
Cabinet

8th December 2009

Council

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Name of Cabinet Member:
Cabinet Member (Finance and Value for Money) - Councillor Foster

Director approving the report:
Director of Finance and Legal Services

Ward(s) affected:
All

Title:
2010/11 Budget Report

Is this a key decision?

Yes

Cabinet and Council are being recommended to approve the final revenue spending and savings options for 2010/11 and future financial years and the Capital Programme for 2010/11 to 2014/15.

Executive summary:

This report follows on from the Pre-Budget Report approved by Cabinet on 22nd September 2009. Within that report the Council's Corporate Management Board proposed a range of budget options that have since been subject to a period of public consultation. It is intended that the proposals within this report will form the basis of the Council's final budget for 2010/11. This includes the Council's proposed increase in Council Tax and a range of budget savings. The final Council Tax Setting and Budget Requirement report will be concluded in February once the Government's final Formula Grant settlement, our Council tax-base and the final precepts of the Fire and Police Authorities are known.

This report includes a significant change of direction, including as it does the first budget decisions driven by the Council's ABC Programme and its programme of transformation projects. It also incorporates bringing forward the budget setting process by approximately three months to

allow more time to implement budget decisions and to maximise their effectiveness for the start of the new financial year.

The budget proposals have been driven by a very challenging financial position that faces the Council, the wider local government sector and the world economy. This requires us to achieve significant savings over the medium term. It is also a budget that plans ahead by investing in some key areas designed to improve the City's future. A list of savings options for our revenue programme is included in **Appendix 3**. These savings options total **£10.2m** in 2010/11. A list of new expenditure proposals is included in **Appendix 4**. These total **£10.5m** in 2010/11.

These proposals will enable the Council to set a balanced budget. Based on the current financial analysis we expect our net revenue budget to increase from £261.9m in 2009/10 to £269.3m in 2010/11.

This report also includes a proposed Capital Programme for 2010/11. In the main, this consists of schemes and programmes that have already been approved plus programmes of essential expenditure in the areas of property, highways maintenance and ICT infrastructure. This programme requires a level of prudential borrowing of £18m in total, £5m to support the investment in ICT infrastructure and a further £13m of temporary borrowing to balance the overall Programme. The revenue impact of this is taken into account in the revenue budget.

Recommendations:

That Cabinet recommend to Council the approval of recommendations (1) to (4).

Council are recommended to:

- (1) Approve the final savings proposals in **Appendix 3** and expenditure proposals in **Appendix 4** as the basis of the City Council's 2010/11 revenue budget.
- (2) Approve the draft net revenue budget requirement of £269.3m in **Appendix 2** pending final confirmation on 23rd February 2010, based on an assumed Council Tax increase of **2.4%**, and recognising the conditions and risks set out in **Section 2** and **Section 7**.
- (3) Approve the Capital Programme of **£77.5m** for 2010/11 and the future years' commitments arising from this programme of £300m in 2011/12 to 2014/15 (**Section 6 and Appendix 6**).
- (4) Approve the proposed Treasury Management Strategy for 2010/11 in **Section 8**, and the revised investment policy in **Appendix 7** for immediate implementation, and adopt the prudential indicators and limits described in **Section 9** and summarised in **Appendix 8**.

List of Appendices included:

Appendix Number	Title	Page Number
1	Public Consultation Responses	26-30
2	Summary General Fund Revenue Budget	31-32
3	Savings Proposals	33-44
4	Spending Proposals	45-46
5	Medium Term Financial Position	47
6	Capital Programme 2010/11 to 2014/15	48-51

7	Investment Policy	52-55
8	Prudential Indicators	56

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

Yes

**Report title:
2011/12 Budget Report**

1. Context

- 1.1 The purpose of this report is to seek approval for the 2010/11 revenue budget proposals, Capital Programme and Treasury Management Strategy. The report also informs members of the Government's likely Formula Grant allocation for the Council for 2010/11 and the implications for future years' financial plans of the information contained within the report.
- 1.2 As part of its Medium Term Financial Strategy, the City Council considers capital and revenue budgets together, reflecting the links between the two programmes and the way they support the Council's vision and objectives. This report brings together these programmes for consideration by Cabinet and Council.
- 1.3 In September, Members received the Pre-Budget Report and Medium Term Financial Strategy that formed the basis of the statutory budget consultation process. The budget setting process has been brought forward this year by approximately three months. A final statutory Council Tax Setting and Budget Requirement report will be taken in February 2010. Further information regarding this transition is included in **Sections 2.4** and **2.5**.
- 1.4 The proposals outlined in this report have been arrived at within the context of the Council's commitment to delivering the Coventry Sustainable Community Strategy and our Corporate Plans. The Council is fully committed to tackling the challenge of further improving the quality of its services even in the context of the serious financial pressure that it will face for the foreseeable future. This will be achieved through successful delivery of the ABC programme that the Council has embarked upon - a radical programme of transformation reviews designed to improve the services that we provide to our residents in a more cost effective manner. This ABC programme - A Better Council for A Bolder Coventry will affect every area of the City Council and all the services we deliver over the next few years.
- 1.5 Members will be aware of the massive change in the national financial landscape and the likely lower level of funding that will be available to local authorities in the future. There is also an expectation from Government and tax-payers that Council Tax increases will be lower than those experienced previously. At the same time we face some significant service pressures and financial challenges that were outlined within the Pre-Budget report - ensuring the robustness of services for vulnerable children and adults, enabling investment in the city and sub-region to sustain economic growth, taking forward major strategic imperatives (climate change, waste, Building Schools for the Future and city centre regeneration) and working with local and sub-regional partners and communities to develop services.

2. Options considered and recommended proposal

- 2.1 The sections below outline the City Council's overall financial position including the resources available to support net budget (**Section 3**), the change in the base budget position (**Section 4.2**), the additional cost pressures that now face us (**Section 4.4**) and the implications in terms of savings that are required to balance the Council's bottom line in the medium term (**Section 4.5**). The savings are presented as final proposals that will underpin the formal Budget Requirement to be approved in February.
- 2.2 The proposals within this report will result in an increase in our net budget from £261.9m in 2009/10 to £269.3m in 2010/11. This represents a net budget increase of 2.8% - this is explained further in **Section 4.2**.
- 2.3 The report also seeks approval for a 2010/11 Capital Programme of **£77.5m** compared with a 2009/10 programme of £73.9m. This represents an increase of 4.8%. The Programme is considered in detail in **Section 6** and **Appendix 6**.
- 2.4 With the decision to bring forward the budget setting report to December there are some factors that cannot be resolved finally until the Budget Requirement and Council Tax Setting report in February. These include the final Formula Grant settlement, the tax-base position and Police and Fire Precepts, plus any spending or funding issues that may arise up to the date of tax setting. The Director of Finance and Legal Services' view is that the taking of this report in December does not increase fundamentally the risks inherent in setting the City Council's budget.
- 2.5 There are several matters that will be dealt with as part of the report taken in February. These are the determination of the Budget Requirement, the level of Council Tax increase, the level of Council Tax to be paid in each Council Tax Band and the Chief Financial Officer's assessment of the adequacy of reserves and robustness of the Budget (see **Section 13.1**)

3. Resources – Council Tax and Formula Grant

- 3.1 The Council's net budget is funded from a combination of Council Tax resources and Formula Grant from central government. The four key elements that determine the size of net budget that we can afford are explained below.

Table 1: Factors Affecting Total Resources

Item	Description	Basis For This Report
Council tax-base for 2010/11	Measure of the taxable capacity - the estimated number of Band D equivalent chargeable dwellings for the year	Will be finalised in the January 2010 report to Cabinet. Latest estimate used in this report
Council Tax Surplus/ Deficit for 2009/10	Collection performance against original estimate	Final estimate made at the same time as determining the tax-base. Latest estimate used in this report.

Increase in City Council Tax	Member decision on how much the City's Council Tax should increase	2.4% increase in Council Tax assumed within this report. Final decision made in February Council Tax Setting Report
Formula Grant	Final Government allocation of resources	Government announced figure in 2007 Spending Review expected to be honoured. Finalised in late January.

Taking all of these factors into account the current assessment of the final resource position for 2010/11 is reflected in the table below.

Table 2: Resources to Meet the Budget Requirement

	£000s	£000s
Council Tax Revenue (2010/11)	(117,318)	
Estimated Collection Fund Shortfall	1,000	
Total Council Tax Resources		(116,318)
Total Formula Grant		(153,026)
Total Resources		(269,344)

The level of Formula Grant that an authority receives is dependent on its spending needs relative to other authorities, as determined by the Government. It also takes into account each authority's tax-base, which determines the amount of money it can raise through Council Tax. The Formula Grant figures in this report use the most up to date government information available for 2010/11. We do not anticipate having any firm indication of the likely figures for 2011/12 and 2012/13 until the summer of 2010 at the earliest.

Coventry's Formula Grant figures are given in the table below.

Table 3: Coventry's Formula Grant

		2010/11 (Provisional)	2011/12 (Initial Estimate)	2012/13 (Initial Estimate)
Coventry's Formula Grant £m	£m	(153.0)	(148.4)	(144.0)
Change on Previous Year	£m	3.6 Increase	4.6 Decrease	4.4 Decrease
	%	2.4% Increase	3.0% Decrease	3.0% Decrease

After taking into account the Government's measure of inflation (the Gross Domestic Product Deflator of 1.5%), Coventry's 2010/11 Formula Grant increase of 2.4% becomes a real terms grant increase of 0.9%. The increase has been significantly limited by the "damping" that is built into the allocation methodology (a financial mechanism to pay for protection for those authorities which have benefited least well from the settlement). Coventry is expected to lose £3.5m as a result of damping in the 2010/11 settlement.

