Coventry City Council

Council Meeting

13th January, 2009

Booklet 1

Recommendation Minutes

INDEX TO MINUTES

Cabinet – 16 December 2008

CABINET

16 December 2008

Cabinet Members Present:	Councillor Blundell Councillor Foster Councillor Mrs Johnson Councillor Noonan Councillor Ridley Councillor Sawdon Councillor Taylor (Chair) Councillor Williams
Non-Voting Opposition Representatives Present:	Councillor Duggins Councillor Field Councillor Mutton Councillor Nellist
Other Elected Members Present:	Councillor Andrews Councillor Clifford Councillor O'Boyle
Others Present:	L. Byrne B. Copland W. Manger (Coventry Telegraph) P. Skerrett
Employees Present:	H. Abraham (Head of Democratic Services) S. Brake (Head of Policy and Business, Community Services) R. Brankowski (Customer and Workforce Service Directorate) L. Bull (Acting Director of Community Services) F. Collingham (Communications and Media Relations Manager) A. Davey (Head of Culture, Leisure and Libraries) C. Forde (Head of Legal Services) M. Godfrey (Acting Head of Adult Services) S. Gould (Chief Executive's Directorate) A. Green (Head of Libraries and Information Services) C. Green (Director of Children, Learning and Young People) J. Handley (Customer and Workforce Services Directorate) H. Harding (Head of Revenues and Benefits) B. Hastie (Head of Financial Management) P. Jennings (Finance and Legal Services Directorate) A. Lamb (Head of Children's Specialist Services) B. Marriott (Community Services Directorate) J. McGuigan (Joint Acting Chief Executive) A. Mitchell (Finance and Legal Services Directorate) J. Nichols (Head of Neighbourhood Management) C. Parker (Chief Executive's Directorate) J. Parry (Assistant Chief Executive) R. Sarna (Chief Executive's Directorate) C. Steele (Chief Executive's Directorate) A. Vaughan (Head of Street Services and Public Protection)

J. Venn (Chief Executive's Directorate)
A. West (Chief Executive's Directorate)
C. West (Director of Finance and Legal Services)

Apologies: Councillor Mrs Dixon
Councillor Lee
B. Messinger (Joint Acting Chief Executive)
S. Pickering (Director of City Services)

Public business

RECOMMENDATIONS

128. **The Medium Term Financial Strategy 2009-2012**

The Cabinet considered a comprehensive report of the Director of Finance and Legal Services presenting a Medium Term Financial Strategy for 2009-2012 for adoption by the City Council. The Strategy (which was attached to the report submitted) was presented later than usual because of the speed of change in the financial economic climate over the last few months and the need to incorporate, as far as possible, input from the Chancellor's Pre-Budget Report (PBR) of 24 November 2008.

Appendix 3 to the report, which illustrated Coventry's Proposed Annual Planning and Performance Cycle, was tabled at the meeting.

It was noted that the report was to be submitted to Scrutiny Board 1 at their meeting on 17 December 2008.

Non-voting opposition representatives expressed the view that current financial circumstances were likely to lead to an increase in demand for council services.

Following discussion about assumptions relating to the recession and the need for the Council to plan to meet the challenges of a very difficult situation, the Cabinet agreed the Medium Term Financial Strategy appended to the report submitted.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council to approve the Medium Term Financial Strategy as the basis of the City Council's medium term financial planning process.

135. **Government Consultation – "Transforming Places, Changing Lives - A Framework for Regeneration"**

The Cabinet considered a report of the Director of City Development detailing the above consultation by the Government on a proposed framework for regeneration. The proposed framework aimed to change the way regeneration was delivered in the future. The report highlighted the issues the proposed framework raised and the possible implications for Coventry, sought to retrospectively endorse the sub-regional response to the framework from the Coventry, Solihull and Warwickshire Partnership and proposed recommendations for the way forward.

The sub-regional response was developed in liaison with Warwickshire County Council and the Coventry, Solihull and Warwickshire Partnership. This included holding a half-day seminar in which partners were invited to contribute their views to the draft framework. Representation included Coventry City Council and the Coventry Partnership. The draft statement was circulated for comments and feedback from partners before a final version was submitted by the consultation deadline.

The report had been considered by Scrutiny Board 3 at their meeting on 3 December 2008 and a briefing note had been circulated detailing their consideration of this matter, indicating that they had considered the relevant document, retrospectively endorsed the position statement as requested and asked that the Cabinet be informed accordingly.

The Cabinet noted that endorsement was being sought retrospectively as the deadline for the submission of responses had been 31 October 2008 and, in response to a question from Councillor Mutton, the Director of City Development explained the reasons for the delay in submitting the report.

The Cabinet decided to retrospectively endorse the Coventry, Solihull and Warwickshire "Position Statement" on the consultation document – appended to the report submitted - and commend it to full Council.

They also decided to seek to ensure that the Council and its partners continue to make a clear and robust case for the Government to fund regeneration activity in Coventry and the sub-region.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council to retrospectively endorse the Coventry, Solihull and Warwickshire "Position Statement" on the consultation document, appended to the report submitted.

Coventry City Council

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Public report

Report to

Cabinet	16 December 2008
Scrutiny Board 1	17 December 2008
Council	13 January 2009

Report of
Director of Finance and Legal Services

Title
The Medium Term Financial Strategy 2009-2012

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1 Purpose of the Report

1.1 This report presents a Medium Term Financial Strategy for 2009-2012 for adoption by the City Council. The Strategy is attached in full. The Strategy is presented later than usual because of the speed of change in the financial economic climate over the last few months and the need to incorporate as far as possible, input from the Chancellor's Pre-Budget Report (PBR) of November 24th.

2 Recommendations

2.1 The Cabinet is recommended to agree the Medium Term Financial Strategy appended to this report, and to recommend that Council approve the Strategy as the basis of the City Council's medium term financial planning process together with any comments.

2.2 Scrutiny Board 1 is asked to consider this report and forward its comments to Council.

2.3 The Council is asked to approve the Strategy or amend it as appropriate in light of the comments of Scrutiny Board 1 and Cabinet as the basis of its medium term financial planning process.

3 Information/Background

3.1 Coventry City Council has operated medium term financial planning for many years and adopted its first formal Medium Term Financial Strategy (MTFS) in 2003. Council formally approved the current medium term financial strategy in September 2007. This report recommends that the attached updated strategy be adopted to support the medium term policy and financial planning process that is at the heart of setting our revenue and capital budgets.

3.2 The Strategy has three main objectives;

- To provide a stable medium term financial base from which to deliver the Council's priorities as laid out in the Corporate Plan and to improve services.
- To move the Council towards a more strategic longer-term approach to delivering our revenue and capital plans.

- To set a sound financial planning framework to underpin the effective financial management of the Council.

3.3 Under the City Council's Constitution, it is full Council that is responsible for approving the authority's policy framework and budget. The definition of "policy framework" includes any plan or strategy for the control of the authority's capital expenditure. Since this area is covered within the MTFS, it therefore needs to be formally approved by full Council.

3.4 The Strategy concentrates on the strategic direction of our financial planning framework, the main points of which are shown in the Executive Summary - Section 1 of the attached Strategy.

3.5 Following the Government's Comprehensive Spending Review in 2007 (CSR2007), a three-year Formula Grant settlement was announced covering 2008-2011. What this meant was that, for the first time, local councils were able to plan on a more medium term basis with a guarantee of the level of resources that will be available to them from the Government's Formula Grant. From the Council's point of view, it is vital that we provide a sound financial platform to deliver our objectives over the medium term and move further away from an annual budget setting that makes short-term decisions to balance the budget process. This Strategy has moved the Council significantly in this direction and we will seek to use this as a basis for further aligning financial strategy with associated strategies such as the Sustainable Community Strategy to improve services and enhance value for money within the next year.

3.6 Notwithstanding the greater certainty provided by a three year spending review, the overall settlement and the circumstances that surround it have presented us with a difficult financial position exacerbated by the economic and financial events of the last few months:

- The settlement assumed that the resources we would receive from Government would not increase in real terms for 2009/10 and would fall by about 1% for 2010/11.
- These calculations took an assumed measure of inflation (2%) that is below the current real rate of inflation that affects Local Government. There have been increases in prices across a range of commodities such as energy whilst we know that the 2008/09 Local Government pay award will be settled above 2%.
- The CSR2007 also assumed that the Local Government community would achieve 3% cashable efficiency savings within the services that it provides.
- Prevailing financial and economic conditions are having a range of impacts that are affecting Local Government services and resources (e.g. the number of people who are unemployed, the number of individuals claiming benefit, difficulties in achieving capital receipts from asset disposals), difficulties in collecting local tax and other income.

3.7 The combination of these impacts (real terms reduction in resources, expectation of achieving efficiencies and greater pressure on the level of services) represents a significant cocktail of challenges. These challenges are ones that have been factored into the MTFS attached to this report.

4 Council Tax

4.1 Our current policy on Council Tax as set out in the existing MTFS states that we will aim to set Council Tax rises that:

- Balance the intention to increase broadly in line with inflation over the medium term with a need to maintain our overall resource base.

- Help us to become an average Band D Council Tax authority over the medium to long term

4.2 In 2008/09 the City Council did move out of the highest quartile of metropolitan authorities for Band D Council Tax, achieving our immediate aim. Moving forward, the local government landscape for the next few years looks likely to be characterised by reducing levels of Government grant resources, higher demands for services and the need to sustain investment in local infrastructures. There is a strong possibility that Metropolitan Authorities will struggle to continue to keep average Band D Council Tax increases below 4%.

4.3 In the light of this, this report recommends a medium term strategy incorporating an ongoing financial planning Council Tax increase of 3.5% rather than 2.5% to leave the Council better placed to balance the competing circumstances described above and still enable us to maintain a tax increase below the metropolitan authority average.

5 Proposal and Other Option(s) to be considered

5.1 The Strategy is intended to support the financial planning process in enabling the Council to achieve the best fit of resources to policies and to maximise the transparency of our financial plans. The completion of and adherence to the Strategy will help the Council continue to improve its services and the quality of life in the City while offering the people of Coventry the best possible value for money.

5.2 By approving this revision, members will be replacing the Strategy that currently exists.

6 Other specific implications

6.1 Finance

6.1.1 The Strategy identifies that there is continual pressure on our budgets. In order to produce a balanced medium term financial programme the Council will need to continue to identify savings on an ongoing basis. This will be achieved through robust scrutiny of our budgetary position, resource switching between areas of expenditure and through securing greater value for money in the way we deliver services.

6.1.2 The broad principles that underpin the Strategy include

- The establishment of a balanced budget over the medium term within a more strategic approach to budget setting and financial planning.
- The continued achievement of significant cashable savings in order to balance this medium term position in line with Government 3% efficiency targets.
- No contributions from general reserves to support ongoing expenditure and an increase in our working balance from 1% to 2% of revenue budget.
- Undertaking Prudential Borrowing in the immediate term to fund only currently approved or essential expenditure, with the borrowing to be repaid from capital receipts over the medium term.
- Using alternative delivery mechanisms to ensure that we will actually be facilitating a huge programme of capital investment (BSF, City Centre, Waste Project, Street Lighting) over the medium term.
- Identifying or developing revenue budgets over the medium term to maintain infrastructure investment (roads, property, ICT) to reduce our reliance on capital receipts.

