wide Area Network (WAN). These plans will come before members in the near future although they are not currently well enough advanced to include within this budget. At this stage of the process it is important that we are aware of the risks of contract costs exceeding expectations, that savings required to part fund the investment do not materialise and that external funding sources are not secured. Clearly, officers and members will have the opportunity to assess these matters as the scheme progresses.

11.13 Stepped Interest Loan Rates

Draft changes in accounting regulations include proposals for the treatment of stepped interest loans. The City Council has £20m of such loans that broadly have an interest rate of 2.99% between 2004/05 and 2006/07 and 4.75% thereafter. The proposed changes if agreed would cause us to equalise these rate sat around 4.65% resulting in a catch up charge approaching £1m (with a small annual reduction in cost thereafter). Coventry is one of a number of authorities making representations to CIPFA and to Government to avoid this impact and there are grounds for thinking that these will be successful.

11.14 Overall Risks

In considering the Council's corporate objectives in the context of our financial position, resources have been allocated to meet corporate priorities, and savings have been identified. In these circumstances there are a number of inherent risks which 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.

11.15 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, Table 16** 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 £2.5 m (**see Section 7.2, Table 4**) for 2007/08 and 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 Acting 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 Acting 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, prepare detailed service budgets that 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. The latest reported position is shown below.

Table 16: Reserves Balances at 2005/06 Outturn

Reserve	Closing Balance 31 st March 2005 £'000	To/(from) Reserve £'000	Closing Balance 31 st March 2006 £'000
Directorate Reserves	14,718	(8,992)	5,726
Management of Capital	17,798	(836)	16,962
Insurance Fund	5,059	1,119	6,178
Schools	9,776	(504)	9,272
Corporate Resources	29,421	(7,463)	21,958
Total	76,772	(16,676)	60,096

13.2 The final position of reserve balances carried forward into 2007/08 will not be known until finalisation of the 2006/07 accounts. It is likely that the total level of reserves will be reduced below the 31st March 2006 level by the end of 2006/07 although not by a significant margin. It is the view of the Acting Director of Finance and ICT that the City Council holds an adequate level of reserves to support the recommended budget for 2007/08. 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 insurance reserves is sufficient to meet any likely calls on them (within reasonable limits of assessed risk).

- c) The level of reserves is sufficient to support contributions to 2007/08 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 short-term 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.

13.3 Our policy on reserve usage is set out in the Medium Term Financial Strategy. The overriding aim is to ensure that reserve usage is focused on 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 Management Board in order to ensure the best use possible for the corporate objectives of the authority.

14 Treasury Management

14.1 The overall aim of the treasury management policy is to manage the Council's cashflows so that sufficient money is available to deliver its services, whilst at the same time minimising the costs of debt, at an acceptable level of risk. In addition, future stability and predictability are important considerations. More explicitly, the policy objectives are:

14.2 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.

14.3 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

14.4 Interest Rate Forecasts

At the start of August 2006 base rate stood at 4.5%. Successive rises increased this to 5.25% by January 2007. There is pressure for further rises with the Bank of England considering the underlying inflationary pressure in the economy and the potential impact of wage settlements. However, the timing and extent of any changes in the coming year are uncertain. Longer term borrowing rates, such as those obtainable from the PWLB, are currently relatively low and are expected to remain at under 5% during 2007/08.

Internationally, the consensus view is that the US economy will slow down gradually, with a "soft landing", but the effect of the increases in US rates since 2003 is difficult to gauge. The speed of the US deceleration will play a

significant role in determining the path of the global economy and the extent to which inflationary pressures have reached their peak.

14.5 Borrowing

Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2007 is as follows:

Table 17: Estimated Long Term Borrowing at 31st March 2007

Type of Debt	Total £m
PWLB	214.9
Money Market	70.0
Stock Issue	12.0
Total	296.9

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.

Given the revenue budget and associated capital programme outlined above, the estimated funding requirement for the City Council for 2007/08 is summarised below:

Table 18: 2007/08 Funding Requirement

	£m
Previous borrowing which matures and needs to be replaced	nil
New funds to finance the Capital Programme	19.8
Minimum Revenue Provision	(12.0)
Total forecast borrowing requirement	7.8

This sum will increase if new government supported borrowing is awarded during the year. After 2007/08 the proposed capital programme indicates a reduction in the level of required borrowing.

In the light of the interest rate forecast, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2007/08, 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 involves redeeming our existing debt early when long term rates are low – replacing current higher interest debt with new lower interest debt. This will only be done if revenue benefits justify it.

14.6 **Investments**

Under the City Council's Investment Policy, investments are made as part of the management of day to day cashflows as well as 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 and the Coventry Solihull Waste Disposal Company.

The Investment Policy was updated through the 2006/07 Treasury Management Strategy to rationalise some aspects and to extend the counterparties (the institutions that we borrow from and lend to) available to the Council. It is proposed that there is only a minor technical amendment to the policy to simplify the way lending limits are set.

The current policy sets upper limits on how much we can invest with a single counterparty. This is currently based on the lower of absolute limits (generally either £10m or £5m per organisation) or a percentage of our total level of investments.

In practice, the percentage limit has proved unnecessary given the broad level of the City's investments. This is because the absolute levels give assurance that we are not exposed to risks associated with lending too much to a single counterparty.

In addition, if our overall level of investment were somewhat lower than at present, a maximum percentage would set investment limits (ie the amount we could invest with one counterparty) that are too low for practical purposes. This would not enable the City Council to get the most advantageous rates of investment return from the market.

For these reasons, it is proposed that the percentage limit is deleted from the criteria. This change ultimately has only an administrative impact and does not expose the City Council to any greater level of risk.

The impact of this revised policy is reflected in Appendix 6.

The city council manages its investments by making deposits with banks and building societies, largely for fixed durations and rates of interest, and by placing money with fund managers. As fund managers are able to access different types of longer term investments, such as government gilts and certificates of deposit, this ensures the diversification of investments. Both fund

manager contracts came to an end during 2006. Following the tendering exercise Investec Asset Management were appointed.

15 **The Prudential Code**

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.

15.1 **Revenue Related Prudential Indicators**

Within Appendix 7 those indicators with references 35 – 38 and 39 highlight the revenue impact of the proposed capital programme. These show that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax is forecast to increase marginally from 10.74% in 2007/08 to 10.89% in 2009/10.

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 also shows a marginal change from 2007/08 to 2009/10, 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.

15.2 **Capital and Treasury Management Related Prudential Indicators**

This indicators, set out in Appendix 7, 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 2007/08 and 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) and 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 £1.1m of spend to be resourced from leasing in 2007/08, 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	✓	
Neighbourhood Management		✓
Property Implications	✓	

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

17.1 **Best Value**

The City Council's 2007/08 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 **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.

17.3 **Corporate Parenting**

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

17.4 **Coventry Community Plan**

The themes and priorities of the 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.

17.5 **Finance**

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

17.6 **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.

17.7 **Impact on Partner Organisations**

Appendix 4 contains information that impacts upon our dealings with some partner organisations.

17.8 **Information and Communications Technology**

The revenue and capital proposals in the report (see Appendices 3 and 5) detail ICT related expenditure proposals.

17.9 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.

17.10 Property Implications

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

17.11 Risk Management Implications

Budget risks are included in section 11 of the report.

17.12 Trade Union Consultation

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

17.13 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 performance management system – through half-year monitoring by Councillors of the Cabinet Member Strategic Plans and through quarterly monitoring by service managers of their Operational Plans. This information will be used to inform future policy and financial planning.

18.2 Once the budgets for 2007/08 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 Quarterly reports on the Treasury Management Strategy are presented to Cabinet.