4. General Fund Revenue Budget

- 4.1 The General Fund Budget recommended in this report reflects the likely Formula Grant settlement, the Council's priorities, the approaches outlined in the Medium Term Financial Strategy and an increase in Council Tax of **2.4%**. The Pre-Budget Report taken to Cabinet on 22nd September 2009 was showing a balanced budget position. The principal movements that have happened since then are shown in Sections 4.4 and 4.5 below.
- 4.2 **Table 4** below shows a summary of the General Fund Revenue Budget. This information is shown in greater detail in **Appendix 2**, which sets out the Cabinet Portfolio revenue budgets and sources of revenue funding. The savings proposals requiring decisions within this report are outlined in detail in **Appendix 3**.

Table 4: Summary of General Fund Revenue Budget Requirement

	£m
2009/10 Base Budget	261.9
Pay Inflation and Previous Budget Decisions	4.2
Reduced Level of Area Based & Performance Reward Grant	2.9
Spending Proposals (Appendix 4)	10.5
Savings Proposals (Appendix 3)	(10.2)
Interim 2010/11 Net Budget Requirement	(269.3)

All expenditure is shown in the Budget Requirement net of direct grants received, (primarily from Central Government), and fees and charges. The total gross income and expenditure analysis that makes up the budget is summarised in **Appendix 2**. The 2010/11 budget at £269.3m compares with the 2009/10 budget of £261.9m. This is an increase of £7.4m or 2.8%. Part of this increase is due to a £2.9m reduction in the level of non ring-fenced grant from Government (Area Based and Performance Reward Grant) that we have used in 2009/10 to support local spending priorities.

This loss of specific grants increases the budget requirement that has to be funded from general grant and Council Tax. After taking this into account, the underlying increase in the budget is £4.5m (1.7%) compared with the Formula Grant increase from Government of £3.6m.

4.3 In line with previous years, the net budget incorporates planned levels of grant income and expenditure insofar as these are known. This includes our Area Based Grant (ABG), the non ring-fenced addition to the Council's revenue support grant that replaced a number of individual grant income streams in 2008/09. Assuming that the Government honours previous ABG commitments, the ABG will continue to be applied to support Council spending priorities in 2010/11 reflecting the allocations reported in the February 2009 Budget Report.

4.4 Spending Proposals

The proposed budget will include additional expenditure requirements that have already received approval but which are incurred for the first time or which increase considerably in 2010/11.

- Full implementation of the Street Lighting PFI is anticipated to begin with most of the £1.3m gap funding investment being incurred for the first time in 2010/11
- Employer's Superannuation increases by 1% to 16.4% in 2010/11 with an additional cost of £1m.

This budget also includes additional expenditure requirements outlined below and detailed in **Appendix 4**. These fall into two broad categories:

- Those that have not yet received approval but which were first included in the 2008 Medium Term Financial Strategy and the recent Pre-Budget Report. These areas are viewed as meeting either essential infrastructure investment requirements or fundamental long-term environmental and regeneration development needs.
- New expenditure requirements that have arisen over recent months, some but not all of which were first included in the Pre-Budget Report.

Table 5: Additional Expenditure Requirements

	2010/11 £m	2011/12 £m	2012/13 £m
Revenue support for the Capital Programme - highways and property maintenance	4.0	4.0	5.0
Gap funding for the Project Transform Waste Management facility	0.5	1.5	2.5
City Centre regeneration income loss	0.0	3.0	4.0
City Centre Project Costs	0.5	0.5	0.0
ABC Programme	1.0	1.0	1.0
Redundancy & Pension Strain Costs	1.5	1.5	1.5
Prudential borrowing costs to support ICT capital infrastructure	0.1	1.3	2.6

Children's Social Care	1.0	1.0	1.0
Budgetary Control Pressures	1.5	1.5	1.5
Capital Programme Borrowing and Treasury Management Costs	(0.5)	0.4	0.7
Lease and Rental Income Loss	0.6	0.6	0.6
Corporate Budgets (higher grant income and lower Street Lighting gap funding)	(0.4)	0.0	0.0
ICT Contract Re-commissioning	0.75	0.0	0.0
Total	10.5	16.3	20.4

In total, the costs above and detailed in **Appendix 4** amount to £10.5m in 2010/11 rising to £20.4m in 2012/13. It is recognised that there is pressure on the ability of Local Government to balance budgets and that this pressure will increase over the coming years. Some of the items listed above (Children's social care, rental income losses) reflect this situation. Others of them recognise that local government needs to undergo significant change in the next few years and this involves some up front costs to deliver this (ABC, ICT infrastructure). Despite the pressure that the City Council faces, it remains important to look forward to the key areas of development that we want to lead on within the city. In that context, the plans to regenerate the city remain at the forefront of our plans and the costs associated with this redevelopment have been retained within the budget proposals.

Changes resulting from new information that has come to light since the Pre-Budget Report have been reflected in the table above and in **Appendix 4** as follows:

- Line 3 – Capital Programme revenue contribution **£1.0m increase** in year 1
- Line 6 – Redundancy costs provision **£0.5m increase** pa
- Line 12 – ICT contract re-commissioning costs **£0.75m increase** in year 1
- Line 1 – City Centre regeneration income loss provision **£1.0m decrease** in year 1
- Line 10 - Capital programme and treasury management activity costs **£1.0m decrease** in year 1 with smaller decreases in future years
- Line 13 – Net impact of lower costs and higher income in corporate budgets, **£0.4m decrease** in year 1

4.5 Savings Proposals

Table 4 above indicates the level of savings required to balance the 2010/11 budget. The Pre-Budget Report to Cabinet has previously highlighted the significant budget gaps that will arise in future years with likely reductions in public spending and emerging pressures as a result of the recession. It concluded that the Council should take a longer-term approach now to achieving the savings needed in future years. Within this context the City Council drew up and consulted on a range of savings options.

The responses arising from the consultation process were considered when producing the final budget proposals in this report. Specific changes to the original proposals in the Pre-Budget Report have been reflected in **Appendix 3** and are listed below:

- Line 16 – CVOne year 1 saving **£50k decrease**
- Line 36 – 3% Efficiency saving from partner organisations **£37k decrease**

The Council's approach has been to try and achieve better value for money and minimise the impact on frontline services. However, within the very challenging financial circumstances that we expect in the future it is clear that it will not be possible to fund all areas of service at their previous levels and that some areas of service delivery will be affected.

The largest savings options in Appendix 3 are proposing:

- Increases in fees and charges above inflation (lines 18 and 34),
- Requirements for our partners to make efficiency and other savings (lines 16 and 36),
- An expectation that Single Status costs incurred on staff working in schools will be funded from the appropriate areas (line 8),
- Changes in the way we deliver services in Refuse Collection, Street Cleansing and Grounds (lines 20 and 22),
- A vacancy factor across all employee budgets (line 35),
- Planned removal of temporary Community Centre funding (line 1),
- Structural reviews affecting senior management and administrative posts (lines 17, 38 & 39),
- Changes to the way we manage our operational property and our local printing arrangements (lines 15 and 37)
- Freezing of price inflation budgets (lines 40)
- Changes to our debt repayment practices in line with current practice (line 48)
- Improved procurement and commissioning practice across a wide range of areas (line 51).

The savings have been categorised broadly into those driven by our ABC/efficiency programmes and other savings to address the deficit. The position in 2010/11 has been balanced by the combined effect of the savings identified and only includes those linked to specific reviews. Given the ambitious scope of the ABC programme it is intended that further ABC savings will be captured on an ongoing basis and integrated within our budgeting plans. The medium term position outlined in **Section 5** has been balanced as a result of these anticipated future savings. The ABC Programme and the savings that it generates are being driven and closely monitored by the Chief Executive and Corporate Management Board.

Where posts are deleted as a result of these proposals, not all losses of posts will lead to losses of individual employees given the Council's redeployment policy and the fact that some posts are currently vacant. Exact posts and the number of job losses cannot be finally agreed until the budget has been approved and its proposals implemented. The latest estimate of the number of posts to be deleted in **Appendix 3** is **79**, compared with approximately **33** vacancies within the service areas concerned. The Council manages any changes for people through the processes it has agreed with the trades unions. The Council has a legal responsibility to consult and it is vital that the Council is open in its dealings with employees.

The implication of what we expect from future Government Spending Reviews is that there will inevitably be a pressure on local authorities to become leaner and smaller organisations that employ fewer staff and deliver better value for money. Coventry's approach is to tackle this agenda head-on through our ABC Programme so that we can use this as the impetus to improve services at the same time as delivering the financial savings required.

4.6 Reserves

The level of City council reserves as at 31st March 2009 is reflected in the table below.

Table 6: Reserves as at 31st March 2009

	Balance as at 31 st March 2009 £'000
Directorate Reserves	(5,965)
Corporate Reserves	(17,872)
Capital Reserves	(3,740)
Insurance Fund	(8,088)
Schools Reserves	(11,228)
Total Reserves	(46,893)

The 2008/09 outturn position enabled us to implement the commitment in the 2008 Medium Term Financial Strategy to increase un-earmarked reserves to cover unforeseen financial problems from 1% to 2% of the net revenue budget (£5.4m). The 2010/11 budget does not include any contributions from these reserves to support general fund expenditure.

All other reserves are committed for specific purposes. The current level of reserves is adequate for the current known liabilities and approved policy commitments facing the City Council and we expect this balance to stay broadly within the range of £40m to £50m over the medium term. This is appropriate to sustain current plans.