6.2 Human Resources

Budget decisions will affect some jobs. Any deletions or changes to jobs arising from the implementation of budget decisions will be managed through the appropriate City Council's Human Resources Policy and Procedures.

6.3 Trade Union consultation

Trade Unions will be fully consulted on the contents of this report.

6.4

	Implications (See below)	No Implications
Neighbourhood Management	✓	
Best Value	✓	
Children and Young People	✓	
Climate Change & Sustainable Development	✓	
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	✓	
Property Implications	✓	
Race Equality Scheme	✓	
Risk Management	✓	
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact	✓	

7 Monitoring

7.1 The Strategy will be reviewed and re-approved each year to ensure that it remains relevant.

8 Timescale and expected outcomes

8.1 It is intended that the Strategy's key principles will be implemented within the current cycle of the policy and financial planning process. The Budget Requirement and Capital Programme report that will come to Council in February 2009 will embody these principles and will potentially impact upon all the aspects of the Council's operations.

	Yes	
Key Decision	✓	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	✓ **Scrutiny Board 1 17 December 2008**	
Council Consideration (if yes, date of Council meeting)	✓ **13 January 2009**	

List of background papers

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Papers open to Public Inspection

Description of paper	**Location**
None	

Coventry City Council

MEDIUM TERM

FINANCIAL

STRATEGY

2009 - 2012

December 2008

Coventry City Council's Medium Term Financial Strategy 2009 - 2012

1 Executive Summary

1.1 This Strategy supports the Council's medium term policy and financial planning process. The Strategy is designed to help provide a stable financial base from which to deliver the Council's priorities, to move the Council towards a more strategic longer-term planning approach and to set a sound financial planning framework for the Council.

1.2 During the period of this MTFS, we know that

- there will be comparatively less, not more, monies received direct from central government,
- demand for services, particularly for the most vulnerable will increase,
- the City Council and its partners will have to focus on key priorities and this will mean taking some difficult, yet necessary funding decisions,
- inevitably some in-year and more short-term budget decisions will have to be made to respond flexibly to the rapidly changing external environment, but
- the vision within the Sustainable Community Strategy gives us confidence of direction of travel in the medium and indeed long term.
- the economic downturn will have a differential impact in different parts of the country and indeed different parts of the city, but
- it provides a rare opportunity to innovate and do things differently, which
- may include exploring the options of alternative funding sources, different risk relationships with the private sector and more leverage through the voluntary/community sector for instance.
- the City Council will have to drive value for money in every area of its operations and work relentlessly with partners at all levels to achieve real and lasting efficiencies, because this
- will unlock the resources to deliver the ambitions for the city and its people.

1.3 The sound financial base provided by this strategy gives us greater flexibility to maximise the opportunities described above than we have had in recent years. As a result we can expect to strengthen the integration of our policy and financial planning cycles and the degree to which investment and disinvestment decisions are driven by our policies and the needs of the City.

1.4 The medium term revenue programme is outlined in Appendix 1. This shows a balanced medium term programme that contains some capacity for growth to enable the Council to invest in priority areas. The Council's Value for Money activities and continued achievement of savings over the plan period will continue to be a key component of delivering this capacity.

1.5 In terms of how we meet the expenditure expectations of the City Council, the revenue position in Appendix 1 uses the following financial planning assumptions and principles:

- The establishment of a balanced budget over the medium term
- Adoption of a more strategic approach to budget setting and financial planning.

- A financial planning figure for Council Tax increases of 3.5% over the medium term
- The continued achievement of significant cashable savings in order to balance this medium term position in line with Government 3% efficiency targets.
- Over the medium term we want to increase our working balance from 1% to 2% of revenue budget.
- No contributions from general reserves in future years to support ongoing expenditure.
- That fees and charges should increase at least in line with inflation and beyond this if market and comparator information justifies this.

1.6 The summary medium term capital position is outlined in Appendix 2. Notwithstanding the massive investment that will be delivered in programmes including Building Schools For the Future, the Primary Capital Strategy, the Street Lighting PFI project, City Centre regeneration and the replacement waste disposal facility, the projected programme recognises the limited scope that will be available in other areas of the City Council's activities. One of the key challenges over this period will be to identify sources of funding for key areas of infrastructure within the City.

1.7 The capital position in Section 6 uses the following financial planning assumptions and principles

- There are some temporary circumstances that mean we will have a lower level of capital resources in the immediate term and that our spending levels need to be contained within a reduced financial envelope.
- Our level of currently approved programme means that we need to borrow in the immediate term. This borrowing will be repaid from capital receipts in the medium term when they are achieved.
- Identifying or developing revenue budgets over the medium term to maintain infrastructure investment (roads, property, ICT) to reduce our reliance on capital receipts.
- We will seek to maximise any other resources (e.g. grants) wherever this is possible and appropriate.
- There are other delivery mechanisms that mean we will actually be facilitating a huge programme of capital investment (BSF, City Centre, Waste Project, Street Lighting) over the medium term.

1.8 The Strategy recognises the need to achieve Value For Money in delivery of services and allows for ways of delivering services that may be a departure from traditional models. Achieving this as part of a modernising agenda is key to raising the quality of the services that we provide for the City.

2 Introduction and Objectives

2.1 Within the Audit Commission's Comprehensive Performance Assessment framework, Coventry has achieved significant improvement over recent years across a wide range of services, resulting in our being classified as a 3 Star Council which is Improving Well. We are committed to consolidating the improvements that have occurred and to achieving further advancements in the quality of our services and how these are perceived.

2.2 This Strategy supports the medium term policy and financial planning process that is at the heart of setting our revenue and capital budgets. The main objectives for the Strategy are:

- To provide a stable financial base from which to deliver the Council's priorities as laid out in the Corporate Plan, Sustainable Community Strategy (SCS) and Local Area Agreement (LAA) and to improve services.
- To move the Council towards a more strategic longer-term approach to delivering our revenue and capital plans.
- To set a sound financial planning framework to underpin the effective financial management of the Council.

2.3 There are two aspects that fundamentally underpin this MTFS and these should be established at the outset:

Firstly, the Council has set its key objectives in response to our Corporate and Cabinet Member Strategic plans, the SCS and LAA. These are all influenced to differing degrees by local priorities, input from public consultation, Government policies, performance information and external inspections. The allocation of revenue and capital resources must respond to meet these objectives and it is essential that our spending decisions arise directly from and are driven by our policy priorities.

Secondly, the Management Board is the key executive body in the process of advising members on establishing our revenue and capital programmes. Through this forum and then through Cabinet we will ensure that a corporate approach is taken to all revenue resource switching and capital investment decisions.

2.4 Appendix 1 of the Strategy shows our current medium term projections for revenue. The equivalent medium term capital position is shown in Section 6. Sections 5 and 6 provide more detail that explains the main components of these programmes.

2.5 To underpin these improvements, we have sought to develop and refine our approach to Financial Management in order to support our modernising agenda and maximise value for money. Appendix 2 of this Strategy briefly outlines our over-arching approach to Financial Planning. This approach incorporates the principle that revenue and capital decisions will be considered together.

3 **National Context**

The Economy

3.1 In the last few months the international and national economic situation has been very volatile. These circumstances have arisen due to a combination of factors including:

- A collapse of confidence arising from the US sub-prime mortgage issue.
- Subsequent selling on of "toxic debt" in worldwide markets.
- The undermining of the capital base of banks and other financial institutions.
- Several major bank failures around the world and widespread panic in the markets.
- The freezing of the money market and contraction in the supply of credit around the world.
- An unrelated speculative bubble in commodity and oil prices that had pushed up costs and consequently inflation around the world, squeezing incomes and contributing to slower economic growth.

3.2 During 2008/09, the UK economy is expected to suffer negative growth for the first time since 1992. A response has already been seen in the form of lower UK interest rates and there is a reasonable expectation that these lower rates and the better credit conditions that are starting to emerge will ease the contractionary pressures on the economy and will help to allow businesses to recover. The PBR of November 2008 has forecast that a recovery will start sometime in 2009 with weak growth continuing into 2010. Inflation is expected to fall to below 2.5% by the spring of 2009 and with spikes in energy, fuel and commodity prices rises falling out through the year, inflation levels could fall below this later in the year.

Government Borrowing and Spending

3.3 In responding to the deflationary pressures on the economy, the Government has outlined an approach that suggests a relaxation of the current set of fiscal rules. Two cornerstones of these rules were that the Government would only borrow money to invest over the current economic cycle and that it would limit the level of public sector expenditure as a proportion of national spending. In the Autumn of 2008, the Prime Minister and the Chancellor of the Exchequer have made it clear that these rules would be abandoned at least temporarily. The extent to which this will actually result in an investment of tens of billions of pounds into the economy is not yet clear. It is likely that at least part of the extra investment mooted will come from the acceleration of existing expenditure plans. In reality, it is still too early to assess the extent to which the Government spending or borrowing will vary from previously planned levels. As such, the current assumption for this medium term financial strategy is that Government spending commitments will remain consistent with previously indicated levels.

Comprehensive Spending Reviews

3.4 The Government's Comprehensive Spending Review (CSR) 2007 was intended to give a relatively firm indication of the resources that Local Government could expect over the period 2008/09 to 2010/11. The CSR delivered a three-year settlement that marked a significant slow down in its investment in Local Government and our current medium term financial plans incorporate the position notified to us within this settlement. Broadly, the settlement was planned to deliver real terms growth of around 1% for local government in

2008/09, a standstill settlement for 2009/10 and a slightly reduced level of resources for 2010/11. The economic events of the "credit crunch" and pending recession have undermined many of the financial predictions underpinning the CSR, although the Council is left with its fixed grant settlement for the next two years.

3.5 Given the current economic circumstances and the slowdown already experienced in Government funding for local government, it is difficult to predict the likely level of Government support in 2011/12. Our current planning assumption is that we will receive broadly a 1% real terms reduction in Government resources in 2011/12, together with an ongoing 3% efficiency reduction. This balances expectations of a difficult period for the economy with Government pledges to maintain levels of investment. A firmer indication of the actual likely settlement may not be communicated until well into 2009. (when the Government will be looking to communicate the next spending review round).

3.6 In summary, we are faced with the most fluid financial circumstances for a number of years making it difficult to predict with confidence what the outcome might be. At the same time, there are expectations for local government to present plans demonstrating a stable medium term financial position.

4 **Local Context**

This section details the most significant current issues that are affecting the Council's financial circumstances.