	Yes	No
Key Decision	✓	
Scrutiny Consideration		✓
Council Consideration	✓ 20 th February 2007	

List of background papers

Proper officers: Stella Manzie, Chief Executive
Chris West, Acting Director of Finance & ICT

Author: Paul Jennings, Financial Strategy Manager, Finance and ICT (024) 7683 3753
(Any enquiries should be directed to the above)

Other contributors:

John McGuigan, Director City Development
Mick Green, Head of Public Protection
Christopher Hinde, Director of Legal and Democratic Services
Colin Green, Director of Children learning and Young People
Janice Nichols, Head of Neighbourhood Management
John Bolton, Director of Community Services
Bev Messinger, Head of Human Resources
Roger Hughes, Head of Corporate Policy
Richard Brankowski, Legal and Democratic Services
Mike Coult, Chief Executive's Directorate
Ian Brindley, Finance & ICT
Michael Rennie, Finance and ICT
Jane Murphy, Finance and ICT
Phil Baggott, Finance and ICT
Fran Collingham, Chief Executive's Directorate
Jenni Venn, Chief Executive's Department
Neil Chamberlain, Community Services
John Bodie, Community Services
Barry Hastie, Finance and ICT
Zulfiqar Darr, Finance and ICT
Phil Helm, Finance and ICT
Carol Dear, Chief Executive's Directorate

Papers open to Public Inspection – Budget setting papers 3rd Floor Christchurch House

Appendices

- Appendix 1 – Public Consultation
- Appendix 2 – General Fund Budget 2007/08
- Appendix 3 – New Spending and Savings Proposals
- Appendix 4 – Social Services : Annual Increases in Fees
 - Grants to Voluntary Organisations
 - Central Government Grants
- Appendix 5 – Capital Programme 2007/08 to 20011/12
- Appendix 6 – Council Investment Policy
- Appendix 7 – Council Prudential Indicators

CONSULTATION ON THE COUNCIL'S PRIORITIES AND BUDGET SETTING JANUARY 2007

1. Introduction

- 1.1 During January the Council sought to consult with partners, local organisations and groups to find out their views on the Council's vision and its corporate priorities.
- 1.2 The Council reported on its priorities, current performance and budget proposals and asked for views on the issues that most 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 A variety of consultation meetings was arranged during January and each one was presented by Councillor Tony O'Neill, Deputy Leader of the Council, together with a member of the Management Board. 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, private, voluntary and community sectors.
- 2.2 The consultation involved the following groups:
- Coventry Youth Council
 - The Council's Trades Unions
 - Coventry Chamber
 - Public and Private Partners
 - Voluntary and Community Partners
 - Coventry Partnership
 - Children and Young Peoples Commissioning Board

In addition information was sent to members of the Coventry Cultural Partnership, some of whom were able to attend one of the meetings above.

- 2.3 Representatives from other organisations who were unable to attend the meetings were given the opportunity to receive the presentation and papers and to send their comments direct to the Council. A number of comments have been received and recorded in this way.
- 2.4 All the Council's trade unions were consulted and given opportunity to comment on the council's performance and priorities and budget options as part of the budget setting process. Two special meetings of the Corporate Joint Consultative Group were held in December 2006 and January 2007 chaired by Councillor Mrs Heather Johnson.
- 2.5 There has been an 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 Strategic Plan half-year reviews. At the time of publishing this report the meetings to discuss the reviews for City Services, Culture

Leisure and Libraries and Policy Leadership and Governance portfolios had not yet taken place.

3. Outcomes of Consultation

- 3.1 Attached as part A of this appendix is a summary of the comments made during the consultation. This includes comments from all groups, excluding the Trade Unions where the discussion was of a different format focusing upon a more detailed analysis of specific budget proposals, including posts affected. There were no specific comments recorded from the Cultural Partnership, Coventry Partnership or the Children and Young People's Commissioning Board although some individual group members will have contributed through other forums.
- 3.2 It can be seen from the wide range of comments that there has been significant interest in the Council's vision and whilst everyone accepted the need for growth, the discussions focused upon how large the growth should be and getting the mix right for the city. The proposal to add commitments to transform the city centre and to tackle climate change to the Council's corporate objectives were positively received.
- 3.3 There is widespread agreement on the need to transform the city centre and suggestions have included attracting different offerings of businesses, retail, tourism and leisure to the City Centre. A consistent theme has been the importance of having an overall vision and strategy, which the Council and its partners should lead on.
- 3.4 The importance of tackling climate change as a corporate priority has also been positively supported across all sectors and the suggestion made that it can also be seen as a positive economic and regeneration opportunity. There was recognition that whilst there may be some measures that can be enforced, there will be other actions that require the Council to encourage people to take individual responsibility. The Council itself will also have an important role to play in taking a lead as a main provider and purchaser of services.
- 3.5 Other topics discussed included the need to improve public transport to encourage people to come to the city centre and also to reduce car usage as part of the climate change agenda. Both representatives of older people and young people in particular felt that public transport needed to be improved upon. The voluntary and community sector representatives were particularly supportive of the proposal to increase funding for neighbourhood management. Whilst cultural facilities were regarded as generally good in Coventry, sports facilities need to be improved upon to encourage more activity by adults.
- 3.6 The presentations of Cabinet Member Strategic Plan reviews provided Scrutiny Board members with the opportunity to ask questions about current performance and future proposals. Some of the key topics discussed were; the need for quality office development in the City Centre as well as retail offerings, preparations for integrating IKEA into the City Centre and car parking charges. In Children Learning and Young People services the discussions included the need to plan to mainstream Sure Start programmes and the effect of the arrival of children of economic migrants in Coventry Schools.. The choice base letting scheme for housing and future development of Ward Forums were also discussed and concerns were raised over joint funding priorities with the local health services.

**Consultation on Council Priorities and Budget Proposals
January 2007**

Corporate Objectives	Comments	Sector
Vision for Coventry	<ul style="list-style-type: none"> ▪ Coventry needs an identity upon which to base its future growth. ▪ Badging for the City is important, however this must not be too specific so as to allow for future flexibility. ▪ Suggestion that we adopt the strapline" A place where it's is good to do business" ▪ The Olympic Games provide the city with opportunities for branding, to support the development of tourism and promote the Councils cultural offerings. ▪ Coventry is well placed geographically and we need to make the most of this. ▪ Strategic approach needed to development of the city, avoid one off initiatives. ▪ Coventry should aim to be the capital of the region. 	Public and Private Sector Partners
	<ul style="list-style-type: none"> ▪ Coventry is looked upon as a second-class citizen, whilst other nearby locations are seen as places to invest. ▪ There is a danger of being marginalised on the edge of the West Midlands and a joined up vision for the sub region is needed. ▪ Coventry needs to capitalise on its geographical position, it has some significant advantages to shout about including two universities through which to develop skills. ▪ The Council should badge itself as being a place where people live and work making the most of its geographical location. ▪ "Coventry Inspires" and "City of Peace and Reconciliation" do not really sell the advantages. ▪ The Council's role should be to seed things rather than dictate. ▪ Coventry's reputation of breaking down barriers to development is already good. ▪ There could be a danger of over emphasising the closeness and efficiency of travel to London as this could spoil opportunities for relocation. 	Coventry Business Sector