5. **Medium Term Financial Position**

- 5.1 Whilst this budget produces a balanced position for 2010/11, significant challenges remain for future years. Any predictions regarding the Council's future financial position rely upon the robustness of the figures given to us by Government through Local Government Finance Settlements (see **Section 3**). We should recognise that current economic circumstances mean that there are no guarantees about these figures for 2011/12 and 2012/13. The information below needs to be considered in the light of this health warning. Based on our current financial plans and the decisions within this report the initial projection of our future budgetary position in **Table 7** is detailed further in **Appendix 5**.

Table 7: Anticipated Future Financial Position

	2011/12 £m	2012/13 £m
2010/11 Base Budget position	269	269
Future Identified Pressures	13	25
Less:		
Savings - Additional Year 2/3 savings Appendix 3	(5)	(7)
- Future ABC/Transformation savings	(8)	(20)
Resources – projected Formula Grant & Council Tax at assumed 2.5% increase	(269)	(267)
Anticipated Budget Position	0	0

The Council's approach to reducing spending and delivering efficiencies through the ABC Programme has recently been reaffirmed within our Medium Term Financial Strategy. The anticipated outcomes from this are built into the position shown above. This approach, together with our continued ongoing monitoring of the City Council's budgetary position, which itself can offer opportunities to free up resources from time to time, will provide the mechanism by which Corporate Management Board will seek to produce a balanced medium term financial position.

6. Capital Programme

- 6.1 In **Appendix 6** there are proposals for a Capital Programme of **£77.5m**. The City Council continues to generate only very low levels of capital receipts from the sale of land and property as a consequence of the recession. Nevertheless, the proposed programme over the medium term is larger than those of recent years as a consequence of significant investment in the City's schools, largely grant funded in the early years and reflecting the commencement in 2010/11 of the "Design & Build" element of the Building Schools for the Future capital programme. The level of expenditure in 2010/11 will require temporary prudential borrowing of £13m in the short-term to balance the programme, which is to be repaid from capital receipts as they are generated in future years.
- 6.2 This Programme focuses largely on the continuation and completion of existing projects and on programmes funded from external grant. The medium term response to identifying the resources to deliver greater investment and improving our level of service delivery in the future is one of the key challenges facing the City. The City Council's plans include some significant areas of investment that will come on stream over a medium to long-term horizon. In addition to Building Schools for the Future, these will include the regeneration of the City Centre and Project Transform, our waste management initiative.
- 6.3 This year's programme includes the following:
- A £53m programme in 2010/11 for Children, Learning and Young People's Services, the majority of which will be invested in schools across the City including continuation of a significant programme of expenditure on the City's Primary schools and the rebuilding of Sidney Stringer School.

- Investment of £10m in total on the City's highways programme involving the Local Transport Plan and a minimum level of highways maintenance investment funded by £2m of revenue resources. 2010 will also see the rolling out of the programme to upgrade the City's Street Lights. The first 5 years of the Street Lighting PFI will see the replacement of c80% of all existing street lighting and underground cabling, the installation of up to 1,000 additional columns on currently unlit roads and footpaths and the replacement of 50% of all lit signage, bollards and beacons across the city.
- Continuation of the Wide Area Network project to deliver resilient ICT communications to Council and partner services.
- An externally funded programme of Disabled Facilities Grants
- A programme of fundamental improvements to our ICT infrastructure funded by £5m of Prudential Borrowing for the next 3 years.
- Continuation of existing regeneration programmes in Canley and Far Gosford Street and a limited City Centre enhancement programme ahead of future City Centre regeneration.
- A minimum level of property maintenance funded by £2m of revenue resources
- A Play Builder programme of £0.6m to create a range of natural play area improvements and completion of the new library in Allesley Park.

In addition, planning will continue ahead of the fundamental regeneration of the City Centre.

6.4 The main sources of funding for capital expenditure are listed below together with the level applicable to the resourcing of the capital programme in 2010/11:

- Capital grants from government bodies and the private sector (£44.2m).
- Unsupported or prudential borrowing (£18m) – This borrowing will support £5m of ICT infrastructure spending and £13m on a short-term basis to bridge the 2010/11 capital programme resource shortfall. This borrowing attracts no revenue support from Government and the additional cost of the borrowing has been reflected in the revenue budget.
- Supported borrowing (£8.8m) - This borrowing supports spending within the Children's and Highways programmes and attracts revenue funding from Government. As a result of bringing forward the budget report we have made assumptions about the Government departmental borrowing allocations based on plans submitted by Councils.
- Capital receipts arising mainly from selling Council assets (£4.4m).
- Revenue funding including reserves (£4.4m) – Of this, £2m is being invested in highways maintenance and £2m in property maintenance.
- Leasing to finance the acquisition of vehicles and equipment (£0.5m).

In addition to the above, the private finance initiative (PFI) is a procurement method which can secure private funding for the public sector. The capital element of the funding which enables the local authority to pay the private sector for these projects is given by central government in the form of PFI "credits" paid to the Local Authority within a revenue stream over approximately 25 years. The local authority then selects a private company to perform the work. Spending projections relating to PFI credits are not currently reflected in the capital programme.

6.5 Forecast Capital Programme

- 6.5.1 Officers have continued to re-evaluate the overall expenditure and resources position in relation to the Capital Programme for 2009/10 and 2010/11. This has included producing a likely realistic profile of expenditure, seeking to maximise the amount of expenditure against which we can apply grant resources and maximising the resources corporately available to the Council to fund capital expenditure. This has been necessary in order to maximise the size of programme that we are able to support.
- 6.5.2 As a result of the limited resources available to us, the 2010/11 programme includes relatively limited new programmes of spend. In line with last year, the City Council can only afford to complete those schemes that have already started and continue a small number of new spending approvals largely for programmes of essential infrastructure work in the areas of property (£2m), highway repairs (£2m) and ICT (£5m). The Medium Term Financial Strategy approved by Council in October 2009 incorporated plans for the funding of highways and property capital schemes from the revenue budget from 2010/11 onwards. The programme includes plans for a three year ICT programme funded from Prudential Borrowing to ensure that the Council's ICT systems are fit for purpose in supporting the transformation of the Council's services within the ABC Programme.
- 6.5.3 Sustained very difficult economic circumstances have continued to make what was already a challenging position with regard to our Capital Programme even more difficult. With no immediate prospect of being able to identify alternative sources of funding or identify any significant additional capital receipts from the disposal of property assets, the City Council has little option but to borrow on a temporary basis in order to balance the programme. The approach will be to take stock of this position over the medium term. The clear intention is that this borrowing will be repaid from future capital receipts. Any future capital programme approvals will be strictly limited in line with the value of resources that we can identify.
- 6.5.4 A summary of the proposed programme including existing commitments and funding sources is outlined in **Table 8**. This includes expenditure rescheduled into 2010/11 as a result of the period 6 monitoring report for 2009/10. Full details of the proposed programme are included at **Appendix 6**.

Table 8: 2010/11 – 2014/15 Capital Programme (Expenditure & Funding)

Expenditure	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Children, Learning and Young People	53,433	39,762	63,075	79,256	42,706
City Development	6,692	10,014	6,867	2,500	2,500
City Services	10,690	6,770	7,088	11,398	6,639
Climate Change, Housing & Sustainability	2,254	2,254	2,254	2,254	2,254
Community Services	154	154	154	154	0

Culture, Leisure & Libraries	605	100	45	0	0
Customer & Workforce Services	6,573	5,200	5,000	0	0
Total Approved Programme	80,401	64,254	84,483	95,562	54,099
Allowance for Rescheduling	(2,933)	660	(978)	(603)	2,043
Programme after Rescheduling	77,468	64,914	83,505	94,959	56,142

Funding	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Supported Borrowing	8,800	9,169	7,611	6,145	6,144
Prudential Borrowing	18,252	5,300	5,000	4,655	0
Total Borrowing (sub-total)	27,052	14,469	12,611	10,800	6,144
Grants & Contributions	44,199	44,234	65,838	78,713	37,760
Capital Receipts	2,731	4,300	8,300	8,300	8,300
Revenue Contributions	2,975	2,208	4,048	4,048	4,298
Leasing	511	531	649	304	200
Total	77,468	65,742	91,446	102,165	56,702
Resources Available	0	(828)	(7,941)	(7,206)	(560)

- 6.5.5 The programme includes a 5% allowance for the rescheduling of expenditure between the 2010/11 and 2011/12 financial years with an adjustment shown at a corporate programme level. We recognise the potential benefits of maintaining a degree of flexibility through the year and the fact that we are often faced with rescheduling due to factors outside our control.
- 6.5.6 We have only been able to balance the 2010/11 programme by virtue of the borrowing referred to in **Section 6.1** above. The future years' programmes for 2011/12 to 2014/15 show a net surplus of resources and these will be earmarked to repay prudential borrowing.
- 6.5.7 Additional demands will arise over time as new initiatives are identified. We will continue to re-evaluate the future Capital Programme taking into account economic circumstances, our ability to generate capital receipts and the profile of other areas of significant investment being managed by the City Council.