Council Tax

4.1 Over 56% of funding for our net budget is provided through grant from Central Government and this Strategy's resource projections are framed by the expectations stated in the paragraphs above. The remainder of the funding for our net budget (44%) comes from the Council Tax and each 1% rise in Council Tax raises about £1.1m in additional revenue to support the Council's budget. Although the setting of Council Tax levels is notionally a local decision, there is a national constraint in that Government has in effect imposed a capping limit of around 5% in recent years. **It is a reasonable expectation that this will continue over the medium term such that 5% represents the upper limit that could be considered for Coventry's Council Tax rises.**

4.2 There is a pressure to maintain the real value of income secured through Council Tax in order to help maintain existing levels of local services. At the same time, Council members and local taxpayers will generally have a preference for Council tax to be maintained at reasonable levels. In addition, in determining the level of Revenue Support Grant that they pay us, the Government assumes that we will increase our Council Tax levels by broadly the rate of inflation over the plan period. There has been a relatively high level of underlying inflation (by recent historical standards) over the past 12 months although we expect this to be balanced out over the next 12 months. This level of inflation is one factor that will need to be taken into account in terms of maintaining the real level of Council Tax revenue. Nevertheless, in circumstances where we expect real-terms Government resources to reduce, it is imperative for us to maintain the value of Council Tax revenues. **For financial planning purposes only, we will assume annual Council Tax increases of 3.5%. Any decision to set a Council Tax that does not broadly match these assumptions will need to take into account the wider economic circumstances and the consequent impact upon the budget setting process.** This is a departure from previous MTFSs where a planning figure of 2.5% has been used.

4.3 Clearly, the final decisions to set Council Tax increases impact upon the City's level of Band D Council Tax – the measure that the Government usually uses to compare Councils nationally – relative to other local authorities. Coventry has historically been in the least well performing quartile for metropolitan district authorities' Council Tax levels. Following budget setting for 2008/09, we now have the 10th highest Band D Council Tax out of 36 compared to the 7th position that we ranked in 2007/08. **Our aspiration is to increase our efficiency and reduce our costs so that we can continue to set a Council Tax rise below the metropolitan district average.** Having just moved out of the bottom quartile this year, our aim now is to become an average Band D Council Tax authority over the medium to long term. It should be noted that 70% of the City's dwellings are in Bands A and B so that the majority of Coventry's Council Tax payers will pay less than the Band D charge.

Reserves

4.4 Historically, the Council held relatively high levels of reserve balances compared with other local authorities. This has included an un-earmarked reserve of 1% of net revenue budget to cover unforeseen financial problems. As a policy decision, reserve balances have been used over more recent years to help implement our revenue and capital programmes. The current level of reserves (£36m as at 31st March 2008) is adequate for the current known liabilities and approved policy commitments facing the City Council. We expect this balance to be within the range of £30m to £40m within the medium term and our view is that this is appropriate to sustain our current plans. However, the combination of an overall lower level of reserves than previously and greater uncertainty in the world's economy and financial markets have created a case for increasing the un-earmarked reserve to cover unforeseen financial problems. The intention will be to increase the un-earmarked Working Balance from a current level of £2.5m to a figure of between £5m and £6m.

4.5 We will seek to optimise the use of our reserve balances in delivering the City Council's priorities, making decisions on a corporate basis and observing opportunities to maintain an appropriate balance between short term expenditure and long term investment. The initial emphasis for applying these resources will be to deliver the Council's Corporate Plan and the SCS.

4.6 More specifically, our approach will be informed by:

- **An intention to hold reserves corporately with a clearly identifiable purpose designed to support the delivery of the Council's objectives.**
- **The need to maintain reserves as insurance against an overall level of risk or liability faced by an organisation of the City Council's size.**
- **The maintenance of an un-earmarked reserve of at least 1% of the net revenue budget to cover unforeseen financial problems aiming to increase this to 2% over the plan period.**
- **The requirement to hold some reserves to protect against specific known or potential liabilities, but kept to a minimum consistent with adequate coverage of those liabilities.**
- **We will seek to achieve a local "golden rule" of not using one-off resources to support ongoing expenditure. This policy will be applied flexibly, subject to the financial demands of specific circumstances.**

4.7 Management Board will consider the application of budgeted amounts that are unspent at the year-end on an annual basis and advise Cabinet accordingly, consistent with the guiding principles above. Management Board will also be provided with a regular report on reserve balances to ensure that the levels of reserves held are consistent with the financial risks faced by the City Council.

4.8 Schools are required to detail how they plan to use reserves in the following year's budget as part of the formal financial reporting process to DCSF. The Fair Funding Scheme of Delegation gives the City Council authority to claw-back any remaining uncommitted balances over 5% of the schools budget share. The level, and intended use, of schools reserves is also challenged as part of the formal annual School Performance Review process.

Capital Receipts

4.9 The Council's Capital Programme has been heavily dependant on the generation of capital receipts from the sale of land and property assets for a number of years. These receipts have allowed much of the investment in infrastructure and regeneration projects over this period. More recently, these receipts have become harder to generate, in particular because of the economic circumstances described in this report. The financial years 2007/08 and 2008/09 have witnessed significant difficulties in achieving the planned level of capital receipts upon which our Capital Programme has been predicated. For 2008/09 alone, there has been a fall in capital receipts amounting to c£20m from initial planning stage to estimated outturn.

4.10 This has had a major impact upon our ability to balance the Programme within existing parameters. The suddenness and severity of the collapse of the level of capital receipts is such that a short-term response is required that will be built upon by subsequent medium term actions. This response is outlined in section 6. Our expectation is that more stable market conditions will return in due course and, when they do, we will continue existing policies on asset disposals. The Council also needs to protect against selling valuable assets in the current climate at low prices.

Value For Money

4.11 It is clear from the economic and financial climate, and the Chancellor's PBR that the City Council will face a significant challenge to deliver a balanced revenue programme over the medium to long-term. Nevertheless, the Government has given a clear steer that Local Authorities must deliver year-on-year efficiency savings in order to be able to keep Council Tax rises below 5%. In response to this agenda, the City Council has embedded its VFM Partnership with PricewaterhouseCoopers in order to deliver a significant proportion of these savings over the long-term.

4.12 Inevitably, the VFM agenda will challenge Local Government to examine the nature of the services they are providing and the ways in which they are delivering them. The Council will meet the appropriate standards of service that we are statutorily required to provide but, at the same time, we will challenge services to justify the continued provision of the discretionary elements of the services they deliver and to increase their value for money and effectiveness in delivering them. Within this approach, our overall aspiration will be to minimise the impact on service outcomes for local people.

4.13 Only savings that have already been specifically identified will be included in the financial projection for 2009/10 and we will seek to implement these at the earliest opportunity. We expect to continue to identify new savings on an ongoing basis through the VFM partnership and these will form part of our financial planning for future years, enabling us to plan those changes that will mean that we will be able to balance future years' base budgets. All of these resource allocation decisions will continue to be informed by our policy priorities and will be considered within the parameters of corporate decision-making. The approaches taken to do this are further outlined within the Value for Money Strategy and the regular monitoring reports on the work of the Partnership.

4.14 We will pursue service reviews and other action to deliver savings. Our traditional approach to the identification of savings has encouraged management teams and Management Board members to analyse their services to seek more cost-effective ways of delivering them. Savings identified through this route have traditionally been delivered through a combination of genuine efficiency savings in operations or management structures and resource-switching involving the transfer of resources from budgets of a lower priority to those with a higher priority with the potential for some degree of service reduction where this is broadly consistent with our policy priorities. It is intended that managers will continue to identify savings at a local level through these efficiency savings and corporate resource-switching as well as any new or additional sources of income that are available to us.

4.15 In order to strengthen our approach to securing greater value for money, the City Council's VFM Team is implementing and embedding approaches to improved value for money across the City Council. The Value For Money Strategy adopted by the Council in July 2006 sets out the approach to this task in more detail, including the identification of long-term savings achieved through reviews of specific services. The intention is that these savings will deliver significant long-term benefits to the City Council. This approach is dovetailing with the work referred to in paragraph 4.14 and to ensure that all spending and not just spend at the margins is regularly reviewed. The work of the VFM Team in particular gives an opportunity to achieve this.

4.16 Expectations upon the City Council to deliver efficiency savings and manage real terms reductions in resources will inevitably lead to an exploration of how our external partners can do likewise. As well as looking within areas of activity that are wholly within our control, we will look in a transparent way with partner organisations to identify how they can help us to work within increasingly challenging financial circumstances. The impact of this will depend upon the nature of the financial relationship between us. For instance, the City Council provides financial support to a number of organisations in the form of direct funding either via a grant or on a more contractual basis. In these circumstances, it is likely that even where we maintain a constant policy commitment to supporting these organisations, the amount of support that we provide may need to be reviewed, for instance, by passing on an expectation of 3% efficiency savings. For other organisations, the impact of policy changes that the City Council may make, (for example within our social care services) may impact upon other major bodies within the City (e.g. the PCT). Clearly, in both sets of circumstances, any such decisions need to be made in an open and transparent way and need to be clearly communicated with those bodies affected.

4.17 Importantly, the work outlined above will help to achieve the targets set by Government in relation to the Gershon Review of public sector efficiency. The Spending Review 2007 confirmed the need to achieve year-on-year cashable efficiency savings of 3% of budget and that these have built into Government assumptions of our spending needs and our ability to absorb the increasing demands upon our services. In the longer term, the PBR has set a £5 billion additional efficiency target for the public sector as part of its strategy for public spending. Therefore, it is essential that this Medium Term Financial Strategy includes the intention to meet these savings targets, reported through the Government's National Indicator 179.

Local Area Agreement and Sustainable Community Strategy

4.18 Coventry's Sustainable Community Strategy and Local Area Agreement are expected to become increasingly important as a contract between the Government, the Coventry Partnership and the City Council to deliver both central and local priorities. The Local Area Agreement is leading to greater flexibility in the ways that government and other funding such as the Area Based Grant can be used locally to deliver local priorities.

4.19 Coventry's new Local Area Agreement signed by the Coventry Partnership, Coventry City Council and central government sets out 35 agreed priorities with improvement targets across a range of areas such as employment and skills, housing, environment, community safety, health. There are also 10 additional statutory targets for early years and educational attainment in schools. The LAA has a time scale and the short-term priorities to help to achieve the long-term objectives and outcomes of the Sustainable Community Strategy. It is key to central government's assessment of the Council's performance in the future and will also be used to assess the performance of the Coventry Partnership and other partners.

4.20 This Medium Term Financial Strategy supports, and should be considered alongside, the Coventry Sustainable Community Strategy that has been developed within the context of future growth and aspirations for the city, setting out the long-term vision and long-term strategic objectives and outcomes for Coventry. The Sustainable Community Strategy finalised in July 2008 was developed within the Coventry Partnership, the city's Local Strategic Partnership that consists of public, private, voluntary and community organisations, including Coventry City Council, using evidence from a strategic assessment of the needs of the city undertaken in summer 2007. This in turn builds on analysis of the current position in Coventry, expected future trends and the existing priorities and strategies that have been agreed with central government, local partner organisations and local people and communities. The diagram at Appendix 3 shows an indicative planning process for the forthcoming year reflecting how our financial planning is integrated within the wider planning process.