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"> ▪ Concern that there appears to be no critical path for road works in the City with many jobs appearing to be unfinished before moving onto the next. ▪ The current state of the roads across the city acts as a major disincentive to cyclists. More investment is needed to encourage more cycling including cycle paths, storage, locking facilities and training. 	<p>Voluntary and Community Sector Partners</p>
	<ul style="list-style-type: none"> ▪ It will be important to relate any proposed changes to the corporate objectives to the Coventry Partnership priorities as well. 	<p>Public and Private Sector Partners</p>
<p>Ensure the best quality education for all and that children and young people can achieve their maximum potential.</p>	<ul style="list-style-type: none"> ▪ Important to identify and support gifted and talented children in the City. ▪ Important to support children with autism and dyslexia in schools. ▪ Support is requested for supplementary education such as Saturday schools for specific groups. 	<p>Voluntary and Community Sector Partners</p>
	<ul style="list-style-type: none"> ▪ Schools need to be doing more promotion of their successes and achievements to encourage families to locate and live in Coventry. ▪ Coventry has some distinct advantages for learning and skills development with two universities in its area. ▪ The Council needs to be setting targets for attainment above CGSE level to make sure that they are developing skills needed for the future. ▪ Children's services and schools should see museums as a source of education on a range of current issues and not just history. ▪ The Building Schools For The Future Programme should ideally be used to improve the provision of wider community services. 	<p>Public and Private Sector Partners</p>

Corporate Objectives	Comments	Sector
<p>Regenerate the city and ensure people have a good choice of jobs and housing and transform the City Centre.</p>	<ul style="list-style-type: none"> ▪ The development of out of town retail parks may have an impact on the City Centre offer. ▪ The Council may already have officer skills in the organisation to develop the City Centre but, if not, will need to pay well to attract the right sort of person at a senior level to do this. ▪ The issue of growth requires careful analysis, in particular in relation to the mix of housing and ability to attract developers. ▪ Pleased that the Council is continuing to invest in the Herbert Art Gallery, as this is an important aspect of getting people to come to the City Centre. ▪ Promote brownfield site developments for new buildings and housing and maintain greenery wherever possible. ▪ Uncertainty that the city can sustain a growth of up to 44,000 extra dwellings while maintaining its infrastructure, quality of life and green spaces. 	<p>Voluntary and Community Sector Partners</p>
	<ul style="list-style-type: none"> ▪ It will be important to have a strategy for linking economic growth and growth of the housing stock. ▪ Important to encourage office developments as well as retail as part of city centre transformation. ▪ Retail, culture and leisure do not necessarily need to be seen as the same city centre offer - research has shown that, as a rule, people come for one or another and do not seek to combine their visits. ▪ The provision of aspirational housing is important. 	<p>Public and Private Sector Partners</p>
	<ul style="list-style-type: none"> ▪ Jobs will need to come first to convince private builders to invest. ▪ Aspirational housing is still needed to keep people in the City. ▪ Good news that the Qualifications and Curriculum Authority is bringing 450 jobs to the City Centre. ▪ Supportive of the need for City Centre regeneration. 	<p>Coventry Business Sector</p>

Corporate Objectives	Comments	Sector
	<ul style="list-style-type: none"> ▪ Brighten up the ring road and make it more colourful and attractive. ▪ Pool Meadow is not a nice place to be with horrible toilets and a lack of security - it needs a facelift and cleaning. ▪ Young people would like a place to meet that is warm, free to go into and doesn't involve spending a lot of money. ▪ More shops with a friendly atmosphere. ▪ There needs to be more spaces in the city centre, more toilets and cheaper entertainment. ▪ Provide safe and cheap routes to facilities. ▪ Coventry city centre is uninteresting and young people are more likely to go to Birmingham for main shopping. 	Coventry Youth Council
Promote health, independence and choice for all citizens.	<ul style="list-style-type: none"> ▪ Day care provision has an important role in keeping people in their own homes. ▪ Development of lifetime housing would help to maintain independence of older people and reduce the costs of adaptations needed later in life. ▪ Coventry as a City should be promoting a Children's hospice. ▪ Request for further consultation on any future charging policies for Community Services. ▪ There appears to be a contradiction between having to make charges to maintain basic needs for people whilst, at the same time, other library and cultural services can be used free because it is not legal to charge. 	Voluntary and Community Sector Partners

Corporate Objectives	Comments	Sector
	<ul style="list-style-type: none"> ▪ The cost of keeping people in hospital any longer than necessary has an impact on other primary care services, which are the ones that make Coventry a good place to live. This demonstrates the value of working closely with the Council to ensure delivery of value for money services. ▪ Avoid silo approach to service delivery - culture and leisure services are also important to support older people to live independently at home. ▪ Obesity in young people is an important issue to tackle. It is important to link with young people's services to make sure that the habit of exercising regularly starts at an early age. ▪ Raise the profile of sport to reflect the value it can add to the broad cross cutting agendas. ▪ Sports facilities need to be updated and investment is needed in the infrastructure, not just of local authority, but also voluntary sports clubs which have historically benefited from company investment. 	Public and Private Sector Partners.
<p>Create a city where people feel safe and confident and no-one is disadvantaged by the neighbourhood in which they live.</p>	<ul style="list-style-type: none"> ▪ Continue the investment in community safety policies including neighbourhood wardens and community policing. ▪ Expand the Warden Service to provide more doubling up on shifts. ▪ Recognise the contributions that other projects have in reducing crime e.g. Cariba Project. ▪ Pleased that additional funding is being provided to Neighbourhood Management - there had previously been concerns over reductions to Area Co-ordination. ▪ The area boundaries are not yet working properly with some confusion around grouping of services. ▪ Ward forums are not yet effectively engaging with the voluntary sector. ▪ There is wisdom in investing in bus services, since usage of Prime Lines routes has increased despite reduction in bus usage overall. 	Voluntary and Community Sector Partners

Corporate Objectives	Comments	Sector
	<ul style="list-style-type: none"> ▪ Generally feel safe in the City Centre although the police are sometimes slow to respond and follow through when incidents are reported. ▪ Concerns over public transport including high fares, anti social behaviour, smoking on buses - people would have felt safer in the past when bus inspectors were employed. ▪ Trams may be a good solution for the future. 	Coventry Youth Council
<p>Make the city clean and green and tackle climate change.</p>	<ul style="list-style-type: none"> ▪ Park and ride service is good and should be promoted across the City to reduce traffic chaos. ▪ Public awareness campaign needed to educate people on environmental issues and how they as individuals can make a difference. ▪ Climate change is inevitable however people's lifestyles will have an impact ▪ A reduction in car manufacturing in Coventry will have already made a significant impact on reducing damage to the environment. ▪ New PFI lighting initiative should have due regard to energy efficiency. ▪ Important for Council to take a strategic lead, in tackling climate change, both as a supplier of services but also as purchaser of services. ▪ The Council is pushing an open door when it comes to tackling climate change. ▪ Promotion of sustainable housing would also be a way of reducing costs for people living in them. ▪ Coventry University is a particularly good example of efficiency in the design of its buildings. ▪ Having flowers in the City Centre is a good thing and makes people feel more positive. ▪ There should be more recycling facilities for blocks of flats. ▪ Introduce wheelie bins for collecting re-cycling - people are used to these and current boxes are not big or strong enough. ▪ Need for a litter campaign, including charging people who drop litter. ▪ It is encouraging to see that environmental factors have been considered in City Region proposal. 	Voluntary and Community Sector Partners

Corporate Objectives	Comments	Sector
	<ul style="list-style-type: none"> ▪ Tackling climate change should be given a positive spin and be seen as a significant economic and regeneration opportunity. ▪ Encourage more use of public transport by increasing the availability of park and rides and a railway station at the Ricoh Arena. ▪ Sustainable housing is an important consideration for the future. <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> ▪ Enforce measures to encourage drivers to car share, such as introducing car-sharing lanes for vehicles carrying more than one vehicle. ▪ Discourage 4 wheel drive vehicles. ▪ Encourage individuals to tackle climate change by education and campaigns, providing grants for home insulation, use of solar energy. ▪ Charge more for car parking and encourage people to make better use of public transport. ▪ Provide secure locations for parking of bikes. ▪ Lobby the government to take action and provide tax breaks for people who make their houses sustainable. ▪ Council to lead by example by reducing its own demands for energy, ensuring staff do simple things like turning off lights and computers where they are not needed. Switch off computers over night in schools. ▪ Have wind turbines on top of shops to supply energy. 	<p>Public and Private Sector Partners</p> <hr style="border-top: 1px dashed black;"/> <p>Coventry Youth Council</p>
<p>Actively promote equality so that people from different backgrounds have similar life opportunities.</p>	<ul style="list-style-type: none"> ▪ Cutting back on bus services after 3.00 p.m. is having a significant impact on the lives of older people in the City and their ability to get around the City Centre. ▪ Still some way to go in terms of equal opportunities for black people based on an account of an individual refugee facing difficulty in relation to housing, security and jobs. 	<p>Voluntary and Community Sector Partners</p>