7. Budget Risks

- 7.1 In making budget recommendations to members, officers have challenged budgets with a view to ensuring maximum benefit from the resources available. This has included considering the risks with a view to ensuring that budgets and reserves are set at appropriate levels. Inevitably, the Authority carries some risks in agreeing the budget, and the major financial ones for the coming year are set out in summary below. Where appropriate these risks are included within either the corporate or directorate based risk registers and will therefore be monitored through our existing processes for managing risk or where more appropriate through our ongoing budgetary control processes.
- 7.2 **Economic Climate: The Government's Financial Position** – There remains significant uncertainty in respect of current economic conditions including the medium term spending and borrowing plans of the Government. We expect the current difficult macroeconomic conditions to continue over the medium term especially in relation to the direct funding relationship between the City Council and central government. This situation represents a significant risk to the City Council's financial position. The level of resources that the Government is likely to make available to us in the years beyond the current spending period are certain to be significantly less generous than has been the case in recent years. The Government's view is that Councils will be able to manage within this reduced resource envelope without detriment to the overall level of service provision by achieving efficiency savings. Notwithstanding our recognition of and commitment to achievement of such savings, it is clear that their delivery will be a significant challenge to us over the medium term.
- 7.3 **Economic Climate: Impact on Council Services** – We have already experienced a variety of factors that have impacted and caused additional cost pressures for Council services such as increases in homelessness and housing benefit caseloads. We also operate a range of services that generate income from fees charged to internal customers, schools and external customers including building control, land charges, planning, building and consultancy services, catering, commercial waste and our commercial property section. The impact of the recession and the reduction in some internal budgets (in repair and maintenance spend for example) have affected many of these services and prevented them from achieving their income targets. Looking forward, these effects are not always predictable and there will be limits to the flexibility and speed with which these services can react to these changing conditions over the short term. These areas have already experienced budgetary pressure and this is likely to continue for some time.
- 7.4 **New External Funding Arrangements** – The council is involved in a number of major investment projects that involve significant reliance upon external partners and external sources of finance. The Building Schools for the Future Programme and Street Lighting PFI are examples of such arrangements. These schemes carry some degree of financial risk, the level of which is very difficult to predict at their outset. It is important to recognise that the financial implications of such schemes can change significantly – either positively or negatively – as the schemes progress. Officers representing the Council in each of the schemes are constantly vigilant to ensure that the financial implications for the Council are minimised and that we achieve the best possible value for money. Progress on these large schemes is monitored closely and reported regularly to members as they progress. Each of the schemes has a detailed risk register that is reviewed regularly.

- 7.5 **Children's Services** - There are substantial pressures within children's services. Numbers of children looked after by the Council continue to be high and consequently absorb a high proportion of the budget. Strategies are in place to ensure costs of placements are contained and to try to reduce the numbers of children looked after. The strategies aim to improve outcomes for those children through more effectively meeting the children's needs while living with their families. Other pressures include the costs of transport for children with special educational needs and looked after children, increases in the need to provide high levels of contact for children looked after and the costs of care proceedings to ensure children and young people who cannot safely live with their families are safeguarded.
- 7.6 **Adult Social Care** - Our social care services for vulnerable adults have been the subject of significant cost pressure in the recent past and this is a familiar pattern at a national level. Further medium to long-term pressures will inevitably arise in this area and we should recognise the potential need to bring forward further proposals to manage these. The green paper on adult social care published in July 2009 set out proposals for the long-term reform of adult social care funding and developments in this area will almost certainly mean significant cross-sector upheaval in the coming years. There is also uncertainty about the detail of the Government's proposed changes to Social Care in the recent Queen's speech.
- 7.7 **Rescheduling & Pressure in Capital Spend** - The City Council manages a range of high spending complex capital projects. These often require negotiations or permissions with third parties that can take longer than anticipated to conclude. Similarly construction work can be delayed for a range of factors sometimes outside of our control. Rescheduling in the timing of projects as well as inflationary cost pressures can have an impact on cash-flow forecasts and ultimately upon treasury management activity. In order to control this risk we now assess rigorously the assumed profile of capital spending with the aim of not putting an unrealistic year 1 expenditure profile into our Capital Programme.
- 7.8 **Equal Pay Claims** - The Council is still involved in complex legal action in respect of Equal Pay. The Council is challenging claims received under Equal Pay legislation. The Council has been successful in obtaining an Equal Pay Capitalisation Direction from Central Government that will allow us to spread the cost over 20 years of any potential successful claims up to £30m. This has given us a significant degree of assurance that this risk has largely been mitigated.
- 7.9 **Overall Risks**
In considering the Council's corporate objectives in the context of our financial position, resources have been allocated to meet corporate priorities, and savings have been identified. In these circumstances there are a number of inherent risks which need to be managed:
- a) That the new resources are used effectively to deliver the corporate objectives. Operational plans and quarterly monitoring reports will specifically address this issue,
 - b) That ongoing spending and income are controlled to budgets. This pressure is certain to increase due to the recession and compliance with the Council's budgetary control rules remains essential,

- c) That treasury management procedures provide for cash to be available, at minimal cost, when required. The strategy and regular monitoring, provide adequate safeguards. This area has been under regular review more recently in response to turmoil in treasury markets and will continue to be managed at appropriate levels of detail and regularity in 2010/11.

7.10 There are always risk elements in setting a budget. The authority's financial position is underpinned by the holding of general reserves. Given the level of reserves available to us as set out in **Section 4.6** and **Table 6**, officers are satisfied that the risks taken are acceptable. In addition to the Council's overall resources, the Council's Working Balance forecast stands at £5.4m for 2010/11 and this is an essential safeguard against unforeseen risk.

8. Treasury Management

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

Borrowing

- To maintain adequate liquidity so that cash requirements are met;
- To minimise the cost of debt, both in taking out new borrowing and in restructuring existing borrowing;
- To manage the total debt maturity profile, having no one future year with a disproportionate level of debt repayments.

Investment

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

8.2 **Interest Rate Forecasts** – In the current economic climate, there is likely to be limited pressure to significantly increase base rate. However, it is anticipated that in the coming year rates will rise slightly to between 1% - 1.5%, from the current level of 0.5%. Any increase in short term rates will mean that both the return on investments and also the cost of any cash-flow borrowing will increase. The effect of this is built into the revenue programme.

Separately, as the government's quantitative easing policy comes to an end, longer term interest rates for capital programme borrowing are anticipated to rise. This could well increase PWLB (Public Works Borrowing Requirement) rates, perhaps by 1% over the coming years, to between 5% and 5.5%. However, there is significant uncertainty given the current world economic and banking climate.

8.3 **Borrowing** - Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2010 is as follows:

Table 9: Estimated Long Term Borrowing at 31st March 2010

Type of Debt	Total £m
PWLB	249.3
Money Market	60.0
Stock Issue	12.0
Total	321.3

The main funding sources used by Coventry are:

- The Public Works Loans Board (PWLB) - this is, in effect, the Government. Although loans may be obtained at variable rates of interest they are normally at fixed rates, thereby limiting the future impact of interest rate variations.
- Money Market - these are loans obtained from financial institutions, such as banks. These have generally been less competitive than PWLB loans. However, in recent years LOBO loans (lenders option, borrowers option), have been used by local authorities. These are long term loans at an initial fixed rate, for typically 3-4 years, then variable thereafter. Should the lender exercise the option and seek to increase the rate beyond a certain level, the borrower can choose to repay the loan, refinancing it at that point in time. Coventry has £58m of such loans.
- Stock Issue - this is loan stock issued by the City Council in 1996. In 2003/04 approximately £88m of the total of £100m was redeemed as part of a debt restructuring.

Given the revenue budget and associated capital programme outlined above, the estimated funding requirement for the City Council for 2010/11 is summarised below:

Table 10: 2010/11 Funding Requirement

	£m
Previous borrowing which matures and needs to be replaced	nil
New funds to finance the Capital Programme	27.1
Provision for Debt Repayment (including MRP and receipts)	(17.3)
Total forecast borrowing requirement	9.8

This sum will increase if new government supported borrowing is awarded during the year. After 2010/11 the proposed capital programme indicates a reduction in the level of required borrowing.

One issue that has been highlighted at a national level in the past year has been the practice of borrowing in advance of capital spending needs, thereby increasing local authority investment balances. In recent years the authority has not done this. It is proposed that, as part of the management of investment risk, the authority continues the practice of not borrowing in advance of need.

In the light of the interest rate forecast, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2010/11, the Director of Finance and Legal Services will, under delegated powers, undertake the most appropriate form of borrowing depending on prevailing interest rates at the time. In addition to borrowing to fund the capital programme, the Director of Finance and Legal Services will also monitor the opportunities for rescheduling debt. In essence this involves redeeming our existing debt early when long term rates are low – replacing current higher interest debt with new lower interest debt. This will only be done if revenue benefits justify it.

8.4 Minimum Revenue Provision - Local authorities are required to provide for the repayment of long term capital programme borrowing through a revenue charge (the Minimum Revenue Provision or MRP). It is proposed that the existing MRP policy continues:-

- For capital expenditure incurred before 1st April 2008 or which in future will be Supported Capital Expenditure we will follow existing practice, with MRP broadly based on 4% of the underlying Capital Financing Requirement adjusted for the Adjustment A;
- From 1st April 2008 for all capital expenditure met from unsupported or prudential borrowing MRP will be based on the estimated asset life of the assets.

8.5 Investments - The City Council manages its investments by making deposits with banks and building societies, largely for fixed durations and rates of interest, and by placing money with fund managers. As fund managers are able to access different types of longer term investments, such as government gilts and certificates of deposit, this ensures the diversification of investments. A central part of the Investment Policy (Appendix 7) deals with the management of counterparty or "credit risk" by determining how City Council lending or depositing limits are set. In summary lending limits are determined:

- Initially by reference to credit ratings, using the "lowest common denominator" approach, whereby the lending limit for an institution is set with reference to the lowest rating of the three agencies (Fitch, Standard and Poors and Moody's);
- Tiered limits are used, so that lower limits are set with less highly rated institutions.
- In order to provide flexibility at times of market nervousness no limit is set for deposits with the Government through its Debt Management Office (DMO).