4.21 Sustainability issues, including climate change and the environment and equality of opportunity and community cohesion, have influenced the development of the strategy. By setting out the overall strategic direction and outcomes for the city for the next twenty years, the Coventry Sustainable Community Strategy provides a clear focus and priorities to help to deliver the improvements and the activities needed to achieve the agreed strategic long-term outcomes for the city.

4.22 The City continues to develop plans that will enable it to help fulfil the Government's agenda for providing more housing across the country. This is incorporated within our emerging Local Development Framework, incorporating a wider local growth agenda that will have a significant impact on the size of the City. Inevitably, this includes consideration of the potential impact of growth upon all the Council's services – for example, a growing city may require more schools and leisure facilities; changing demographics may result in changes of need for social care; and more households will require refuse and recycling collections. As this agenda progresses, this will affect the level of funding required for individual services and the balance of the resources that we generate locally and those that are provided through government. Our financial plans will need to accommodate these changes as they affect the City Council.

4.23 The Area Based Grant (ABG) introduced in 2008/09 as a non ring-fenced addition to the Council's revenue support grant has been applied to support existing spending priorities in 2008/09. It is intended that this will be continued in 2009/10 and the indicative funding of individual areas of spend forms part of the budget setting process. There has been some proposed re-allocation of ABG for 2009/10 to provide funding for priority areas of expenditure within the City, including an allocation for the Local Public Service Board to allow decisions to be made in line with priorities in the LAA and SCS.

4.24 The Government has significantly refined the new performance assessment framework for the local public sector services. For Local Government, this new Comprehensive Area Assessment (CAA) will incorporate a significantly revised Use of Resources assessment from 2009. This assessment will cover, amongst many aspects, how well the Council plans its finances and whether it is financially sound, taking a medium term view of this. In Appendix 5, there is an initial assessment of how this strategy and the Council's overall approach fit in with or meet our understanding of the key requirements of this area of the CAA.

Fees and Charges

4.25 The City Council's existing policy is that fees and charges will be maintained in real terms by increasing them each year in line with prevailing inflation indices. Part of the analysis provided through the Value For Money Partnership shows that there is a range of service areas where our fees and charges are lower than comparator authorities. This means that the balance of resources required from Council Tax will be higher or that the overall level of service provided will be less than elsewhere.

4.26 In view of this, this Strategy is proposing that we continue to ensure that fees and charges increase at least in line with inflation. The financial pressures or other service requirements faced by the City Council may mean that we consider increasing the financial contribution made from some fees and charges and other income-generating opportunities (i.e. increases beyond the rate of inflation) but this will only be done after taking into account all relevant circumstances. We will need to consider the objectives of the service, especially where they incorporate competing priorities such as cost recovery versus a primary service objective or competing public service benefit. The context of whether the service is statutory and whether it has the ability to charge or has free access set by central government is also important. A range of other information will be considered, including existing levels of competition and demand, benchmarking, stakeholder and user information and any financial analysis of the impact of charging decisions.

Treasury Management Strategy

4.27 The Council agrees a Treasury Management Strategy annually as part of its budget setting report. Recent events in the banking world have brought into focus the issue of risk in regard to managing the day-to-day cash-flow of the authority and in our short-term investments with financial institutions. The Treasury Management Strategy details who we can invest with and the maximum amount that can be invested. These limits are based on credit ratings, supplied by independent credit rating agencies. In common with other local authorities, we only invest with institutions that are rated as strong.

4.28 Whilst the City Council has suffered no immediate detriment as a result of the recent crisis in the banking world, our investment criteria would not have prevented us from investing in some of the affected organisations. Notwithstanding the fact that we have followed prudent and recommended treasury management practice, current events prompt a re-evaluation of this. Whilst this is clearly an evolving process, we are currently looking to invest for shorter periods, including in current or "call" accounts; keep a closer watching brief on market conditions; invest more frequently with the Government's Debt Management Office (DMO); invest more frequently with UK-owned banks or those that have otherwise been guaranteed (such as the Irish Banks) where we think investments are more likely to be sounder or where the threat of administration or receivership is far lower; and limit the amounts we have invested in a single institution at any one time.

4.29 Inevitably, there will be an impact upon the rate of interest that we receive on these balances in the short term at least. These lower rates need to be seen as a trade-off against a perceived lower level of risk.

5 Summary Revenue Strategy

5.1 The City Council is faced with a range of significant pressures on our future level of costs. This is the result of several trends:

- Future demands on our services (for instance due to demographic pressures in social care) outstrip the available supply.
- Pressure occurs that changes the shape and level of service provision in response to societal or Government expectations. This is currently manifesting itself in current developments being planned in our waste disposal and recycling arrangements.
- Changes in legislation or new government initiatives can increase pressure on existing budgets without explicit associated funding being identified to pay for the changes. The current Building Schools for the Future initiative is one such example of this.
- Our response to the need to improve upon the current level or quality of our service "offer" leads to policy commitments that impose increased financial commitments. The plans for a massive regeneration of the City Centre are likely to lead to a medium term fall-off in the level of rental income that the City Council derives from its City Centre property portfolio.

5.2 There are limitations on the degree to which we can identify all of the potential changes within our medium term financial projections. Nevertheless, as far as possible, we have attempted to incorporate some of the fundamental and over-arching financial expectations upon us within the City Council's medium term revenue position. It is important to remember that these financial models have been produced within a dynamic financial environment and that they may be subject to significant change over time. The revenue position is summarised below and detailed further in Appendix 1. The figures are broadly based upon the Budget Report taken to Council in February 2008 and the PBR to Cabinet (16th December 2008), as well as the financial impact of our most significant future plans insofar as their financial implications can be estimated at present.

	2009/10 £m	**2010/11 £m**	**2011/12 £m**
Base Revenue Expenditure	273.1	279.0	286.5
Projected Medium Term Expenditure Pressures	4.1	10.7	16.8
Saving and Resource Switching Options	(13.3)	(17.9)	(24.6)
Medium Term Revenue Expenditure	263.7	271.8	278.7
Medium Term Revenue Resources	(263.7)	(271.8)	(278.7)
Balance of Excess Expenditure/(Resources)	0.0	0.0	0.0

5.3 It is important within this Medium Term Financial Strategy to set a balanced revenue budget for all years in the 3-year plan. Previous medium term financial strategies have not reflected plans to balance budgets over the medium term. However, a fundamental objective of this strategy is to take a far more strategic approach to budget setting and financial planning, factoring in some significant impacts from strategic long-term plans such as City Centre regeneration. The progress made in developing our approach to Value For Money and the identification of broad and achievable levels and areas where we expect further savings to be delivered in future years give us the mechanisms for achieving a more robust medium-term approach.

5.4 The national and local financial context has created a scenario within which we need to undertake robust actions to enable the Council to deliver a lower cost-base than currently exists in some services. The over-arching message is that the Council will need to continue to identify savings on an ongoing basis. The table above and in Appendix 1 assumes that we achieve:

- Savings identified within the budget setting process for 2009/10
- The savings quantum identified within our existing Value For Money programme
- Savings to be identified within Directorates as part of cashable savings required to deliver National Indicator 179 (although the additional PBR efficiency target may further increase this).

The approach outlined in paragraphs 4.11 to 4.17 describes this more fully.

5.5 In addition to this, we will continue to undertake robust scrutiny of ongoing budgetary control and financial outturn reports to identify any underlying under-spending in City Council budgets. Our budgetary control processes facilitate regular and thorough analysis of budgetary performance and this will be used to identify any individual circumstances where budgetary provision and the existing level of service are no longer aligned.

5.6 The financial scenario outlined above and detailed further in Appendix 1 incorporates a small level of resourcing for areas of growth. These growth areas may incorporate future demographic trends or changes in demand, new Council priorities including those identified through the Local Public Service Board or in line with our Comprehensive Area Agreement or sustainable investment in line with our capital expenditure requirements.

5.7 The City Council has a history of innovation in harnessing external funds to deliver priorities and an excellent track record of partnership working. A significant proportion of the City Council's activities is now partly or wholly delivered through partner organisations or with specific external funding streams. The most striking recent example of this type of relationship is the establishment of the Ricoh Arena. There are numerous other individual projects and ongoing services that also fall into this bracket including Section 31 agreements, our Waste Disposal partnership and CV One – our City Centre Management company partner. As part of the Value For Money agenda, we will need to assess the value of delivering shared services in specific sectors where we consider this to be an appropriate way forward. We will continue to search out new options for partnership working and harnessing external funds to ensure service excellence and the achievement of value for money.

5.8 There are increasingly important developments at sub-national, regional and sub-regional levels that are having a significant impact on policy development and resource allocation decisions. The City Council is committed to maximising the partnership, service and financial opportunities that rise out of these developments insofar as they accord with national and local priorities. This will encompass developments such as Multi Area Agreements and alternative resource allocation mechanisms that change the traditional shape of the way we receive our funding. We will incorporate the impact of these developments into our service and financial plans as they arise.

5.9 Our policy on external funding is to seek additional resources wherever they are appropriate, available and consistent with our overall plans. The full impact of bidding for external resources should be considered, including the resource impact of producing the bid and managing the resulting regime and any matched funding or leverage requirements. Bids for attracting such resources must be supported by robust exit strategies that pay regard to the ending of external funding. We will seek to change our existing service provision to meet needs that have been met by temporary external grant funding if this is justified by our policy priorities.

5.10 In recent years, we have been able to take advantage of non ring-fenced external income streams such as Public Service Agreement Performance Reward Grant and the Local Authority Business Growth Incentive scheme. We remain committed to maximising the resources that can be achieved through these mechanisms and will build their impact into our medium term financial plans as soon as we become aware of their likely scale.

5.11 We will seek to maximise partner contributions towards projects and services (e.g. developer contributions within Section 106 agreements) as appropriate within the context of the individual area under consideration. We will observe the ring-fenced grants that are made to support specific revenue expenditure programmes.

5.12 A guiding principle of the City Council's Procurement Strategy is that the delivery of best value is more important than who provides the service. There is an opportunity to engage in the "make or buy" debate within the service reviews or at the outset of each capital project upon which we embark. For each project, consideration will be given to the most appropriate role for the Council (implementer, partner, facilitator) and the most appropriate procurement method (e.g. procuring works or assets outright or through a partnering arrangement, leasing assets or using contract hire, grant aiding other bodies; forming a joint venture company or using PFI and PPP approaches). The search for greater Value for Money may lead the Council to consider whether the future route is to manage and commission services rather than deliver them directly. These decisions will be based on an overall assessment of what is the best delivery mechanism in each individual service.