Corporate Objectives	Comments	Sector
Management Objectives Money People Improving the Way We Work	<ul style="list-style-type: none"> ▪ Limit Council Tax rises, particular concern of older people on fixed incomes with rising utilities and Council Tax charges. ▪ Care needs to be taken to ensure that the sale of capital assets is restricted to those which bring in the least income. ▪ Match funding for welfare organisations that generate money for good causes. ▪ Recognise importance of partnership working to maximise capacity across all corporate objectives. ▪ Both voluntary and community organisations can play a key role in delivering outcomes for citizens of Coventry. 	Voluntary and Community Sector Partners
	<ul style="list-style-type: none"> ▪ Benefits have been gained from co-locating services at a community level, for example in library buildings. ▪ The selling off of property could have an adverse impact on community services. 	Public and Private Sector Partners

General Fund Revenue Budget 2007/8

Appendix 2

2006/7 Base Budget	Cabinet Member Portfolios	Pre-Budget Changes	Policy Spending & Savings Proposals Appx 3	2007/8 Final Budget
£000		£000	£000	£000
79,912	Children, Learning and Young People	(10,124)	(80)	69,708
34,943	City Services	(1,405)	(190)	33,348
74,149	Community Services	2,459	60	76,668
(135)	Human Resources, Corporate & Customer Services	(1,618)	126	(1,627)
5,229	Finance, Procurement and Value For Money	(33)	235	5,431
5,948	Neighbourhoods, Health and Equalities	193	175	6,316
21,658	Culture, Leisure and Libraries	(1,690)	731	20,698
185	Policy, Leadership and Governance	403	50	637
12,588	Urban Regeneration and Regional Planning	(10,656)	115	2,047
12,053	Corporate and Democratic Core and Unapportioned Overheads	(11)	0	12,043
246,529	Total Cabinet Member Portfolios	(22,482)	1,222	225,269
(25,128)	Asset Management Revenue Account	33,033	0	7,905
5,733	Contingencies and Corporate Budgets	(4,831)	(378)	524
(5,653)	Reserve Contributions to support General Fund Budget	5,739	(4,000)	(3,914)
(2,950)	Local Authority Business Growth Incentive Funding	2,200	(4,472)	(5,222)
15,201	Levies from Other Bodies	322	0	15,523
5	Parish Precepts	0	0	5
233,737	City Council Budget Requirement 2006/07	13,982	(7,628)	240,091
	Financed by:			
(130,218)	Central Government Resources			(134,109)
(101,990)	Council Tax @ 3.4% increase			(105,982)
(1,529)	Collection Fund Surplus			0
(233,737)	Total Resources			(240,091)

(continued)

Notes

1 During the budget setting process, revenue information was presented in a Directorate format reflecting the fact that Management Board members and their management teams have formulated the spending and saving proposals. This appendix is on a cabinet portfolio basis and therefore may not align exactly to the directorate totals in Appendix 3. In addition, a few items are currently shown under Contingencies and Corporate budgets pending allocation to the appropriate budget area. The Appendix 3 totals for savings proposals - (£1.463m) and spending proposals - £2.307m, less the contributions from reserves - (£4.000m) and LABGI - (£4.472m) reconcile to the overall total of (£7.628m) in the preceding table.

2 The Pre-Budget changes column above incorporates:

- £16.5m for the financial impact of inflation and decisions made in previous budget processes,
- (£8.3m) for savings from reviews of budgets, new management actions and member decisions already made,
- £5.7m for budgetary control pressures identified and
- technical switches between budgets.

The most significant technical switch reflects the fact that portfolio budgets no longer incur a charge for interest on their capital expenditure with a corresponding reduction in budgets. The net effect on directorates is neutral. The biggest movements have been felt in the Children's and Young People and Urban Regeneration and Regional Planning portfolios that have seen reductions in charges and budgets for this reason, amounting to £15m and £10m respectively.