In setting investment limits the authority currently uses a basket of credit ratings, with a minimum set for each rating. This means that if an institution is below the minimum on any one rating it will not be included on the lending list. One specific rating, the Individual or Financial Strength Rating, assesses the strength of the institution assuming no external support. As institutions have obtained government support, this particular class of rating has fallen, such that some institutions cannot be used by the City Council, despite significant government backing.

Consequently, it is proposed that where an institution is eligible for UK Government support (as initially set out by HM Treasury in October 2008, and added to subsequently) the minimum Individual or Financial Strength Rating does not apply when determining the City Council's lending list. The practical effect of this would be to allow investments in large UK state supported banks whose credit ratings are strong, other than the rating which views the institution as if that external support did not exist. The practical effect of the proposed change would be a small increase in the number of institutions that the City Council could invest with. This would help to allow investments to be more evenly spread across institutions. In addition, we would reduce our reliance on the government's Debt Management Office as a place of investment and thereby increase investment returns, albeit this impact would be depressed by the current low interest rates.

Separately, the City Council holds long-term investments for operational or policy reasons, representing past capital expenditure. These include Birmingham Airport Holdings Ltd and the Coventry Solihull Waste Disposal Company.

The impacts of the proposed revisions to the policy are reflected in **Appendix 7**. The Audit Committee have been informed of and are in agreement with the key issues and the broad thrust of this Strategy.

9. **The Prudential Code and CIPFA Treasury Management Code.**

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

9.2 **Revenue Related Prudential Indicators** - Within **Appendix 8** indicators 1 & 2 highlight the revenue impact of the proposed capital programme. These show that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax is forecast to increase from 11.28% in 2009/10 to 12.55% in 2012/13. This is due to increased levels of supported and prudential borrowing required to resource the capital programme.

In addition, the Council Tax impact of the current proposed programme compared to the programme approved last year is set out in indicator 2. This also shows an increase to 2012/13, reflecting capital financing costs net of revenue savings arising from schemes to be resourced from Prudential Borrowing. By incorporating net revenue savings this illustrates the broader impact of the investment proposals.

9.3 **Capital and Treasury Management Related Prudential Indicators** - These indicators, set out in **Appendix 8**, include:

- Authorised Limit (Indicator 6) - This reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.
- Operational Boundary (Indicator 7) - This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.
- Net Borrowing less than "Year 3" Capital Financing Requirement (Indicator 3) - The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for 2010/11 and next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose.
- Debt Maturity Structure, Interest Rate Exposures and Investments Longer than 364 Days (Indicators 10, 11 & 12) - The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.
- Other indicators highlight Planned Capital Spend (Indicator 4), Actual Debt at 31st March 2009 (Indicator 8) and the adoption of the Treasury Management Code (Indicator 9).

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

10. Leasing

- 10.1 The City Council uses operating leases for non-fixed plant and equipment, where this method of funding represents best value. The Capital Programme includes £0.5m of spend to be resourced from leasing in 2010/11, but this will only be used where this is value for money when compared with other forms of funding, such as unsupported borrowing

11. Results of consultation undertaken

- 11.1 The proposals in this report have been subject to eight weeks public consultation ending on the 16th November including separate meetings with the Trades Unions. The details arising out of this consultation period are reported in **Appendix 1**. The changes that have been made between the Pre-Budget Report and this report are detailed in **Section 4.5**.

12. Timetable for implementing this decision

- 12.1 Most of the savings decisions agreed in this report will be implemented from 1st April 2010. Some of them will be implemented part way through 2010 and into 2011 whilst it may be possible to implement others before the start of the 2010/11 financial year. There is a presumption that savings will be delivered as soon as practicable. The achievement of savings will be monitored as part of the budgetary control process. Some savings will contribute to and be monitored through the reporting of National Indicator 179 (the Efficiency indicator).

13. Comments from Director of Finance and Legal Services

13.1 Financial implications

This report is concerned wholly with financial matters. Whilst there are some financial details to be resolved prior to finalisation of the General Fund Budget Requirement (see **Section 2.4**), the detailed budget proposals within this report will form the basis of the Council's 2010/11 budget. The Budget Requirement and Council Tax Report that will be brought to Council in February will contain further statements on the adequacy of reserves and robustness of the final budget. With all the information available to us at this stage it is the view of the Director of Finance and Legal Services that the City Council holds an adequate level of reserves to support the recommended budget for 2010/11 and that the budget is supported by robust estimates of income and expenditure.

13.2 Legal implications

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2010/11 budget by mid-March 2010. This includes the duty to report to the council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 32 of the Local Government Act 1992 and Section 25 of the Local Government Act 2003 refer. The final Budget Requirement and Council Tax setting report to Council in February will be the formal means by which we will comply with our legislative requirement.

14. Other implications

14.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The savings options within this report are intended to have as little adverse impact as possible on the quality and level of service provided to the citizens of Coventry and our ability to deliver the key objectives of the Sustainable Community Strategy. Given the prospect of significant resource constraints over the coming years it is inevitable that our ability to deliver existing services will come under pressure. Local Government more generally may need to consider the range of key objectives that it has set itself and make some difficult choices between the priorities that have been agreed previously. The emphasis that has been placed on the Council's transformation agenda is designed to mitigate these challenges. As far as possible we will try to deliver better value for money in the services that we provide and achieve the same or better level of service with less resources.

14.2 How is risk being managed?

Delivery of our Medium Term Financial Strategy is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. The budget savings options within the report do not impact upon individual services that are the subject of significant risk at a Corporate level.

14.3 What is the impact on the organisation?

The number of staff employed by the City Council and the city's schools has experienced a consistent upward trend in recent years. The prospect in future years is that these numbers will need to reduce in line with reductions in funding for Local Government. The savings proposals within the report will result in the deletion of upwards of **79** posts, of which an estimated **33** are already vacant. Any deletions or changes to jobs arising from the implementation of budget decisions will be managed through the appropriate City Council Human Resources policies and procedures.

14.4 Equalities / EIA

The key savings options within the report will be the subject of individual EIAs to help ensure that any potential adverse impacts on specific groups will be addressed.

14.5 Implications for (or impact on) the environment

This report provides for the first revenue contributions towards whichever new waste disposal option that the Council chooses to pursue over the coming years. This financial provision makes no assumption about which option will be pursued but it does recognise that waste disposal will inevitably cost us more in the future. Any impact on the environment will be considered in detail as these options are explored.

14.6 Implications for partner organisations?

These proposals include the option of requiring our main grant funded partner organisations to make at least the 3% efficiency savings that the government expects the Council to make. We have contacted these organisations to alert them to this possibility and the final decision on how they may be affected will be communicated to them separately and specifically in due course. The implications for our partners of the savings option in relation to Community Centres and Neighbourhood Management will need to be assessed more fully in order to determine how best they can be managed.

Report author(s): Paul Jennings

**Name and job title:
Finance Manager (Corporate Finance)**

**Directorate:
Finance and Legal Services (FLS)**

**Tel and email contact:
02476 833753 paul.jennings@coventry.gov.uk**

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Barry Hastie	Assistant Director (Financial Management)	FLS	6/11/09	16/11/09
Lara Knight	Governance Services Officer	CWS	10/11/09	11/11/09
Robina Nawaz	Corporate Policy Officer	CEX	16/11/09	23/11/09

Brian Walsh	Director of Community Services	Community Services	19/11/09	19/11/09
Colin Green	Director of Children, Learning and Young People	CLYP	19/11/09	20/11/09
John McGuigan	Director of Strategic Planning and Partnerships	CEX	19/11/09	23/11/09
Michael Rennie	Lead Accountant	FLS	19/11/09	25/11/09
Ian Brindley	Lead Accountant	FLS	19/11/09	25/11/09
Tina Pinks	Senior Accountant	FLS	19/11/09	25/11/09
Phil Baggott	Lead Accountant	FLS	19/11/09	25/11/09
Names of approvers: (officers and members)				
Legal: Christine Forde	Council Solicitor and Monitoring Officer	FLS	10/11/09	24/11/09
Director Chris West	Director of Finance and Legal Services	FLS	6/11/09	16/11/09
Members: Cllr Foster	Cabinet Member (Finance and Value For Money)		20/11/09	23/11/09

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CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS NOVEMBER 2009

1. Introduction

- 1.1. Between September and November 2009 the council undertook an extensive round of local consultation on its budget proposals for 2010/11, prior to making the final decision on its budget.
- 1.2. The council reported on its priorities, current performance and how the recession was impacting on Coventry, before going on to outline its proposals for the next financial year. The council asked for consultees' views on the council's priorities and on the budget proposals.

2. Consultation process

- 2.1. A number of meetings were held between September and November, led by the Deputy Leader of the Council and supported by members of Management Board. Wherever possible, the opportunity was taken to attend existing meetings held by local organisations and groups to maximise participation in the consultation process.
- 2.2. The consultation involved the following:
 - Coventry Youth Council
 - Coventry and Warwickshire Chamber of Commerce
 - Public and Private Partner organisations
 - Voluntary and Community Groups including Faith groups
 - Local Business Community
 - The council's Trade Union Core Group.
- 2.3. Representatives from organisations who were unable to attend the meetings were given the opportunity to receive the related reports and to send their comments directly to the council.
- 2.4. The council's current performance on its Corporate Plan was considered by members through the Full Council meeting on the 29th June 2009. Scrutiny members were asked to give their views on the council's budget proposals and the Medium Term Financial Strategy through the Scrutiny Co-ordination Committee meeting which took place on 14 October 2009.
- 2.5. The council's trade unions were formally consulted on the budget proposals at the meetings held on 15 September and 27 November 2009.