5.13 In setting our revenue and capital budgets, we have taken full account of the key financial and other risks facing the City Council through the use of our Risk Management Strategy. The financial impact on the Medium Term Financial Strategy of the key risks facing the Council as recognised in the Corporate Risk Register (June 2008) have been summarised in Appendix 4. The most significant financial risks have been explicitly provided for in budget setting proposals for 2009/10 (specifically in relation to Equal Pay and the initial phase of the Project Transform Waste Project) or are being built into future plans (notably Building Schools for the Future, City Centre regeneration and the threat to levels of capital receipts).

6 Summary Capital Strategy

6.1 The medium term capital position shown in the table below assumes the most recent projections of resources and the application of the approved 2008/09 programme, updated following an analysis of likely spending profiles. The City Council will set a three-year Capital Programme, updated each year, identifying which capital schemes can be funded, and those schemes which, although high priority, are being held on a reserve list. Notwithstanding some specific challenges over the immediate term, we will seek to balance the Capital Programme over the medium term.

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Approved Capital Programme	49	32	9	10
Resources Identified	(33)	(33)	(11)	(4)
Resources To Be Identified/(Available)	16	(1)	(2)	6

6.2 The position is one that reflects significant reductions in capital receipt forecasts over the short to medium term. Notwithstanding this, the Council has some expenditure commitments already in train, either in the form of schemes already started or contractually committed. These schemes were planned in anticipation of the generation of previously-predicted levels of receipts. As a result of this, there will be a significant shortfall in the level of resources unless the Council undertakes some short-term borrowing to replace the capital receipts shortfall.

6.3 In summary, in order to live within our means, we need to plan on the basis of a lower overall balance of resources in the medium term. On the basis of our currently-approved programme, we nevertheless need to borrow in the immediate term to fund existing spending plans. This borrowing should be repaid from capital receipts when they are achieved over the medium term.

6.4 Against this, there is a clear picture that, in many areas, our infrastructure requires investment and regeneration. Public funds are stretched to deliver these needs without new approaches being adopted. The Prudential Code provides some flexibility by relaxing controls on borrowing but at a significant revenue cost. Increasingly, large capital projects depend on specific external grant and/or complex partnership arrangements e.g. the Street Lighting PFI, BSF, our Waste Disposal Project (Project Transform) and the Swanswell Regeneration Project. Nevertheless, this does not alter the fact that resources are scarce across the remainder of the programme and we are regularly exploring alternative ways in which we can resource our capital commitments.

6.5 The Government provides us with revenue funding for an amount of borrowing that is referred to as the Single Capital Pot. We will give due regard to national priorities that Single Capital Pot resources are targeted towards, whilst recognising that some local flexibility may be applied in ensuring that local policy objectives are also met from these resources.

6.6 Given the resource constraints upon us, it is essential that our approach to capital planning incorporates appropriate attention to future spending needs and likely resource (funding) flows. Such an approach is essential if we are to continue to develop future investment in the City's public infrastructure in a robust and sustainable manner. Unfortunately, the level of government funding does not give us the resources needed to invest in some fundamental areas of service and infrastructure – our highways, our operational property portfolio and our range of information technology systems. In these circumstances, it is proposed to make a stream of investment resources available through revenue funding. As part of our revenue programme, we will aim to set aside a tranche of resources - small in the early years but growing incrementally in later years - for capital purposes, upon which allocation decisions will be made annually.

6.7 Capital investment decisions will give due regard to the Council's Property Strategy and up-to-date asset management information. Decisions will be aligned to the Council's Corporate Objectives via a robust prioritisation process. It should be recognised that we are currently faced by an extraordinary set of circumstances that may lead us to take decisions designed to overcome some short-term difficulties. This may include a range of actions from the significant curtailment of spending plans to the consideration of borrowing in the short to medium term in anticipation of future capital receipts in the medium to term.

6.8 In the PBR, the Chancellor has announced that £3 billion of capital spending plans will be fast-tracked to stimulate the economy. This includes spend on schools, housing, transport and regeneration. When the details of this are clear, they may assist the Council by making more resources available than we planned for, or allowing these resources to be used to free up Council resources to be spent elsewhere. At this stage, it is not possible to be clear on these implications.

6.9 It should be recognised that we are currently faced by an extraordinary set of circumstances that may lead us to take decisions designed to overcome some short-term difficulties. This may include a range of actions from the significant curtailment of spending plans to the consideration of borrowing in the short to medium term in anticipation of future capital receipts in the medium term.

6.10 We will aspire to use a formal objective framework for assessing potential capital schemes for inclusion in the Capital Programme where these schemes are competing for resources and where there is local discretion over their application. More immediately, it is clear that we will need to concentrate on delivering schemes that have already been assessed in this way rather than new ones that may arise.

6.11 We will continue to seek any other avenues that offer potential sources of capital funding. These will include Prudential Borrowing, the Private Finance Initiative and Public Private Partnerships. We will also lobby government for new approaches and new freedoms in relation to capital funding. The choice of these options will be subject to transparent public decision-making processes. The circumstances in which such decisions may be made will include those where there is an undeniable supporting business case for investment and instances where there is a combination of strong policy commitment, lack of alternative funding sources and carefully-considered analysis of long-term financial implications.

6.12 Revenue and capital bids for corporate resources are considered within the same broad planning process and capital investment decisions will be taken with full regard to the revenue spending consequences, both in terms of service delivery and the cost of capital investment.

6.13 Our policy of structured land and property disposal will continue to dispose of surplus land and operational property and use the receipts to help manage the Corporate Capital Programme. The policy will be applied in a way that is sensitive to the need to comply with Department for Children, Schools and Families requirements for the sale of school sites and the need to support regeneration projects within which disposal sites are identified. Otherwise, the Council's policy on receipts is that all receipts should be considered corporately and that receipts should only be ring-fenced to specific schemes where this is viewed as being the optimum use of these resources.

6.14 We will continue to seek to generate receipts from the sale of our least well-performing commercial assets to help support the Corporate Capital Programme. In making disposal decisions, we will balance the implications of the commercial rental income foregone against the amount and timing of the potential receipt to be generated. We will also take account of the need to choose the best time to sell such assets in the light of market conditions and particularly the price that we can achieve on these sales. In the current economic climate, this means that some sales may be foregone if the potential sale value does not meet our expectations of what might be achieved over the medium term.

7 Partnership, Participation and Consultation

7.1 Other areas where the dynamics of funding are continually changing include

- Complex grant arrangements as the Government pilots new initiatives e.g. Standards Funds, Big Lottery.
- Experiments in new forms of governance at local level e.g. New Deal for Communities (NDC) and Local Strategic Partnerships (LSPs) – some with complex financial arrangements.
- Increased use of partnership approaches e.g. Private Finance Initiative (PFI), Academies and Local Area Agreements.
- The promotion of Joint Commissioning with the Primary Care Trust.

All of these developments affect the way in which we manage our finances and demand flexibility in the way we work.

7.2 The Government is working with local government to agree an approach to local participatory budgeting to enable local residents to determine spending priorities for a ring-fenced element of local budgets. Depending upon the way this initiative develops, it could have a significant impact on the way in which we set local budgets. We are monitoring developments in this area so that we will be in a position to respond to them at appropriate milestones.

7.3 Although schools budgets (traditionally the biggest single item of spend) were taken out of councils' control in April 2006, Coventry schools continue to wish to work in partnership with each other and with the City Council. The revised financial arrangements do not remove the significant financial impact that schools funding has on the dynamic of the Council's financial position.

7.4 There is widespread internal communication and consultation on all Council plans and strategies and they must all go through the Cabinet approval process. The Local Development Framework will provide the context to the physical planning of all developments within the city, including those by the City Council. Consideration of property issues (where relevant) is a requirement of all reports to Cabinet Members.

7.5 The Council's budget planning will be open to public consultation, to include voluntary and community groups, trades unions, schools, the business community and key interest groups such as older people and younger people. This process is intended to help the Council make fair and transparent decisions that reflect the needs of the local community. The Council is committed to a process that improves trust between different groups within the community as a central part of ensuring strong community cohesion.

8 **Conclusions**

8.1 Coventry has a long history of sound financial management. This Strategy is intended to ensure that we maintain these traditions whilst incorporating the significant developments that continue to affect the economy, the public sector and local government finances. It demonstrates our ongoing commitment to financial management that serves as a springboard for delivering the SCS and the Council's Vision, Values and Corporate Objectives.

8.2 The way in which we work is being affected by two fundamental influences. Firstly, local services are being delivered in an increasingly diverse range of ways that move away from a traditional model of service delivery. Secondly, Value For Money has become a watchword for the way in which we deliver our part of these services. This Medium Term Financial Strategy reflects these two developments and, where appropriate, defines our approach to them.

8.3 We want to make our services even better and raise the quality of life in the City. At the same time, we will strive to deliver these services within a modernising agenda, through the most appropriate delivery mechanism and providing the best value for money that we can achieve.

Coventry City Council

Appendix 1

Medium Term Revenue Projection

	2009/10 £m	2010/11 £m	2011/12 £m
Base Revenue Expenditure	273.1	279.0	286.5
2009/10 Budget Setting and Future Projected Medium Term Expenditure Pressures	3.6	4.1	3.7
Revenue Funding of Capital Programme	0.5	1.8	1.8
Potential Medium Term Expenditure Pressures Including Expenditure Switched to Meet Future Demographic Trends/Changes in Demand, Future Council, LPSB & CAA Priorities and Capital Expenditure Requirements	0.0	4.8	11.2
Savings Options Identified in December 2008 PBR	(9.5)	(10.1)	(9.8)
Further Action required to Balance 2009/10 Budget	(0.9)	0.0	0.0
Use of Area Based Grant to Fund Key Priorities	(2.4)	(0.1)	(0.1)
Limiting of Inflation Increases	(0.7)	(0.7)	(0.7)
Balance of Savings identified by specific VFM Partnership Review to be delivered beyond 2009/10	0.0	(2.5)	(2.5)
Additional savings to Deliver Overall Efficiency Targets (£4.5m in 2010/11 and £11.5m in 2011/12)			
Chief Executives	0.0	(0.2)	(0.4)
Children Learning and Young People	0.0	(1.1)	(2.8)
City Development	0.0	(0.4)	(0.9)
City Services	0.0	(0.5)	(1.4)
Community Services	0.0	(1.6)	(4.2)
Customer and Workforce Services	0.0	(0.4)	(0.9)
Finance and Legal Services	0.0	(0.3)	(0.8)
Medium Term Revenue Expenditure	263.7	271.8	278.7
Medium Term Revenue Resources	(263.7)	(271.8)	(278.7)
Balance of Excess Expenditure/ (Resources)	0.0	(0.0)	(0.0)

Appendix 2

The City Council's Approach to Financial Planning

The City Council's Medium Term Financial Strategy is underpinned by the following fundamental underlying approach:

All resource allocation decisions will arise directly from and be driven by our policy priorities

Revenue and capital programmes will be set within a corporate decision making process with advice from the Management Board to Cabinet

Council Tax levels will increase broadly in line with inflation over the plan period and moving us towards becoming an average Band D Council Tax authority

The Council will continually seek to identify savings and efficiencies and will implement these at the earliest opportunity. A detailed annual exercise will set budgets, identifying any necessary changes to base budgets and agreeing new areas of spend and savings

We will optimise our reserve balances within a corporate decision making process to deliver the City Council's objectives, maintaining a minimum level to cover any risks that face the City Council and seeking to achieve a "golden rule" of not using one-off resources to support ongoing expenditure

Our Capital Programme will use a formal objective framework for assessing potential capital schemes where these schemes are competing for resources and where there is local discretion over their application

Our approach to Financial Planning will have the following characteristics:

We will achieve balanced revenue and capital programmes over the medium term.