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>NEW SAVING & INCREASED CHARGES PROPOSALS</u>							
Children Learning & Young People							
1	Children Learning & Young People Social Care Staffing	Reduction in 3 service development posts in the area of court and hospital liaison and private fostering. These have now established and integrated new systems and procedures. Staff in these posts will be redeployed into mainstream social care work without the need for redundancies.	0	(3)	(90)	(90)	(90)
2	Performing Arts Service	Saving will be delivered through an increase in charges to parents and schools. This will not impact on families on low income benefits who are exempt from charges.	0	0	(30)	(30)	(30)
3	Locality Services	Reduction of 2 post supporting Early Years work across 4 Surestart programmes. This will leave an establishment of 18 Early Years posts with additional support provided within the Early Years element of neighbourhood teams. Savings will be achieved by not recruiting to vacant posts or redeployment where possible.	0	(2)	(55)	(55)	(55)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
4	Contribution to Hillfields Early Excellence Centre	Represents 50% of a contribution made to the centre from children's social care which funds family support work. This will result in more referrals being made to locality offices and will be addressed through integrated neighbourhood service teams. It is anticipated that existing staff can be redeployed within the neighbourhood model.	0	(3)	(90)	(90)	(90)
5	Play Centres	Saving on premises costs as a result of relocating provision within Children's Centres/Extended Schools developments.	0	0	(20)	(20)	(20)
Total Children Learning & Young People			0.0	(8.0)	(285)	(285)	(285)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
NEW SAVING & INCREASED CHARGES PROPOSALS							
City Development							
6	Section 38 & Section 278	Fees on adoptions and highways agreements under section 38 and 278 of the Highways Acts are charged at 6% of the cost of the works. The proposal increases this to 6.5% which is equal to the highest in the West Midlands. The Local Authority is the monopoly supplier so a small increase in percentage charge will produce increased revenue without "loss of business"	0	0	(20)	(20)	(20)
7	Taxi Licensing	The Taxi Licensing service is self funding from fees and charges and is ring fenced. It is however considered possible to generate a small amount to contribute to savings by recovering overheads.	0	0	(5)	(5)	(5)
8	High Hedges charge	Following a review of the first 18 months of the high hedges legislation, Planning Committee has agreed to introduce a modest fee of £190 per complaint from 1 January 2007 to cover the basic costs of administration of the complaint investigation and resolution up to the point of court action.	0	0	(5)	(5)	(5)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
9	Home buyers packs.	Income from providing a service to compete with the private sector when HBPs become a legal requirement next year, as we have easy access to all the required info. However recent changes by the Government to the scope of Home Buyers Packs to include a list of "required" documentation and a list of "desirable" elements to be provided at the sellers discretion has reduced the potential income targets for this proposed new service. Charges need to be kept competitive as this is likely to be a very competitive market with many business organisations offering a service.	0	0	(25)	(50)	(50)
Total City Development			0.0	0.0	(55)	(80)	(80)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>NEW SAVING & INCREASED CHARGES PROPOSALS</u>							
	City Services						
10	Bereavement Services	Increase charges to help fund essential cremator improvement programme. Over the next 3 years fees and charges will be uplifted 5% above inflation each year. However, despite these proposed increases in the level of fees and charges we will maintain our bottom quartile position compared to neighbouring authorities, for the 3 most significant fees : Cremation, Interment and exclusive rights of burial.	0	0	(100)	(200)	(300)
11	School Meals	Increased income from greater take up of school meals. Last year's reduction in meal numbers due to the 'Jamie Oliver' effect, has now been reversed following a strong marketing campaign, and revised menus and this increased take up in school meals will generate additional income.	0	0	(30)	(30)	(30)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
12	Environmental Health	Review of services and charging policies for Pest Control and Domestic Noise Service. Consider charging for Pest Control Services, which are currently free of charge, in line with other local authorities. Review the Domestic Noise Service, with a view to improved call handling at ESU, and reduced available hours for call out service.	0	0	(10)	(20)	(20)
13	Environmental Health and Trading Standards	Reduce service towards statutory levels. A review of management, administrative and support posts in order to improve efficiency.	0	(4)	(50)	(100)	(100)
13A	Street Lighting PFI Re-Phasing of Funding gap and Increase in Consultancy Costs - Change to December Position	The Council's first contribution to our Street Lighting PFI scheme is now not likely to be required until 2009/10, saving £1.3m amount in 2008/09. However, consultancy costs for the next 3 years are expected to be an average of £200k higher than previously budgeted for (£50k less in 2007/08, £450k more in 2008/09 and £200k more in 2009/10).	0	0	(50)	(850)	200
Total City Services			0.0	(4.0)	(240)	(1,200)	(250)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>NEW SAVING & INCREASED CHARGES PROPOSALS</u>							
	Community Services						
14	Community Librarians	Review service provision to provide consistent level of service - one senior post will be located in every main Community Library (and 6 at Central Library) to provide library and information, customer service and management skills. Four posts to be deleted of which 2 are currently vacant.	0	(4)	(111)	(111)	(111)
15	Community Parks Income	Increased ice-cream concession income due especially to popularity of the Memorial Park Water Feature and addition of trampoline concession.	0	0	(16)	(16)	(16)
16	Coombe Income	Ice cream and other franchise income due to increased popularity of Coombe	0	0	(12)	(12)	(12)
17	Sports Development	Saving arising from restructure following a review of the Sports Development Team	0	(1)	(10)	(10)	(10)
18	Grant to Sports Trust - Change to December Position	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments <i>*note option to increase grant in policy development options</i>	0	0	(46)	(46)	(46)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
NEW SAVING & INCREASED CHARGES PROPOSALS							
Community Services							
19	Grant to Coventry Sports Foundation	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments	0	0	(3)	(3)	(3)
20	Belgrade - Change to December Position	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments	0	0	(32)	(32)	(32)
21	Transport Museum - Change to December Position	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments <i>*note option to increase grant in policy development options</i>	0	0	(19)	(19)	(19)
Total Community Services			0.0	(5.0)	(249)	(249)	(249)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
NEW SAVING & INCREASED CHARGES PROPOSALS							
Finance and ICT							
22	Council Tax Collection Rate - Change to December Position	Improve collection by 0.3% year on year - This item has now been included within the Council Tax resources position	0	0	0	0	0
23	Housing Benefit	This proposal looks at joint working opportunities with internal and external partners to streamline service delivery. Work is progressing to locate staff in the offices of Whitefriars and JobcentrePlus, to provide a point of contact and reduce administration. Coventry Revenues and Benefits service together with the Warwickshire Authorities are working together on a feasibility study, funded by DCLG, to identify potential areas for shared service provision.	0	0	0	(25)	(25)
24	Review of Housing Benefit advice	Review of in house service and the impact on local tax collection and benefit take up within the City. The current structure and management arrangements will be reviewed, together with the potential for setting up a joint visiting team with the Pension Service.	0	0	(30)	(30)	(30)
Total Finance and ICT			0.0	0.0	(30)	(55)	(55)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
NEW SAVING & INCREASED CHARGES PROPOSALS							
Legal and Democratic Services							
25	Additional Income – Register Office	Increasing the fees for marriages conducted in outside premises that registrars have to attend at additional cost	0	0	(4)	(4)	(4)
Total Legal and Democratic Services			0.0	0.0	(4)	(4)	(4)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
NEW SAVING & INCREASED CHARGES PROPOSALS							
Corporate							
26	Reduce Policy Contingency	Reduce the Policy Contingency available from £300k to £200k per annum	0	0	(100)	(100)	(100)
26A	Service Review Savings	Service Review savings to be delivered as part of the Value For Money Strategy	0	0	(500)	(1,500)	(3,000)
Total Corporate			0.0	0.0	(600)	(1,600)	(3,100)
Total New Savings Options			0.0	(17.0)	(1,463)	(3,473)	(4,023)

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
POLICY DEVELOPMENT PROPOSALS							
Children Learning and Young People							
27	Education Welfare Officers	To deliver the key JAR outcome to improve school attendance and educational outcomes by improving the capacity of the Welfare Service currently undersized compared with other local authorities in the Midlands	2	0	85	85	85
28	Safeguarding	To deliver new statutory requirements around Licensing and Gambling applications, missing children notifications, review panels for unexpected child deaths and children's complaints procedures	2.5	0	120	120	120
Total Children Learning and Young People			4.5	0.0	205	205	205

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>POLICY DEVELOPMENT PROPOSALS</u>							
Chief Executive's							
29	Director of Public Health	Joint funding of post (50%) with health community	0	0	60	60	60
30	Neighbourhood Management Community Initiatives & Activities Funds and Ward Forums	This proposal will fund community led activities, pump priming for new ideas and the additional costs of Ward Forums. This to be shared between the three NM areas: £40k to the North East and £30k each to the North West and South to fund community activities such as health days, older people's forums, festivals and fun days, and other community initiated activities	0	0	100	100	100
31	Neighbourhood Management Development Officers	To provide at least one post in each NM area to restore some of the capacity recently lost in the service. Particular focus will be on experienced development officers/managers to provide support to local groups and deputise for Area Managers when necessary.	3	0	75	100	100

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
POLICY DEVELOPMENT PROPOSALS							
Chief Executive's							
32	TU Learning Representative - Change to December Position	There is a legal obligation to provide Trade Union Learning Representatives (ULRs) for the organisation. Through negotiation as part of the new Trade Union Constitution there is agreement for the provision of 3 FTE's to cover the whole workforce including Teachers. ULRs were introduced by the Gov to ensure that trade union colleagues could encourage employers to take a responsibility for the basic educational needs of their employees, particularly in terms of literacy and numeracy. The ULR's role is to highlight these issues and ensure that the individuals concerned are encouraged and given the opportunity to attend courses, which will increase their basic skills and therefore give them more opportunities. This work complements the Council's Training Strategy and will improve the awareness, take up and identification of needs across the organization and contribute to the Council's 3 day per employee training target.	3	0	100	100	100

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
33	Improving Understanding and Trust	Funding is sought to make permanent, three initiatives that have been funded from a one-off basis from the Policy Contingency in 2006/07. This will allow development of a corporate team briefing system, operation of a corporate employee awards scheme and increase the frequency of Citivision from 4 editions per year to 6	1	0	50	50	50
34	HR Corporate Support Team - Change to December Position	One additional Job Analyst post to enable job evaluations for the Council and all schools to be undertaken to avoid delays in restructures and provide a timely service	1	0	30	30	30
34A	Community Integration Programme	A time limited range of activities and the co-ordination of resources to support new community groups in the City in playing a full part in community life.	0	0	100	0	0
34B	Neighbourhood Wardens Radio System	One-off expenditure for a replacement radio system for Neighbourhood Wardens which better meets the needs of the service including safety features such as GPS and panic buttons	0	0	90	0	0
Total Chief Executive's			8.0	0.0	605	440	440