3. Outcomes of the public consultation on the council's budget proposals

- 3.1. The main issues that were raised through the public consultation on the council's budget proposals are set out below - revenue in section 4 and capital in section 5 with some further issues about the impact of the economic recession in section 6. A table is included at the end of this report that provides a summary of the comments made during the consultation, grouped into subject areas.

4. Revenue Budget

- 4.1. Through the public meetings, respondents expressed a general understanding of the challenges facing the council in a difficult economic climate, and accepted that this would inevitable lead to a tighter financial settlement locally.
- 4.2. Consultees recognised that, as a result of the diminishing resources locally, the Council would have to focus on providing essential services and that this may mean making difficult decisions on non-essential services. A question was raised as to whether the Council had undertaken work to identify the essential services it must provide by statute and which services were nice to have but less important. The group was informed this is an ongoing piece of work and that the current budget proposals reflected progress on this so far.
- 4.3. Whilst recognising the difficult economic position facing Coventry in general and the City Council in particular, a number of voluntary and community sector organisations felt that the efficiencies they were expected to make would have a big impact on the sector. There was a shared view from the voluntary and community sector that reduction in grant funding will effectively be a reduction in the level of services that these organisations will be able to provide, and that this should be recognised by the council.
- 4.4. It was also felt that an assessment should be made of the societal impact of reducing service provision, as many of the services being provided were used by vulnerable people who would need additional support in the current economic climate.
- 4.5. A number of respondents raised concerns about the savings arising from the personalisation of social care. It was explained that the efficiencies would be secured through changes in administration, rather than a reduction in either the number of people supported or a reduction in the amounts provided for support packages.
- 4.6. The voluntary and community sector representatives strongly expressed the need for the Council to work more closely with the third sector to deliver aspects of the Personalisation agenda, and felt that the Council should share details of what services it wants to commission in future so that the third sector is in a position to respond appropriately.
- 4.7. A question raised a number of times was around whether the Council would consider transferring some of its assets to the community sector. It was explained that there is already a move towards this, with all community centres currently being run by the third sector and a number of schools in Coventry gaining charitable status and becoming Trust schools. Any further moves towards asset transfer would be considered and would need to ensure that the interests of Coventry residents were protected.
- 4.8. There was a discussion around the Total Places initiative and what benefits the city might accrue from this. This initiative will be looking at all the public agencies and presents some great opportunities for joint working and sharing resources.
- 4.9. Respondents felt that holding major sporting and cultural events in the city was important, and that continued investment was needed in this area. It was suggested that perhaps an Arts Partnership might be established with

- 4.10. The Chamber of Commerce emphasised its desire to engage, wherever possible, with the City Council, particularly on initiatives aimed at promoting the image of the City as part of securing future inward investment. It was suggested that the Chamber could bring together an influential group of senior local business leaders to facilitate this.
- 4.11. Consultees urged the Council to engage local suppliers, as far as possible, in local building and regeneration projects. They also raised the question as to how the council was supporting smaller businesses through the recession and asked the Council to maintain programmes that would help local businesses to access finance.
- 4.12. As part of the consultation with the Youth Council, a role play scenario was used to identify priority areas for young people. The Youth Council's priorities were investing more in safeguarding children, providing social care for older people and tackling climate change.
- 4.13. In general, the Trade Unions did not feel that the public sector should suffer from the negative consequences of a recession created in the banking sector. Responses received from Trade Union representatives indicate that they did not feel able to contribute fully as there was not sufficient detail on some of the proposals. However, a number of specific comments were received on the abc Programme and the Performing Arts Service.
- 4.14. Trade Union representatives expressed concern over whether the abc Transformation Programme would be able to deliver the required level of efficiency savings and wanted to see more TU engagement in the process. In addition, the Trade Unions felt that a reduction in the funding of the Performing Arts Service would have a detrimental impact on children and young people who were unable to pay for extra curricular activities.

5. Capital Programme

- 5.1. There was general agreement to the approach taken by the council to manage its capital programme. Respondents agreed that it would not represent sound financial management for the council to sell its assets at a time of falling land values.
- 5.2. Support was expressed for the city centre regeneration plans and the importance of continuing these in the current climate was recognised and valued. Respondents felt that investing in the city centre was important, not just for strengthening the local economy, but having good facilities, schools and transport links is important for the city and its residents.

6. Tackling the Recession

- 6.1. Through the discussions, a number of groups of respondents highlighted the need for the council to support the local economy by procuring local goods and services and using the city centre regeneration as a means of creating jobs for local people.

Summary of Responses from the Council's Public Budget Consultation - November 2009

Revenue Budget	Comments	Sector
Efficiency savings	<p>Partners recognise that although some organisations will be able to absorb the 3% efficiency savings, however, many voluntary and community sector organisations are quite small and the cut in grant could effectively be a cut in the services that these organisations will be able to provide.</p> <p>Partners felt that it was important to make them aware of any changes in grants/funding in advance so that they could respond appropriately.</p>	Voluntary and Community Sector
Personalisation of social care	<p>Questions were raised as to whether the savings would come from supporting fewer people of reducing the amount spent on supporting people.</p> <p>Partners welcomed the move towards a more mixed economy that the Personalisation agenda would bring and hoped to work closely with the Council to help deliver tailored services for users.</p> <p>Partners were also interested in the sort of services that the Council and other statutory partners wanted to commission in future and felt that an early indication of this would be helpful to the sector.</p> <p>The voluntary and community sector does want to engage with and deliver services on behalf of statutory partners; however there is a concern that if services are transferred to us, then the sector will be landed with the bill of TUPE and staff transfers etc.</p>	Voluntary and Community
Environment/Waste	<p>A question was raised about the Waste capital programme and whether plans to build a new incinerator would lead to ill health amongst Coventry residents.</p>	Voluntary and Community Sector
Transport	<p>The public and businesses are not keen on congestion charging.</p>	Public and Private Sector Partners
Improve the way we work and deliver value for money	<p>We recognise that the council is doing its best to protect frontline services by switching resources to focus on the more important services that the public rely on, and is making changes in back-office functions to drive out savings.</p> <p>We need to encourage local agencies to work together and share information, accommodation (if appropriate) and costs.</p> <p>There is an opportunity for all Street Services to work together, as services are streamlined.</p> <p>It was recognised that the way in which traditional</p>	Voluntary and Community Sector/Public and Private Sector Partners/Chamber of Commerce

Revenue Budget	Comments	Sector
	City Council services were delivered would need to come under scrutiny and that this would provide opportunities for private sector companies to potentially undertake service delivery traditionally undertaken directly by the City Council.	

Capital Programme	Comments	Sector
City Centre Regeneration	Will there be more investment into the city? Are there other big names moving to Coventry? Some of the jobs that will be created through the regeneration of the city centre should be ring fenced for local people The Council not to take opportunistic but potentially short term easier savings from, for example, regeneration projects. These are critical to future investment in the City and maintaining the strength of the local economy	Public and Private Sector/Youth Council/Chamber of Commerce
Capital receipts	Will the council be forced to sell its assets by central Government in an attempt to generate revenue? The Council should not sell its assets in a time of falling prices. Will the Council consider transferring it assets to the voluntary and community sectors? This will help reduce some of the maintenance costs incurred by the Council presently.	Voluntary and Community Sector

Tackling the Recession	Comments	Sector
Procurement	How can the Youth Council help with this? Support was expressed for the council to procure goods and services from local organisations, which would help to stimulate Coventry's economy.	Youth Council/ Public and Private Sector/Chamber of Commerce

General Fund Revenue Budget 2010/11

Appendix 2

2009/10 Base Budget £000	Cabinet Member Portfolios	Inflation & Previous Budget Decisions £000	Savings and Spending Proposals £000	2010/11 Final Budget £000
62,571	Children, Learning and Young People	(168)	(518)	61,885
28,942	City Services	(494)	(677)	27,771
79,189	Community Services	(393)	(1,129)	77,667
17,336	Culture, Leisure and Libraries	9	(352)	16,993
5,651	Finance and Value For Money	568	(1,167)	5,051
(2,072)	Customer & Workforce Services	558	(424)	(1,938)
6,187	Neighbourhoods and Community Safety	(152)	(390)	5,645
970	Policy, Leadership and Governance	117	(30)	1,057
(665)	City Development	(210)	(806)	(1,682)
3,232	Climate Change Housing & Sustainability	(68)	(97)	3,067
12,330	Corporate and Democratic Core and Unapportioned Overheads	413	0	12,743
213,671	Total Cabinet Member Portfolios	180	(5,590)	208,259
30,474	Asset Management Revenue Account	1,727	(900)	31,301
1,298	Contingencies and Corporate Budgets	4,832	6,813	12,943
16,473	Levies from Other Bodies	363	0	16,836
5	Parish Precepts	0	0	5
261,921	City Council Budget Requirement 2010/11	7,102	323	269,344
	Financed by:			
(149,446)	Central Government Resources			(153,026)
(114,575)	Council Tax @ 2.4% increase			(117,318)
2,100	Collection Fund (Surplus) / Deficit			1,000
(261,921)	Total Resources			(269,344)

Note - Revenue information was presented in a Directorate format during the budget setting process to reflect the responsibilities of the Corporate Management Board members who have formulated the spending and saving proposals. This appendix is on a cabinet portfolio basis and therefore may not align exactly to the directorate totals shown in Appendices 3 and 4. In addition, some items are currently shown under Contingencies and Corporate budgets pending allocation to the appropriate budget area. The figures in the column entitled Savings and Spending Proposals are detailed within Appendices 3 and 4.