The fundamental principles of the MTFS will be widely understood and owned by members and managers.

An understanding of finance will be owned and built into all areas of Council activity.

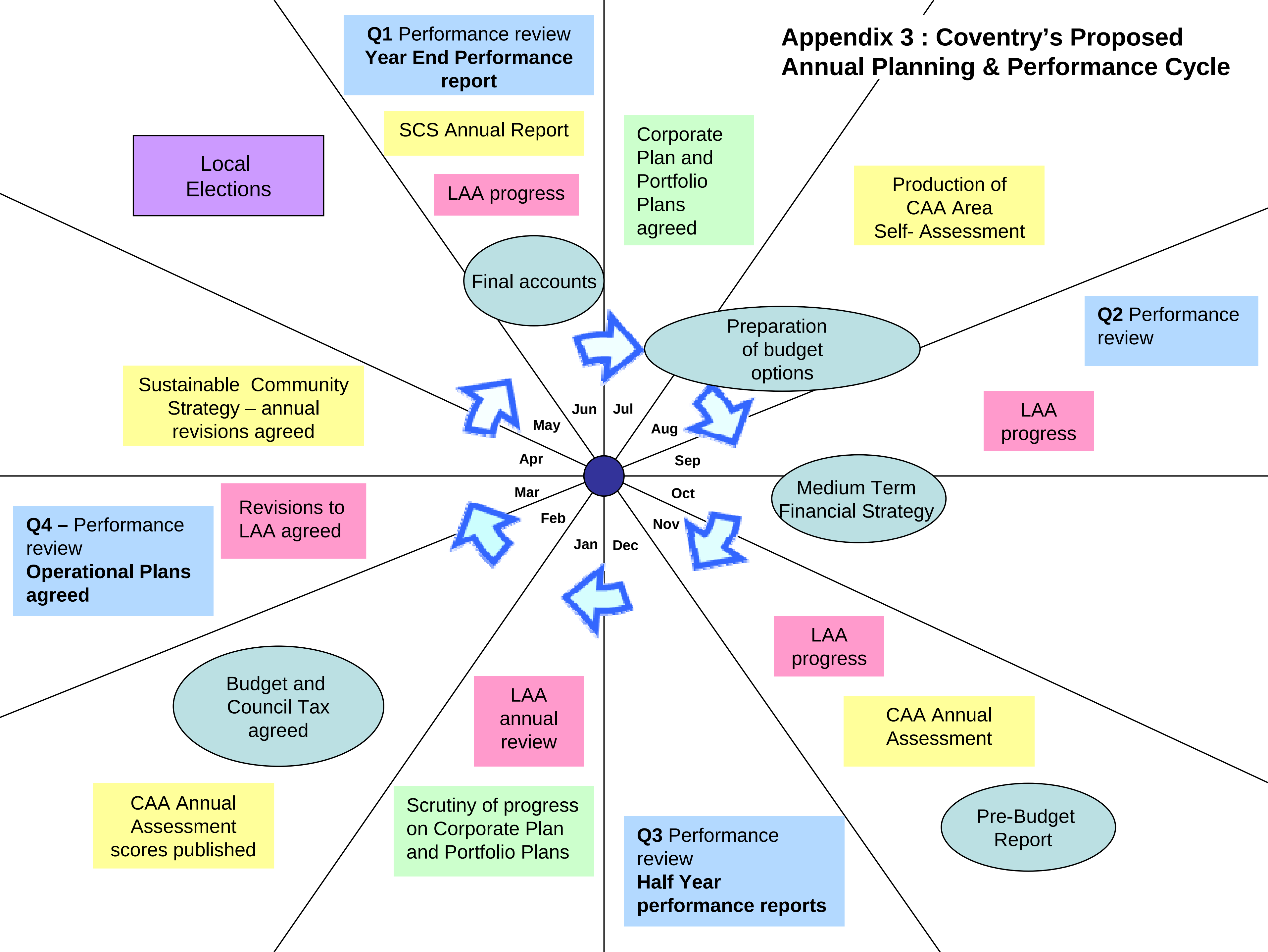
Our medium term financial plans will be informed by assessment of the risks facing the City Council when it sets its budgets.

Revenue and capital decisions will be considered together within our budget setting process.

We will operate a clear framework of accountability and delegation. All budgets will have a designated budget holder. Monthly revenue budgetary control reports will be made to Directorate Management Teams and consolidated in reports to Management Board. Quarterly revenue and capital positions will be reported to Cabinet and Scrutiny.

We will operate a Project Management approach for large schemes including a specific focus on cost control.

Appendix 3 : Coventry's Proposed Annual Planning & Performance Cycle



Appendix 4

Corporate Risks (Per Report to Cabinet June 2008)

Corporate Risk Register Reference	Title of Risk	Existing Financial Treatment and Any Implications For MTFS
C01	Health & Safety	The planned treatments that have been included in the register will be implemented within existing budget allocations.
C02	Equal Pay Claims	Claims are being defended through due legal process. The Council has a provision for any potentially successful claims and has also been successful in securing a Capitalisation Direction, he revenue consequences for which are being included within the 2009/10 budget setting process.
C04	Major Incident	We have existing budgetary arrangements to accommodate our Emergency Planning and Business Continuity functions. It is anticipated that the financial consequences of any potential incidents would be met from existing budgets and through our insurance arrangements.
C06	Climate Change	The short-term actions identified in our Climate Change Strategy are all funded. The costs of longer-term aspirations will be incorporated into our financial planning models as they become known. The revised Waste recycling measures and the costs of future waste disposal options are two examples of this.
C08	ICT Risk	The ICT Strategy that is being developed will prioritise ICT developments to allow the most pressing ones to be delivered within identified revenue and capital resources.
C09	Medium Term Financial Strategy	The body of this strategy incorporates the measures that will enable us to balance our medium term programmes. In particular this focuses on the actions taken to deliver efficiency savings.
C13	BSF Programme	Financial resources have been identified to fund BSF project management arrangements and the financial model needed to deliver the wider BSF programme.
C14	Swanswell	This risk concerns cost overruns relating to property acquired as part of the development plans. The cost associated with these acquisitions will be monitored in accordance with the Council's

		established procedures.
C16	NDC Masterplan	The financial model has not yet been finalised and the potentially detrimental impact of the current conditions within the housing market will influence this. It is anticipated that any financial risk will be managed within the project.
C22	WAN, UTMC, Primelines	This risk is essentially an operational rather than a financial one.
C25	Severn Trent/St John's	This risk is essentially an operational rather than a financial one.
C26	Project Transform (Waste Project)	Project Transform will include a significant degree of short to medium and long-term costs. Our bet estimates of these costs (project management and future waste disposal) are now being built into budget setting for 2009/10 and our longer term financial plans.
C27	Demographic Change	Work is underway to begin to improve our understanding of projections of the actual level of future growth and the likely impact on the City's services. These impacts are of a long-term nature and will generally occur in an evolutionary way. As the results of this become known from a service perspective and require the City Council to change the shape of its services/budgets, this will be reflected in our medium term planning. A current example of this is the work currently underway to respond to future needs in the area of primary school places within our Capital Programme.
C29	Service Impact of City Growth	Central Government has provided some limited grant support to help with this planning process whilst Government legislation will allow Local Authorities to levy a Community Infrastructure levy on all new developments to partly fund (with existing Central, Regional and Local Government funding) this new/enhanced infrastructure.
C30	VFM Programme	The project management approach to this programme, overseen by a Project Board, is the mechanism through which we will ensure that savings are achieved. Our revenue plans will be based on specific identified areas of saving.
C31	Ring Road and City Centre Infrastructure	This will be managed as part of the wider City Centre developments and the initial view must be that any financial implications will be incorporated within the wider redevelopment financial cost and funding envelope.

Appendix 5

Medium Term Financial Strategy and the Corporate Area Assessment

The following appendix outlines how this strategy will be used to ensure that the Council's operations and processes are fit for purpose in meeting the 2009 and future Comprehensive Area Assessment.

Medium term financial planning and annual budgeting reflect the organisation's strategic objectives and priorities for the year and longer-term and the assumptions on which they are based are clearly stated.

One of the key objectives of the MTFS is to provide a stable financial base from which to deliver the Council's priorities as laid out in the Corporate Plan and to improve services. The Council's financial planning and corporate budgeting processes are undertaken within a corporately driven process through Management Board. The assumptions of the Strategy are clearly stated within the Executive Summary.

The financial and corporate planning processes are integrated, linked to risk management and incorporate strategic planning for other resources such as assets, capital and human resource.

The financial and corporate planning processes are linked through Management Board. Policy changes with significant service implications are reflected within the MTFS and all formal reports incorporate a section with financial implications that are subsequently built into our financial planning assumptions. Such reports would specifically pick up any changes relating to assets, capital and human resources. The diagram in Appendix 3 shows how the planning processes are linked.

The key messages from the organisation's financial planning processes are communicated effectively to staff and stakeholders as appropriate.

The Council's key financial messages are reported as part of the budget setting process and through specific targeted communications.

The organisation involves external stakeholders (for example bodies that have joint working arrangements or partnerships with the organisation) in the financial planning process in order to deliver organisational and shared objectives.

The Council and its partners undertake a range of targeted meetings and communications to establish the service and financial basis of their working arrangements.

The organisation can demonstrate other outcomes of a good financial planning process including timely and efficient completion of the annual budget, a stable and responsive financial environment for service planning and delivery, a sustained focus on achieving priorities by shifting resources from low to high priority areas, a structured medium term approach to delivering savings and

efficiencies and a well managed capital programme linked to priorities and supporting service improvements.
Over a significant number of years the Council's financial planning process has delivered timely and efficient completion of the annual budget that has avoided excessive disruption to service planning (i.e. without sudden unplanned cuts to services). The process has allowed shifts of resources to priority areas and more recently a medium term approach to delivering efficiencies has been introduced through our VFM partnership. Our capital programme is strongly linked to delivering service improvement.

The financial planning process assesses the impact of the medium term financial plan on its sustainable objectives.
The medium term financial plan is put together, taking account of the City's objectives including those in the Sustainable Community Strategy. This enables the financial demands of these objectives to be reflected in budget setting proposals.