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>POLICY DEVELOPMENT PROPOSALS</u>							
	City Development						
35	NDC Masterplan – Project Management Funding	In order to ensure that the NDC regeneration scheme is implemented effectively, the stakeholders have agreed to fund a share of project costs. In addition, there will also be internal Council project management costs estimated at £50k per annum from year 3 onwards. This proposal allows for the Council's contribution towards project management costs in years 1 and 2 of £120k per annum. This includes an assumed contribution towards external legal and consultancy costs required prior to draw down of the first Phase Development Agreement. The Council's contribution towards project management costs from year 3 onwards has been capped at £150k	1	0	120	120	200

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
36	NDC - Leisure and Neighbourhood Centre	Cabinet gave in principle approval in November 2006 for the business plan for the Leisure and Neighbourhood Centre in Wood End on the basis of the Council underwriting an anticipated eventual annual revenue deficit of £200k. This deficit is expected largely from the running of the leisure side of the centre in order to maximise community use.	0	0	0	50	200
36A	Barracks Car Park Loss of Income - Change to December Position	The proposed Capital Programme includes a programme of repairs for the Barracks Car Park that will involve some disruption and a loss of car park revenue for part of the year.	0	0	100	0	0
36B	Qualifications and Curriculum Authority - Change to December Position	One-Off funding to support work to facilitate the move of the QCA to Coventry	0	0	50	25	0
Total City Development			1.0	0.0	270	195	400

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
POLICY DEVELOPMENT PROPOSALS							
Community Services							
37	Arts & Heritage	Increase in grant support to Coventry Transport Museum. Allows current level of service to continue and for some enhancement of service. Separate report taken to Cabinet in December 2006 detailing this.	0	0	400	400	400
38	Sport & Physical Activity	Increase to grant support to Coventry Sports Trust to resolve immediate funding issues pending seeking tender in Summer 2007	0	0	250	0	0
39	Sport & Physical Activity - Change to December Position	Request for additional grant support to Coventry Sports Foundation for Alan Higgs Centre which does not currently receive funding - This request is not being supported.	0	0	0	0	0
40	Parks & Open Spaces	Parks for People bid (Memorial) 5% possible cash contribution if Section 106 funding does not meet bid criteria	0	0	0	150	0
41	School Games	One-Off Funding for Games in 2007/08 - detail reported separately to Cabinet in September 2006	0	0	50	0	0
41A	Community Centres - Change to December Position	Continuation of funding on a time-limited basis pending decisions on the future funding arrangements	0	0	220	0	0

REVENUE BUDGET PROPOSALS**Appendix 3**

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
41B	Development Opportunities Arising out of Olympic Games - Change to December Position	Contribution to funding on a sub-regional basis for a co-ordinator and other costs to pump prime the maximisation of benefits that might be derived	0	0	60	60	60
Total Community Services			0.0	0.0	980	610	460

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>POLICY DEVELOPMENT PROPOSALS</u>							
FICT							
42	Web Services Team - Change to December Position	To fund posts to maintain the Council's website at acceptable standards. Appointment of Council staff is more cost effective than previous provision through agency staff which was funded from one-off funding.	3	0	57	75	75
43	Microsoft Windows upgrade – subject to £1m Capital bid	Our current Microsoft agreement is coming to the end of its life. The new scheme for licensing used now by most LAs is the enterprise agreement which enables us to have more control over costs, brings a wider range of Microsoft products onto staff desktops and gives access to a wide range of online learning materials. By signing the agreement other issues (and costs) of our underlicensing and other compliance issues are also addressed.	0	0	150	150	150

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
<u>POLICY DEVELOPMENT PROPOSALS</u>							
	FICT						
44	Microsoft Exchange Email Server Upgrade	Our current mailserver (exchange) software was released in the early nineties and it is no longer supported by Microsoft. The software needs to be upgraded to give us support software but also to access the advanced tools and ways of working that are now available in the supported versions. This is linked to an allocation of capital funding in this year's budget proposals. The increased costs are due to us requiring a more robust infrastructure and resilient server to make sure that this business critical service is maintained	0	0	40	40	40

REVENUE BUDGET PROPOSALS

Appendix 3

Ref	Directorate & Title	Description	Post Change		2007/08	2008/09	2009/10
			+	(-)	£000	£000	£000
45	IT Security and Information Governance - Change to December Position	Increased staffing to deliver ICT Audit recommendations - to develop, control and implement effective IT security, the IT Security Team needs to be strengthened in order to deliver the technical standards, policy, strategy and project support required. The Information Governance Team deals with corporate systems, policies, standards and procedures to deliver compliance with a raft of information related legislation such as the Freedom of Information Act, Data Protection Act, Reuse of Public Sector Information Act, Environmental Information Regulations, etc. The scale and scope of these various pieces of legislation, which applies to all forms of records, and the number of requests, has created a significant increase in workload to respond to access to information, FOI and EIR requests which the council has to respond to.	2	0	0	81	81
Total			5.0	0.0	247	346	346
Total Policy Development Options			18.5	0.0	2,307	1,796	1,851

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

1. Purpose of this Appendix

1.1 This Appendix is submitted as part of the Council's 2007/08 budget making process, specifically in relation to expenditure on social care. It makes recommendations on fees, contracts with 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 2.00% increase in fees for existing contracted care services to adults and older people and to delegate authority to heads of group to vary this rate in exceptional circumstances. Any increased costs to be met from within existing care purchasing budgets.
- To approve a 2.00% increase in direct payments for care services.
- To continue to delegate to service managers the authority to negotiate costs on an individual basis for new services 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 new care services to adults and older people in compliance with Council Standing Orders.

2.1.2 Compact Contracts with Voluntary Sector

- To approve a 2.4% increase in funding for existing services commissioned from voluntary organisations through Compact contracts.
- To approve levels of individual contracts with voluntary organisations as set out in Annex A.

2.1.3 Government Grants

- To note the receipt of Government Personal Social Services grants as set out at Para 3.3.2.

3. **Information/Background**

3.1 Annual Fees Increase

3.1.1 The Council's policy is that fees are increased in line with the general level of inflation increases applied to City Council budgets. For 2007/08 it is proposed that fees for commissioned and contracted services be increased by 2.00 %. However, for a number of years we have had an agreement with the voluntary sector under the spirit of Compact, where we have paid an inflation increment based on 70% of the staffing rate (2.00%) and 30% of the non-staffing rate (3.4%). For 2007/08 this 70/30% split increase equates to 2.4%. However, we will start a consultation with the Voluntary Sector to say that in future years (i.e. we are giving them one year's notice) we will pay the single pay inflation figure to them as we do with all other contracts and that some years they may gain (e.g. last year) and some years they might lose (e.g. this year) but that we are treating all care providers the same.

3.1.2 The Council's standard fee levels for residential care for Older People, including proposed annual increase, are as follows:

Older People's Care Homes Fee Levels (excluding quality payments)

	Proposed Rate including 2.00% Gross inflation
Residential Homes	
Standard rate	£295.00
High dependency rate	£343.00
Enhanced rate	£383.50
Nursing Homes	
Frail Elderly	
Standard rate	£438.50
Medium Dependency	£450.00
High Dependency	£457.00
Enhanced	
Standard rate	£465.00
Medium Dependency	£476.50
High Dependency	£482.50

3.2 Grant Aid Agreements (GAA) & Contracts

3.2.1 During 2006/2007 we completed our review of services commissioned through GAAs and these have now all been moved onto contracts.

3.3 Allocation of Central Government Grants

3.3.1 Government Personal Social Services Grants announced in December 2006 for 2007/08 for Coventry City Council total £8,990,000.