Gross Expenditure & Income Budget 2010/11

Appendix 2

2009/10 Base Budget £000	Cabinet Member Portfolios	Gross Expenditure Budget £000	Gross Income Budget £000	Net Expenditure Budget £000
62,571	Children, Learning and Young People	344,082	(282,197)	61,885
28,942	City Services	42,400	(14,629)	27,771
79,189	Community Services	106,759	(29,092)	77,667
17,336	Culture, Leisure and Libraries	26,808	(9,815)	16,993
5,651	Finance and Value For Money	154,556	(149,505)	5,051
(2,072)	Customer & Workforce Services	4,659	(6,597)	(1,938)
6,187	Neighbourhoods and Community Safety	7,209	(1,564)	5,645
970	Policy, Leadership and Governance	1,107	(50)	1,057
(665)	City Development	27,009	(28,691)	(1,682)
3,232	Climate Change Housing & Sustainability	20,430	(17,363)	3,067
12,330	Corporate and Democratic Core and Unapportioned Overheads	12,743	0	12,743
213,671	Total Cabinet Member Portfolios	747,762	(539,503)	208,259
30,474	Asset Management Revenue Account	31,824	(523)	31,301
1,298	Contingencies and Corporate Budgets	11,733	1,210	12,943
16,473	Levies from Other Bodies	16,836	0	16,836
5	Parish Precepts	5	0	5
261,921	City Council Budget Requirement 2010/11	808,160	(538,816)	269,344
	Financed by:			
(149,446)	Central Government Resources			(153,026)
(114,575)	Council Tax @ 2.4% increase			(117,318)
2,100	Collection Fund (Surplus) / Deficit			1,000
(261,921)	Total Resources			(269,344)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	City Development (formally Chief Executive's)				
1	<u>Community Centre Funding*</u> Gross Budget £950,000 Net Budget £950,000 Number of Employees - 3 Service Lead Officer : Jan Nicholls	Implement approved policy for grant and gap funding of Community Centres	(270)	(270)	0
2	<u>Review of Neighbourhood Management*</u> Gross Budget £2,206,000 Net Budget £1,824,000 Number of Employees 42 (excl Wardens) Service Lead Officer : Carl Pearson/Jan Nichols	Review of management of service following move to City Development Directorate	(75)	(500)	(2)
	Total City Development (formally Chief Executive's)		(345)	(770)	(2)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	CLYP				
3	<u>Neighbourhood Services - Childcare</u> Gross Budget £311,000 Net Budget £311,000 Number of Employees - n/a Service Lead Officer : Jane Goodyear	Use of general Surestart grant in accordance with grant conditions to enable the core Childcare budget to be re-utilised.	(100)	(100)	0
4	<u>Neighbourhood Services - Childcare and Wraparound</u> Gross Budget £126,000 Net Budget £126,000 Number of Employees - n/a Service Lead Officer : Chris Wainwright	Continuation of plans to cease funding from 1/9/09.	(60)	(60)	0
5	<u>CLYP Grants Review</u> Gross Budget £2,800,000 Net Budget £500,000 Number of Employees n/a Service Lead Officer : Colin Green	Review of grants and funding conditions and identification of potential for switch funding	(65)	(65)	0
6	<u>CLYP All LEA Services*</u> Gross Budget £30,000,000 Net Budget £28,000,000 Number of Employees - n/a Service Lead Officer : Ruth Snow	Section 52 budget analysis across Education and Learning Services, Neighbourhood Services and Specialist Services including benchmarking with similar Councils for comparisons. Analysis will include SEN, Youth Service, Performing Arts Service and Looked After Children.	(40)	(40)	0
7	<u>CLYP Non-Statutory Services*</u> Gross Budget £4,375,250 Net Budget £4,378,250 Number of Employees - n/a Service Lead Officer : Colin Green	% saving from non-statutory services provided	(50)	(50)	0
8	<u>CLYP Schools Single Status Costs including potential costs of Equal Pay Claims</u> Gross Budget £700,000 Net Budget £700,000 Number of Employees - n/a Service Lead Officer : Colin Green	The cost relating to schools staff of setting aside amounts to pay for the potential cost of Equal Pay Claims. This proposal is for this cost to be picked up from within Dedicated Schools Grant in line with practice elsewhere.	(500)	(500)	0

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
9	<u>Performing Arts</u> Gross Budget £1,375,010 Net Budget £304,889 Number of Employees - n/a Service Lead Officer : Ruth Snow	Devolved budget for the Performing Arts	(150)	(150)	0
10	<u>CLYP Whole Service*</u> Gross Budget Net Budget Number of Employees - n/a Service Lead Officer : Colin Green	Cross-directorate efficiencies from each division	(110)	(110)	(2)
11	<u>Dol-y-Moch</u> Gross Budget £101,856 Net Budget £75,969 Number of Employees - n/a Service Lead Officer : Ruth Snow	To reduce net budget to level of Remissions costs only	(26)	(26)	0
12	<u>Placements Miscellaneous costs*</u> Gross Budget £156,056 Net Budget £156,056 Number of Employees - n/a Service Lead Officer : Ray Evans	Costs relating to children placed with Northern Care now being met by them as part of contractual agreement.	(40)	(40)	0
13	<u>Specialist Head of Service*</u> Gross Budget £167,563 Net Budget £167,563 Number of Employees - n/a Service Lead Officer: Amanda Lamb	Reduction in numbers of subscriptions.	(10)	(10)	0
14	<u>Student Finance*</u> Gross Budget £200,654 Net Budget £200,654 Number of Employees : 3 Service Lead Officer: Andy Walmsley	Winding down of activity pending transfer to central processing unit in Glasgow by April 2011.	(66)	(66)	(3)
Total CLYP			(1,217)	(1,217)	(5)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	City Development				
15	<u>Property Management - Operational Property*</u> Gross Budget £15.2m Net Budget £15.2m Number of Employees - n/a Service Lead Officer : Nigel Clews	Centralisation of all operational buildings budgets into City Development Property Division budgets in line with management arrangements to ensure consistency of approach, prioritisation of spend, control of commissioning & identification of efficiencies and review of Council office cleaning.	(200)	(200)	0
16	<u>CVOne*</u> Gross Budget £5,400,000 Net Budget £4,600,000 Number of Employees 90 Service Lead Officer : Martin Yardley	CVOne service review underway to identify the Council's future contractual arrangement with the company removing duplication with Council services and taking advantage of economies of scale where possible in consultation with CVOne - Change to Pre-Budget Report.	(450)	(500)	0
17	<u>CDD/City Services Restructure*</u> Gross Budget £1.1m Net Budget £1.1m Number of Employees 10 Service Lead Officer : Martin Yardley	Review of Directorate management structures. In year two the number of post reductions increases to 3.	(120)	(350)	(1)
18	<u>Fees and Charges in City Development</u> Gross Budget £6,339k Net Budget - £6,339k Number of Employees - n/a Service Lead Officer : David Cockcroft	Periodic review of non-statutorily set fees and charges, primarily car parking fees and building control fees.	(250)	(350)	0
19	<u>Rationalisation of Operational Admin. Buildings*</u> Gross Budget £5m+ (est) Net Budget - nil (int rechg) Number of Employees n/a Service Lead Officer : Nigel Clews	Reduction in the number of buildings (40+) and gross overall office space by up to 20% over the next three years	(90)	(90)	0
	Total City Development		(1,110)	(1,490)	(1)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	City Services				
20	<u>Grounds & Street Cleansing*</u> Gross Budget £8,527,000 Net Budget £4,614,000 Number of Employees 237 Service Lead Officer : Martin Reeves	Cleansing & Grounds Maintenance - Fundamental Service review underway.	(350)	(470)	(10)
21	<u>Public Protection*</u> Gross Budget: £4,938,000 Net Budget: £4,282,000 Number of Employees: 128 Service Lead Officer :Alan Bennett	Options for reviewing service to statutory provision levels.	(84)	(84)	(2)
22	<u>Refuse Collection*</u> Gross Budget £10,789,000 Net Budget £5,106,000 Number of Employees 195 Figures relate to Domestic Refuse, Commercial Refuse and Recycling Service Lead Officer :Dilip Chauhan	The planned introduction of kerbside recycling may provide an opportunity to further review the way in which we organise the waste collection service. This will be reviewed once the recycling initiative has become established.	(225)	(450)	(4)
	Total City Services		(659)	(1,004)	(16)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	Community Services				
23	<u>Culture, Leisure and Libraries Heritage Trusts*</u>	Proposed saving based on potential to rationalise management and support service arrangements across the City's heritage trusts (Coventry Heritage and Arts Trust and Coventry Transport Museum).	(65)	(130)	0
	Gross Budget £4,300,000 Net Budget £2,987,000 Number of Employees - n/a Service Lead Officer : Alice Davey				
24	<u>Culture, Leisure and Libraries Sports Trusts*</u>	Proposed saving based on potential to rationalise management and support service arrangements across the City's sports trusts (Coventry Sports Trust and Coventry Sports Foundation).	(65)	(130)	0
	Gross Budget £5,000,000+ Net Budget £2,208,000 Number of Employees - n/a Service Lead Officer : Alice Davey				
25	<u>Culture, Leisure and Libraries*</u>	Reduction of running costs and supplies and services following a review across the Service. Savings of £35k from central and management budgets, £12k from parks, £3k from Arts Development arrangement changes and £10k from increased income targets at Coombe, totalling £60k. A review of the resources within the library service to deliver £105k which will take place in two stage process with a review of budgets in conjunction with a fundamental review of management and development work.	(165)	(165)	(2)
	Gross Budget £18,535,000 Net Budget £17,364,000 Number of Employees 278 Service Lead Officer : John Teahan				
26	<u>Social Care - Outsourcing of In-house Services*</u>	Commissioning short term promoting independence services from the independent sector for new entrants and specialist Dementia/OP mental health domiciliary support	(40)	(70)	(1.5)
	Gross Budget £5,204,000 Net Budget £3,697,000 Number of Employees 107 Service Lead Officer : Ron Innes				