The financial planning process works on a medium to long-term basis. It models balances, cash flows, resource requirements, revenue and expenditure totals using different planning scenarios (for example best and worst case and most likely) and links this to risk management, financial and performance reports.
Our financial planning is delivering a balanced medium term position after incorporating a range of planning different planning scenarios for expenditure and resources, with a particular focus on the areas that are most subject to volatility. The process is linked strongly to the risks facing the City Council (see Appendix 4).

Coventry City Council

13

Public report

Report to

Scrutiny Board 3	3 December 2008
Cabinet	16 December 2008
Council	13 January 2009

Report of
The Director of City Development

Title
Government Consultation: "Transforming Places; Changing Lives – A Framework For Regeneration"

1 Purpose of the Report

This report details the consultation by Government on a proposed framework for regeneration. The proposed framework aims to change the way regeneration is delivered in the future. This report:

- Highlights the issues it raises and the possible implications for Coventry
- Seeks to retrospectively endorse the sub-regional response to the framework from the Coventry, Solihull and Warwickshire Partnership
- Proposes recommendations for the way forward

Note: Endorsement is sought retrospectively as the deadline for consultation responses to government on the draft regeneration framework was the 31st October.

2 Recommendations

2.1 Cabinet is recommended to

i) Retrospectively endorse the Coventry, Solihull & Warwickshire "Position Statement" on the consultation document – attached at Appendix 1 and refer this to Council;

ii) Ensure that the council and its partners continue to make a clear and robust case for government to fund regeneration activity in Coventry and the sub-region;

2.2 Scrutiny Board is recommended to retrospectively endorse the Coventry, Solihull & Warwickshire "Position Statement" on the consultation document – attached at **Appendix 1**

2.3 Council is recommended to retrospectively endorse the Coventry, Solihull & Warwickshire "Position Statement" on the consultation document – attached at **Appendix 1.**

3 Information/Background

3.1 The Review of Sub-National Economic Development & Regeneration (originally published July 2007, consultation document on implementation published March 2008) called for a more targeted, co-ordinated and consistent approach to regeneration in the future, with greater clarity on the relative roles and responsibilities of different spatial levels in driving the agenda forward. In response, the Department for Communities & Local Government developed a proposed National Regeneration Framework and requested comments on the consultation document by 31st October 2008.

3.2 The proposed Regeneration Framework will apply to England, and seeks to improve the prioritisation and co-ordination of regeneration activity, providing a clear, consistent and transparent message and approach that will help build confidence and provide certainty for long-term activities. The Government believes that in the future, regeneration activity should be more tightly focussed on tackling the underlying economic challenges that cause concentrations of worklessness. Regeneration should tackle "*place-specific economic barriers that prevent markets working effectively*". Investment for regeneration should be more targeted towards priority areas, and should be focussed on improving outcomes for deprived areas.

3.3 The key outcomes that the Government suggests regeneration activity should be targeted at are:

- ***Improving economic performance*** in deprived areas
- Improving rates of ***work and enterprise in deprived areas***
- ***Creating sustainable places*** where people want to live and can work, and where businesses want to invest

One can see that despite the emphasis on economic improvements, there is a recognition that regeneration must lead to real, qualitative improvements in the lives of residents of deprived areas (such as tackling anti-social behaviour, community cohesion, and the physical characteristics of an area).

3.4 A key element of the proposed framework is the prioritisation of regeneration investment. This will help ensure that resources are focussed and targeted, and should give partners (including the private sector) long-term confidence on investment activity. Regional Development Agencies, Regional Assemblies and other partners will be asked to provide a Regional Regeneration Priorities Map, which identifies agreed priority geographic areas for regeneration investment. It is suggested in the proposed Regeneration Framework that priority areas should be identified using the following four key criteria:

- ***Level of deprivation*** – the starting point here are those areas that are in the top 10% of most deprived (as measured by the Index of Multiple Deprivation), although the concentration (i.e. the proportion of the population living in these most deprived areas) and intensity (i.e. those areas in the top 1%) of deprivation is also important. (See **Appendix 2** for those areas within Coventry that fall into the top 10% most deprived).
- ***Strength of the sub-regional economy*** – to understand the needs and opportunities for regeneration, this will look at the context of a deprived neighbourhood or area. Deprived areas within otherwise successful local or sub-regional economies will require a very different approach to those in a generally underperforming economy. It

is suggested that the proposed new Local Authority Economic Assessment will assist in developing this understanding.

- ***Economic & social characteristics of the area*** – it is important to understand the role of the deprived area and the levels of population churn (i.e. are deprived areas essentially “launch-pads” for residents who move on to better things, or are they more isolated from economic opportunity where the majority of people remain in deprivation).
- ***The dynamics of the area*** – in other words, is the area improving or getting worse over time. It is important to look at trends as well as data that provides a snap-shot in time.

3.5 The Government anticipates that this framework, and the subsequent development of Regional Regeneration Priorities maps, will help inform the Regional Funding Advice (RFA) process, enable national and regional funding streams to be aligned behind an agreed set of priority areas; and empower local authorities to identify and undertake the delivery of locally specific regeneration activities under a consistent framework of interventions.

3.6 The Coventry, Solihull and Warwickshire Sub-Regional Position Statement in response to the consultation is detailed in **Appendix 1.**

4 Proposal and Other Option(s) to be Considered

4.1 It is proposed that the Coventry, Solihull & Warwickshire Sub-Regional “Position Statement” on the consultation document is endorsed (See Appendix 1 for the final position statement).

4.2 The sub-regional response was developed in liaison with Warwickshire County Council and the Coventry, Solihull and Warwickshire Partnership. This included holding a half-day seminar in which partners were invited to contribute their views to the draft framework. Representation included Coventry City Council and the Coventry Partnership. The draft statement was circulated for comments and feedback from partners before a final version was submitted by the consultation deadline.

4.3 Rose Poulter, Advantage West Midlands (AWM), has stated that the sub-regional response is aligned with thinking about the framework discussed with the Department of Communities and Local Government (DCLG) in relation to a regional response.

4.4 Coventry and the sub-region needs to make a clear and robust case for government regeneration investment in the future or we may face a significant reduction in the types and level of external funding that we have benefited from in the past. Failure to sustain such levels of government investment in regeneration in Coventry and the wider sub-region could potentially undermine our efforts to “narrow the gaps”.

5 Other specific implications

	Implications (See below)	No Implications
Neighbourhood Management	✓	
Best Value		

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

5.1 There is clearly going to be implications around the level of government regeneration investment that Coventry City Council could benefit from in the future, depending on how the National Regeneration Framework is implemented. This would have an impact on areas such as Neighbourhood Management, progress with the Sustainable Community Strategy, and implications for progress in Sustainable Development.

5.2 In responding to the consultation there was a requirement for partners to come together and reach a consensus to enable a joint response to the proposals.

6 Monitoring

6.1 We will need to monitor the government's feedback from responses to the consultation.

7 Timescale and expected outcomes

7.1 Key Consultation Dates

3rd October - Coventry, Solihull and Warwickshire Partnership half-day seminar

		consultation event
10th October	-	CSWP to circulate draft position statement
16th October	-	CSWP Executive committee meets – discussion on draft position Statement
17th October	-	Deadline for partner comments on the draft to be received by CSWP
24th October	-	Final version of Position Statement to be circulated
29th October	-	Final minor comments to CSWP
31st October	-	Submission
Early 2009	-	The framework will be updated in the light of feedback and finalised early in 2009, and will be part of the process of preparing for the next spending review.

	Yes	**No**
Key Decision		✓
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	✓ **Scrutiny Board 3 3 December 2008**	
Council Consideration (if yes, date of Council meeting)	✓	

List of background papers

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Papers open to Public Inspection

Description of paper	**Location**
None	

Appendix 1

Transforming Places: Changing Lives
National Regeneration Framework

CSW Sub-Regional Position Statement

31st October 2008

The Partnership

CSWP are the Economic Development & Learning Partnership for the Coventry, Solihull & Warwickshire sub-region. CSWP was formed in 1994 as a strategic partnership of public, private, voluntary sector and education bodies. Its purpose is to promote the economic regeneration of the area in a sustainable way and to ensure that everyone has the opportunity to contribute to – and benefit from – the success of that endeavour. CSWP is the delivery arm for a number of strategic regeneration initiatives. These include the Connexions contract for Coventry and Warwickshire, a number of large Structural Fund programmes (e.g. Central Vision) and the Coventry and Nuneaton Regeneration Zone and the CSW High Technology Corridor – both key delivery vehicles in the current West Midlands Regional Economic Strategy.

CSWP welcome the opportunity to comment on the proposals set out by government in the National Regeneration Framework.

Background to the response

A partnership workshop was held on the 3rd October 2008. This allowed a number of sub-regional partners to comment on the content of the National Regeneration Framework and to form a joint view on its content. The position statement below outlines the detail of the discussion which took place & our key thoughts and observations on the proposals put forward.

Key Messages of the Position Statement

General Points

The recognition within the framework that regeneration investment needs to be more focussed and prioritised is noted and well received. Over recent years, there have been issues with duplication and lack of clarity between roles across many tiers of regeneration responsibility. There has also been a tendency by central government and agencies to spread regeneration investment very thinly across number different priority criteria. The greater prioritisation outlined in the framework should aid investment in being more focussed. The emphasis on economic outcomes – particularly worklessness and enterprise - is also seen as a positive step to lead towards more sustainable regeneration in the future. There needs to be more of need to balance capital investment with revenue support for employment, skills, business creation and development. This will help to create the markets for the future which will sustain jobs. To do this effectively the collaboration of other agencies on aspects of the framework, such as Job Centre Plus and the Learning and Skills Council will be crucial. However, from the vast experience in the sub region whilst we firmly believe the focus on economic outcomes is good, we recognise that to achieve this there needs to be flexibility and a more holistic approach than just economic development type activities (e.g. housing, confidence building and barrier breaking). We agree with the need to address the underlying causes of deprivation whilst also recognising that comprehensive approaches are needed to achieve sustainable communities.