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>2006/07 Allocation (£)</u>	<u>2007/08 Allocation (£)</u>	<u>Comments</u>
Access & Systems Capacity Grant	3,375,000	3,343,000	
Carer's Grant	1,189,000	1,189,000	Includes Children's Services
Human Resources Development Strategy	304,000	304,000	Includes Children's Services
Improving Information Management Capital Grant	164,000	164,000	Includes Children's Services
Mental Health Grant	796,000	840,000	
National Training Strategy Grant	656,000	656,000	Includes Children's Services
Preserved Rights Grant	1,431,000	1,320,000	
Delayed Discharges Grant	618,000	614,000	
Individual Budget Pilots	200,000	150,000	
Preventative Technology	187,000	308,000	
CSCI Reimbursement Grant	5,000	5,000	Includes Children's Services
Mental Capacity Act and IMCA Service Grant	0	97,000	
Capital Grant for Improving the Care Home Environment for Older People	N/A	355,000 (one-off grant)	
Total	8,925,000	9,345,000	

As a 3-star authority, we are not required to comply with the ring-fencing or general directions for the use of Government Grants.

However, we have broadly stuck to the purposes for which the grants are given. A descriptions of the purpose of these grants, including responsible officers, are set out below, in Annex B.

SERVICES TO BE FUNDED AND COMMISSIONED BY COMMUNITY SERVICES 2007/2008Key to Users Groups: **LD** = Learning Disability **SP** = Supporting People **C** = City-Wide/Corporate **DA** = Drugs & Alcohol

SECTION A Contracts requiring Members approval during 2007/08								
Ref No.	Organisation	Service Funded	User Group	Current Agreement	Expiry Date of Funding	06/ 07 Budget (£)	07/08 Budget (£)	Expiry Date of Funding
A1	Community Alcohol Service Coventry & Warwickshire	Alcohol & drugs counselling and support services. Contract Managed by Barry Eveleigh, Drugs and Alcohol Team Co-ordinator, Community Safety Team.	DA	Joint GAA	31/03/07	75,233	77,039	3 years To 31/03/10
A2	Coventry PCT - "Home Based Support" (in-house provider)	To provide a home based support service for people with learning disabilities. Jointly funded with Supporting People.	LD /SP	Contract	31/03/07	31,971	32,738	To 31/03/08 To be included in SP contract review
A3	Coventry Law Centre	To provide a welfare rights advice service and appeal tribunals advocacy and support service.	C	GAA (Corporate)	31/03/07	35,117	35,690	Yearly contract arranged corporately
A4	Foleshill Advice & Information Centre	Information and advice service based in the Foleshill area of the city.	C	GAA (Corporate)	31/03/07	61,580	63,058	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)	31/03/07	80,773	82,712	Yearly contract arranged corporately

COMMUNITY SERVICES - GOVERNMENT GRANTS

Access and Systems Capacity Grant

Amount of Grant: £3,343,000
Responsible Officers: Amanda Carr (Older People)
Lynda Bull (Adults)

This grant 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)
Amanda Carr (Older People)
Howard Woolfenden (Children's Services)

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, 51% to Older People. The maximum of 5% is spent on administrative costs. This is a specific formula grant without conditions, but Coventry City Council is committed to allocating the whole grant to deliver the Carers' Strategy

Improving Information Management Capital Grant

Amount of Grant: £164,000
Responsible officer: Simon Brake (Policy and Business)

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: £840,000
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: Lynda Bull (Adults)
Amanda Carr (Older People)
Jos Parry (Children, Learning & Young People)

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: Lynda Bull (Adults)
Jos Parry (Children, Learning & Young People)

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:	£1,320,000
Responsible Officers:	Lynda Bull (Adults) Amanda Carr (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:	£614,000
Responsible officer:	Amanda Carr (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:	£150,000
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.

Preventative Technology

Amount of Grant:	£308,000
Responsible Officers:	Lynda Bull (Adults) Amanda Carr (Older People)

Annexe B

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:	Simon Brake (Policy and Business)

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.

Mental Capacity Act and IMCA Service Grant

Amount of grant:	£96,901
Responsible Officer:	Lynda Bull (Adults)
Training	£28,656
IMCA	£43,067
MC Act General	£25,178

The Mental Capacity Act 2005 becomes law on 1st April 2007. The Department of Health is making resources available to Councils with Social Services responsibilities to enable Councils to fulfill their duties under the act.

Capital Grant for Improving the Care Home Environment for Older People

Amount of Grant:	£355,000
Responsible Officer:	Amanda Carr (Older People)

This is a one-off grant for 2007/2008 only to enhance the physical environment in care homes registered to provide nursing or personal care where the majority of places are for older people. The City Council is required to submit a proposal for the distribution of this grant to the Department of Health by 23rd March 2007.

SUMMARY

CAPITAL PROGRAMME: 2007/08 - 2011/12

Expenditure	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Cabinet Member:					
Children, Learning & Young People	15,810	8,818	1,792	2,895	545
City Services	18,524	5,500	5,517	5,652	0
Community Services	9,729	8,623	8,623	5,823	3,823
Culture, Leisure & Libraries	12,400	4,460	3,000	0	0
HR Corporate & Customer Services	6,180	2,733	50	0	0
Neighbourhood, Health & Equalities	130	0	0	0	0
Urban Regeneration & Regional Planning	26,471	20,851	1,647	750	0
Total Approved Programme	89,244	50,985	20,629	15,120	4,368
10% Allowance for Rescheduling	-	8,924	8,924		
Programme After Rescheduling	80,320	59,909			

Please note: where a scheme is asterisked * a further report to members is required (see para 10.6)

APPENDIX 5

Cabinet Member
Children, Learning & Young People

Approved Programme

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Aldermoor Farm Replacement Primary	3,655	150	0	0	0
Children's Centres	2,961	1,000	0	0	0
Devolved Formula Capital	2,931	0	0	0	0
DFES Formula Capital	2,392	2,648	161	0	0
Stivichall Primary School *	1,474	4,820	150	0	0
Willenhall Community Primary	570	0	0	0	0
Investment in School Sports Provision	350	0	0	0	0
Schools Access Programme	329	0	0	0	0
Computers for Schools Initiative	279	0	0	0	0
Youth Capital	255	0	0	0	0
Leased Equipment	200	200	200	200	200
Non-Schools Building Programme	150	0	0	0	0
Integrated Children	107	0	0	0	0
Moseley	73	0	0	0	0
Charter School	84	0	0	0	0
New Broad Spectrum Primary School*	0	0	1,281	2,695	345
Total Approved Programme	15,810	8,818	1,792	2,895	545

Future schemes to be considered:

Neighbourhood Accommodation	0	500	0	0	0
Investment in School Sports Provision	0	800	200	0	0

Note * Further report to members is required (see para 10.6)

APPENDIX 5

Cabinet Member
City Services

Approved Programme

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Highways Investment*	10,000	0	0	0	0
Integrated Transport Programme	5,172	4,889	5,243	5,378	0
Vehicle & Plant Replacement	1,372	0	0	0	0
Liveability Programme	1,349	337	0	0	0
Replacement Cremators	524	274	274	274	0
ESU Recording Facilities	77	0	0	0	0
Pool Meadow Toilets	30	0	0	0	0
Total Approved Programme	18,524	5,500	5,517	5,652	0

Future schemes to be considered:

Highways Investment	0	2,900	2,900	2,900	2,900
---------------------	---	-------	-------	-------	-------

Note * Further report to members is required (see para 10.6)

APPENDIX 5

**Cabinet Member
Community Services**

Approved Programme

Social Housing Regeneration Fund
Housing Policy
Improving Care Home Environment
Pathways to Care (Support to Foster Carers)
Relocate NVQ Team from Torrington Site
Supporting Mental Health

Total Approved Programme

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Social Housing Regeneration Fund	5,793	4,800	4,800	2,000	0
Housing Policy	2,922	3,523	3,523	3,523	3,523
Improving Care Home Environment	355	0	0	0	0
Pathways to Care (Support to Foster Carers)	300	300	300	300	300
Relocate NVQ Team from Torrington Site	210	0	0	0	0
Supporting Mental Health	149	0	0	0	0
Total Approved Programme	9,729	8,623	8,623	5,823	3,823