Whilst, in principle we welcome, the approach taken to regeneration in the framework, we have a number of concerns we need to highlight;

- At any time, but particularly so in the current unstable economic climate, any criteria set by government to determine priority foci for investment, must be flexible enough to respond to a rapidly changing economic climate. There must also be an adequate supply of capital investment to support the current economic circumstances. This is particularly important at present, to assist private sector investment. Further large scale economic crisis may occur and the framework needs to have the flexibility to be able to intervene and respond to this. It would also be counter- productive in this climate of uncertainty to cease support in certain areas. There is a need to keep investing to improve opportunities for people within the sub-region.
- We also welcome the recognition in the document of the role the wider sub-regional economy can play in regeneration. Solutions to regeneration issues are often found outside of those areas themselves, by making strong links to neighbouring more prosperous areas. The CSW sub-region has a fairly buoyant economy and has experienced strong economic growth. This positive situation offers a strong opportunity locally to address deprivation by linking need and opportunity where parallel economies persist in our sub-region (areas of deprivation alongside / within areas of strong economic growth). There are pockets of deprivation across the area, but the benefits of a healthy surrounding economy need to be exploited. However, under the current criteria whilst a strong economy could improve areas of deprivation, the framework would effectively penalise such areas and reduce our ability to effectively make these links. We recognise the need to improve the links between areas of need and opportunity and that this will require both physical and revenue interventions e.g. transport links as well as engagement and upskilling of deprived communities and enterprise development.
- Clearly linked to this, an element of prioritisation should be informed and determined by local knowledge of the economy in question. We welcome that the framework expects local authorities and sub-regions to prioritise deprived areas within their locality. There should be flexibility at a local level to highlight local issues of importance. It will also be important to ensure the framework and its criteria are linked to the Local Performance Framework's of Local Authorities to ensure that priorities which are already endorsed in localities are included. If the government does propose making links to the Corporate Area Assessments, it should be noted that data used in these is not always particularly accurate (or even available) for small geographic areas are perhaps not necessarily the best or most appropriate indicators.
- We would also welcome greater clarity and understanding of whether, and to what extent, the four prioritisation criteria will be used to determine the funding criteria of other bodies. For example, the Learning & Skills Council. The robust selection of criteria will be crucial if this is the case to ensure allocations go to those in greatest need. We would argue that a better approach would be for government to set a broad framework detailing what they are hoping to achieve and then allow flexibility in local areas to develop their own priorities in response to this. This would then benefit from some form of "enhanced duty to co-operate" with other agencies such as JCP and the LSC.
- We also seek clarification of who will be responsible for assessing these criteria – presumably local authorities in their lead role with partners in the first instance. This also raises a key question about how the gap is bridged between this local level analysis and regional and national resources – presumably LAA's are the mechanism alongside any delegation proposals?

- We need to ensure an adequate support beyond the urban areas and into the rural areas, not only within our sub-region, but across the wider region. Whilst these areas may not have the concentration and intensity of regeneration investment required in the larger urban settlements, the issues are still very real to communities on which they impact. The Framework needs to be clear how it will tackle rural and or more dispersed deprivation (e.g. pockets within the major urban areas, outside of areas of real concentrated deprivation) otherwise the application of the criteria could lead to an urban focus and miss the nuances of isolated and hidden deprivation in the rural areas. We cannot ignore the significant rural and semi-urban areas that make up much of the economy and are therefore important in the overall regeneration of sub-regions – particularly as employment and service centre hubs.
- We have concerns that the proposed assessment criteria, threatens funding initiatives to address the pockets of significant disadvantage which exist in the sub-region outside of already recognised concentrations of deprivation reflected in the Regeneration Zone designations which we would be keen to see a continued prioritisation of.

Further issues we would like to highlight on the framework are highlighted in greater depth below;

1. Regeneration Framework Criteria;

a. The criteria currently identified are useful as a way of looking at and analysing regeneration issues, but they are not sufficient as a methodology for prioritising regeneration investment. The criteria offer a very simplistic approach to a very complex issue, which vary significantly from place to place.

b. In terms of quality of data, the IMD data for 2007 is currently based on 2005 figures. The production of the data on an infrequent basis means that recent changes to localities prosperity may be missed. Other data sources which may feed into this process, such as the Annual Population Survey are only available at a Local Authority level this may mask localised issues in super output areas. The robustness of the data on which decisions are made will need to be looked at in more detail and we would encourage government to investigate alternatives. Furthermore, most of the programme measures identified cannot be measured below local authority level.

c. There are often more than one economies operating in an area and average figures for geographic areas can often mask and hide significant weaknesses and disparities.

d. The criteria also needs to take account of areas which are currently improving but without continued investment may fall into disadvantage and not continue to thrive. The proposed methodology will highlight the very areas that have often received previous substantial funding as the ones that need further future funding, at the expense of the relatively less deprived pockets within our sub-region. Further work also needs to be done to understand why some areas continue to fail to improve despite a constant stream of investment – more of the same is unlikely to make a transformational change.

e. The four criteria which the framework suggests are useful but not the only ones which could be used. Alternatives need to be sought, recognising the need for there to be consistency so comparative levels of deprivation can be assessed nationally. We would expect government to grant local flexibility in each area to determine its own priorities based on our own needs, issues and opportunities. For example, work needs to be done to look at matching up areas of worklessness to employment opportunities.

f. We are aware that Regional Funding Allocations are already being looked at; any criteria used to inform these decisions need to be clear at a national level to ensure investment is directed at the right areas. It needs to allow consideration of an areas own circumstances and look at rural and other pockets of deprivation. We would like to highlight the need for local areas to be strongly involved in the RFA to bring forward local / sub-regional priorities in line with SNR.

2. Different approaches to regeneration will be needed in different areas; those with very severe deprivation will need a different approach to pockets of need inside a healthier sub-regional economy. It is also these ‘pockets’ within a relatively strong economic area plus those areas at risk of current improvements not being sustained which, whilst not being strongly places to attract future funding, are the very areas where any funding is likely to have the most significant impact and where the amount of funding needed to tackle the identified problems is relatively modest in comparison to areas of deeper deprivation in urban areas. The framework needs to consider both these aspects. Additional work needs to be done to ensure we understand the factors which influence people staying in deprived areas or moving on quickly when their circumstances improve. This will help to inform the kinds of interventions which are needed and will ensure that economic opportunities are available to local people within the areas that they currently line as well as elsewhere in their wider area.

3. In terms of the implementation of the framework, we would be keen to see more robust advice from government on how deprived areas link into the wider economy to improve their circumstances. We need to consider how to improve areas on the edge and not push them further into decline by either no support or the wrong kind of support.

Conclusion

To summarise, CSWP and our partners welcome the National Regeneration Statement as a positive step towards reducing duplication of effort, to provide clarity and to ensure the areas most in need of investment benefit from future support which will be made available to them by government and other public agencies. However, we encourage government to revisit aspects of the framework to ensure the criteria on which decisions are made are as robust as possible and to take into account the very localised need for investment in areas beyond the concentrated need in the major urban conurbations and within more dispersed pockets contained in the major urban areas and surrounding rural areas.

To deliver this we would like to see government focusing on a national framework to identify key outcomes, expectations and ways of working where local areas / sub-regions analyse issues and identify a robust set of priorities and key actions that will lead to tangible outcomes that meet the government’s needs. We would also like to see some mechanism of ensuring that all agencies are signed up to helping deliver these longer term changes (perhaps an enhanced ‘duty to cooperate’). We anticipate that the delegation of regional delivery / funding to be key to this process to recognise the role that local authorities and their partners play in identifying regeneration priorities to support the programme approach to be taken by RDA’s following SNR. Further opportunities to work with the new HCA are also welcomed.

I look forward to seeing the outcome of the consultation and a revised Framework.

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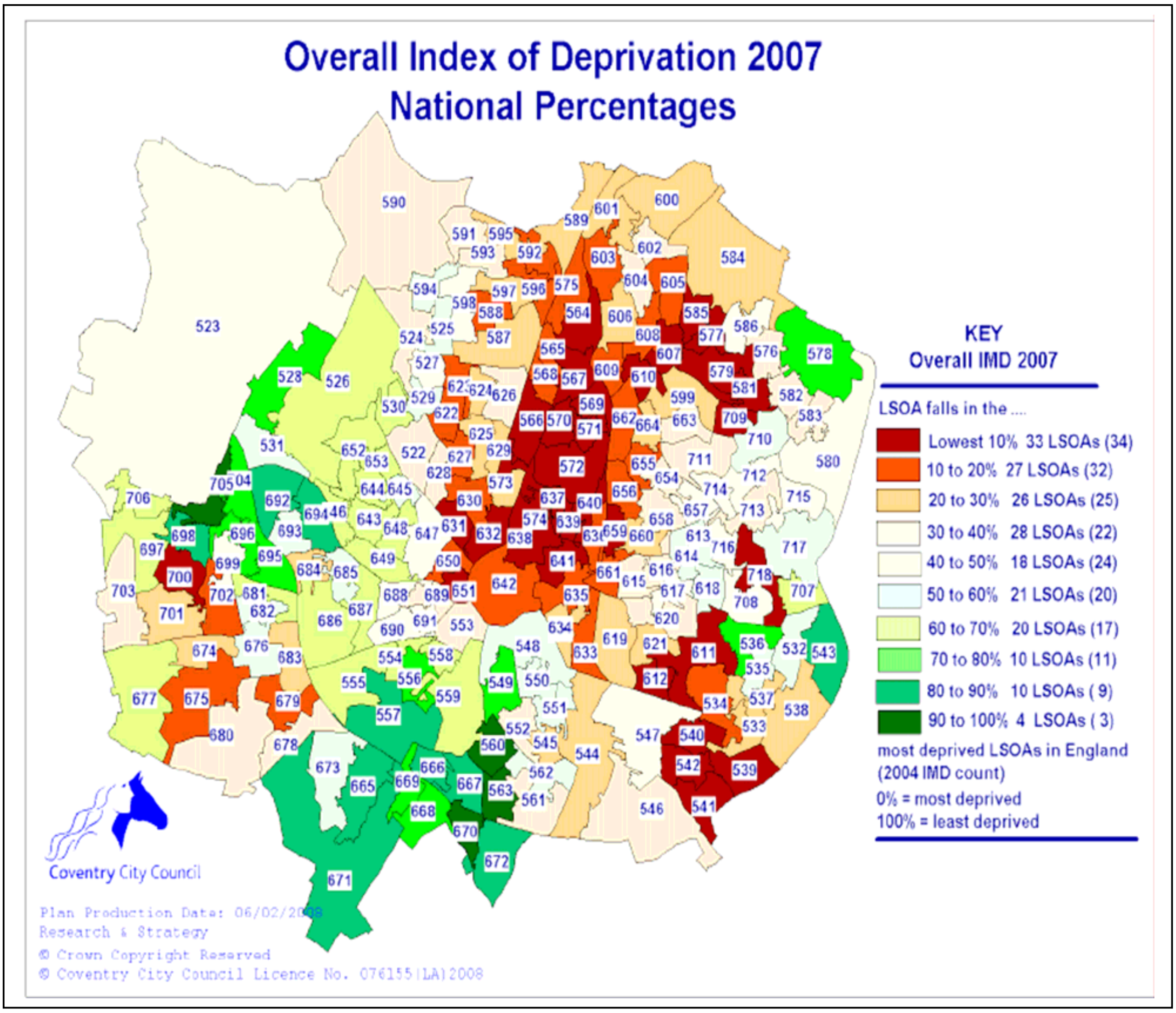
Appendix 2



Note: The darkest areas are those areas that fall into the top 10% most deprived, these include - the city centre, Spon End and the Radford Diamond, Hillfields, Foleshill, Bell Green, Wood End and the NDC area, Attoxhall Estate Caludon, Stoke Aldermoor, Binley and Willenhall, and Tile Hill.