APPENDIX 5

**Cabinet Member
Culture, Leisure & Libraries**

Approved Programme

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Herbert Art Gallery	8,130	3,500	3,000	0	0
Coventry Sports Centre Repairs	1,093	400	0	0	0
Libraries Refurbishment	1,007	29	0	0	0
Foleshill Leisure Centre	603	0	0	0	0
Play Areas	547	11	0	0	0
Whoberley Library	483	500	0	0	0
Belgrade Theatre	362	20	0	0	0
Extension of Foleshill Library	150	0	0	0	0
Coventry Transport Museum	25	0	0	0	0
Total Approved Programme	12,400	4,460	3,000	0	0

Future schemes to be considered:

War Memorial Park (Matching Funding)	0	0	150	90	0
--------------------------------------	---	---	-----	----	---

Note * Further report to members is required (see para 10.6)

APPENDIX 5

Cabinet Member
HR Corporate & Customer Services

Approved Programme

Coventry Direct Phase 3*
Coventry Direct Phase 2
Microsoft Enterprise Agreement
Social Services IT System: Connecting Care*
Upgrade to Exchange MailServer Software
Relocation of City Pay
Replacement HR/Payroll System

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
	2,600	1,000	0	0	0
	1,800	0	0	0	0
	600	400	0	0	0
	500	1,283	0	0	0
	300	0	0	0	0
	250	0	0	0	0
	130	50	50	0	0
Total Approved Programme	6,180	2,733	50	0	0

Note * Further report to members is required (see para 10.6)

APPENDIX 5

Cabinet Member
Neighbourhood, Health & Equalities

Approved Programme

Gating Programme

Total Approved Programme

2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
130	0	0	0	0
130	0	0	0	0

Future schemes to be considered:

Gating Programme

0 100 100 100 100

APPENDIX 5

**Cabinet Member
Urban Regeneration & Regional Planning**

Approved Programme

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Primelines	7,495	5,333	0	0	0
Property Repairs & Improvements	5,724	0	0	0	0
Swanswell	4,209	2,900	164	0	0
NDC Leisure & Neighbourhood Centre*	2,073	6,699	152	0	0
Stoke Aldermoor Regeneration	1,663	1,223	181	0	0
N D C Capital Development*	1,377	1,400	750	750	0
IKEA Connections Phase 1*	600	0	0	0	0
Canley Regeneration	542	0	0	0	0
Barracks Car Park Repairs	480	120	0	0	0
Far Gosford St Regeneration	450	620	400	0	0
City Centre Package	390	100	0	0	0
961 Foleshill Road	315	0	0	0	0
Burges/Ironmonger Row Highway Improvement*	270	1,905	0	0	0
North East Regeneration & Riley Square*	200	445	0	0	0
Pool Meadow Access Road	165	0	0	0	0
Electric Wharf	164	0	0	0	0
Refurbish Council House Data Centre	100	0	0	0	0
Civic Centre 4 Improvements	68	0	0	0	0
Access for Disabled People	50	0	0	0	0
North South Road	50	0	0	0	0
Asset Management Database	50	0	0	0	0
Aldermans Green Industrial Estate	15	0	0	0	0
Central Depot	14	0	0	0	0
Asian Healthcare Training Centre	7	0	0	0	0
Corridor Regeneration	0	106	0	0	0

Total Approved Programme

	26,471	20,851	1,647	750	0
--	---------------	---------------	--------------	------------	----------

Future schemes to be considered:

Property Repairs & Improvements	0	4,964	6,140	5,980	5,980
---------------------------------	---	-------	-------	-------	-------

Note * Further report to members is required (see para 10.6)

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) credit ratings:
 - Short Term ~ F1
 - Long Term ~ A -
 - Individual ~ C
 - Support ~ 3

Credit ratings provide an opinion on the ability of an organisation to meet financial commitments. Credit ratings are used by local authorities to help determine where and for how long deposits are made. Fitch, along with other similar agencies, provides credit ratings. "F1" and "A" indicate a minimum of a "high credit quality" over the short and long term. The individual and support ratings are subsidiary ratings that add further context referring to how a bank would be viewed if it were entirely independent (individual) and also the likely external support that it would receive (support).

- 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

Government guidance on local authority investments defines specified and non-specified investments. Specified investments are high security (i.e. high credit rating), liquid investments in sterling, with a maturity of no more than a year. All other investments are defined as non-specified investments, and will include longer term investments with a maturity of over one year.

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 £15m 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	Time Limit
Upper Limit Category	F1+	AA -	£10m	12 months
Lower Limit Category	F1	A -	£5m	12 months
Money Market Funds		AAA	£10m	12 months
UK Government (Debt Management Office)			£10m	12 months
Local Authorities ~ a			£5m	12 months
Local Authorities ~ b			£2.5m	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:-

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 :
 - a. 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 £10m at the time the investment is made and a duration of up to 3 years
 - b. A-, 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 £5m at the time the investment is made and a duration of up to 3 years

The limits set for individual institutions apply to the aggregate of specified and non specified 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 are £2.5m at the time the investment is made and a 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 £25m or 50% of investments, subject to a minimum of £15m 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 an external fund manager for part of its investment portfolio. The fund manager will use both specified and non-specified investment categories. The parameters within which fund managers invest City Council funds are set out in their contract. 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 the level of investments in individual counterparties.

Summary Prudential Indicators

Appendix 7

REF (para)		Actual 05/06 £000's	Budget 06/07 £000's	Forecast 07/08 £000's	Forecast 08/09 £000's	Forecast 09/10 £000's
35-	Ratio of financing costs to net revenue stream:					
38	(a) General Fund financing costs	20,295	23,969	25,694	26,958	27,430
	(b) General Fund net revenue stream **	221,892	232,991	239,235	245,540	251,878
	General Fund Percentage	9.15	10.29	10.74	10.98	10.89
39	Estimates of Council Tax (Band D equiv) ~ 2007 Programme			122.46	125.84	121.11
39	Estimates of Council Tax (Band D equiv) ~ 2006 Programme			122.16	110.72	
45	Net borrowing and the capital financing requirement:					
	gross borrowing	316,311	319,365	326,768	323,622	314,601
	less investments (see para 88 definition)	-66,726	-49,911	-38,311	-23,711	-23,711
	less transferred debt reimbursed by others (para 93)	-22,821	-22,422	-21,984	-21,502	-20,971
	= net borrowing	226,764	247,032	266,473	278,409	269,919
	Capital Financing Requirement in year 3 (as below)					353,730
	net borrowing must not exceed year 3 CFR		364,885	362,220	353,730	
	Capital Expenditure (Note this excludes leasing)					
51	General Fund	106,920	103,747	80,320	59,909	20,629
	Capital Financing Requirement (CFR)					
53 & 57	Capital Financing Requirement	354,050	357,044	364,885	362,220	353,730
59	Authorised limit for external debt					
	Authorised limit for borrowing	398,873	379,784	364,120	345,630	
	+ authorised limit for other long term liabilities	0	0	0	0	0
	= authorised limit for debt	398,873	379,784	364,120	345,630	
60	Operational boundary for external debt					
	Operational boundary for borrowing	368,873	344,784	332,120	323,630	
	+ Operational boundary for other long term liabilities	0	0	0	0	0
	= Operational boundary for external debt	368,873	344,784	332,120	323,630	
64	Actual external debt					
	actual borrowing at 31 March 2006	316,311				
	+ actual other long term liabilities at 31 March	0				
	= actual external debt at 31 March 2006	316,311				
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					
	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 :		25,000	25,000	25,000	
**	Net RevenueStream for 2005/06 and 2006/07 are adjusted to exclude DSG previously part of RSG					