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
27	<u>Social Care Service Redesign*</u> Gross Budget £27m Net Budget £27m Number of Employees 0 Service Lead Officer : Mark Godfrey/Amanda Carr	The Personalisation Agenda is centred around enablement and promoting independence; supporting people to do as much for themselves as possible and reducing their dependency on long-term services. This practice change is in the early stages and is a key factor in managing down both current and future demands on our services. A 3-Year Financial Strategy is being developed and in future years, this strategy should generate cashable savings. Work is underway to identify the expected impact of Personal Budgets. A target of 2% Efficiency savings is being set for 2010/11.	(540)	(540)	0
28	<u>Assessment Implementation*</u> Gross Budget £48,000 Net Budget £48,000 Number of Employees 1 Service Lead Officer : Ian Bowering	Deletion of Assessment Implementation Manager post. This post led the implementation of the Single Assessment Process including co-ordinating the design and introduction of common assessment framework, user-held records, and the development of information sharing protocols between agencies. The objectives of the post have now been achieved.	(48)	(48)	(1)
29	<u>Social Care - Business Support Admin*</u> Gross Budget £346,500 Net Budget £346,500 Number of Employees 11 Service Lead Officer :Michelle Chilvers / Trevor Lomax	Deletion of 2 Business Support Assistant posts (1 each from Adults and Older People).	(40)	(40)	(2)
30	<u>Policy and Business*</u> Gross Budget £850,000 Net Budget £704,000 Number of Employees 20.5 Service Lead Officer : Simon Brake	Complaints Service review within the Planning and Administration function	(50)	(50)	(1)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
31	<u>Social Care - Review of home meals service*</u> Gross Budget £674,000 Net Budget £330,000 Service Lead Officer Mark Godfrey	Review under way with objective of reducing the cost base and increasing VFM through more efficient delivery of service and better quality meals, . The aim is to develop a non-assessed service, so increasing the number of clients willing to pay a market price for meals. A savings target of 10% has been set for 2010/11. At this stage it is not possible to identify the number of posts that may be affected.	(60)	(60)	0
32	<u>Social Care - Review of transport service*</u> Gross Budget £1,977,000 Net Budget £1,915,000 Service Lead Officer : Mark Godfrey	Review already underway with objectives reducing the cost base and increasing VFM by reducing admin, rationalising routes and reducing the number of escorts - this work is taking place in conjunction with City Services. At this stage it is not possible to identify the number of posts that may be affected.	(30)	(30)	0
33	<u>Housing Policy and Services*</u> Gross Budget £19,569,780 Net Budget £2,440,566 Number of Employees 93 Service Lead Officer : Steve Rudge	Review of service provision within Housing Policy and Services	(75)	(75)	(2)
Total Community Services			(1,178)	(1,338)	(9.5)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	Corporate and Cross Cutting				
34	<u>Raise Fees and Charges above Inflation</u> Gross Budget £30m Net Budget £30m Number of Employees nil Service Lead Officer :Paul Jennings	This saving is equivalent to raising all the authority's fees and charges to external customers by 1% above our current 2.5% inflation increase assumption after allowing for the specific fees and charges items included elsewhere in this Appendix. The application of increases will be guided by the current report on this subject.	(200)	(400)	0
35	<u>Vacancy & Turnover Factors</u> Gross Budget £185m Net Budget £185m Number of Employees 8,000 Service Lead Officer: Paul Jennings	Additional 1% vacancy target across all areas increasing overall target in most areas to 3%.	(1,100)	(1,100)	0
36	<u>3% efficiencies from Partner Organisations*</u> Gross Budget c£4m Net Budget c£4m Number of Employees Nil Service Lead Officer : Paul Jennings	A requirement for each of our grant funded partner organisations to make a 3% efficiency saving in line with the 2009/10 budget setting decision. This excludes the Heritage and Sports Trusts and CVOne who have separate savings requirement - Change to Pre-Budget Report.	(63)	(126)	0
37	<u>Rationalisation of Printers/phones*</u> Number of Employees Nil Service Lead Officer : Mick Burn	Examine some more fundamental changes in practice than ones that have occurred so far as part of a wider strategy to maximise the use of new technologies and equipment.	(230)	(230)	0
38	<u>Review of Administration*</u> Gross Budget £4m Net Budget £4m Number of Employees 256 Service Lead Officer : Jos Parry	The VFM Review has identified c256 FTEs involved in general admin and support functions. There is scope to reduce the level of staffing within some areas creating an appropriate level of support and greater uniformity. The level of post numbers affected will be informed by the final report arising from the review. Based on an average cost of a post, the saving included here will result in c14 post reductions in year one.	(250)	(750)	(14)
39	<u>Management Structures*</u> Gross Budget £10m+ Net Budget £10m+ Number of Employees 106+	Remove 10 management posts at grade 9 and above from across the organisation (2010/11 part-year effect).	(300)	(600)	(10)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
40	<u>Price Inflation Freeze</u> Gross Budget n/a Net Budget n/a Number of Employees nil Service Lead Officer : Paul Jennings	No addition to standard supplies and services budgets	(1,500)	(3,000)	0
41	<u>Total Place - Education and Social Care Pathways*</u> Service Lead Officer: Cat Parker	Implementation of local designated Total Place initiative. Saving from shared approach with Solihull and Warwickshire. At this stage it is not possible to identify the number of posts that may be affected.	(125)	(250)	0
Total Corporate and Cross Cutting			(3,768)	(6,456)	(24)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	Customer and Workforce Services				
42	<u>Customer Services - Alternative training models*</u> Gross Budget £1,009,000 Net Budget c£100,000 (majority recharged) Number of Employees 16 Service Lead Officer : Shokat Lal	Alternatives include selling surplus training capacity, delivery of training via a shared services model and outsourcing training completely.	(60)	(60)	0
43	<u>Customer Services - Corporate Training Centre</u> Gross Budget £532,000 Net Budget Nil - Recharged Number of Employees 13 Service Lead Officer : Shokat Lal	Review of options to increase income generation	(50)	(50)	0
44	<u>Post and Fastprint*</u> Gross Budget £1,558,000 Net Budget £3,000 Number of Employees 31 Service Lead Officer : Doran Pearce	Potential actions still to be scoped and linked to admin and business support review	(30)	(30)	(1)
45	<u>HR Service*</u> Gross Budget £9,652,000 Net Budget £1,166,000 Number of Employees 223 Service Lead Officer : Sue Iannantuoni	1. HR Resourcing Savings dependent upon ICT investment 2. An additional £150k out of further recruitment advertising.	(150) (150)	(150) (150)	(6) 0
	Total Customer and Workforce Services		(440)	(440)	(7)

Budget Setting 2010/11 - Savings Proposals

	Title of Service Area (Transformation and value for money items are marked with *)	Description of Savings Options	2010/11 Saving £000	Future Saving £000	Number of Posts Reduced
	Finance and Legal Services				
46	<u>Revenues and Benefits - Subsidy Recovery</u> Gross Budget £100m Net Budget n/a Number of Employees n/a Service Lead Officer : Lesley Dunn	Improvement in performance levels in relation to benefit claims error and the recovery of amounts is forecast to be within Department of Work and Pensions thresholds allowing the Council to claim subsidy on those payments made 'in error'.	(200)	(200)	0
47	<u>Revenues and Benefits - service review*</u> Gross Budget £13m Net Budget £5m Number of Employees 280 Service Lead Officer : Helen Harding	Review existing service provision to identify efficiencies	(100)	(200)	(6)
48	<u>Review Minimum Revenue Provision (debt repayment) policy</u> Gross Budget c£15m Net Budget c£15m Number of Employees nil Service Lead Officer : Paul Jennings	Review current policy on debt repayment (Minimum Revenue Provision).	(500)	(500)	0
49	<u>Financial Management*</u> Gross Budget £5,000,000 Net Budget Nil - Recharged Number of Employees 140 Service Lead Officer : Barry Hastie	Review of service provision to identify efficiencies	(100)	(200)	(3)
50	<u>Internal Audit & Special Projects</u> Gross Budget £1,100,000 Net Budget Nil - Recharged Number of Employees 22 Service Lead Officer : Lisa Commane	Review of service provision.	(50)	(100)	(4)
51	<u>Procurement Strategy*</u> Number of Employees nil Service Lead Officer : Liz Welton	Strategic review of procurement	(500)	(1,000)	0
52	<u>Cash Office*</u> Gross Budget £445,000 Net Budget £445,000 Number of Employees 11 Service Lead Officer : Helen Harding	Consider any shared service options that need to be considered for Coventry.	(40)	(40)	(1)
	Total Finance and Legal Services		(1,490)	(2,240)	(14)
	Total Savings		(10,207)	(14,955)	(79)

	Title of Service Area	Description of Proposal	2010/11 £000	2011/12 £000	2012/13 £000
1	<u>City Centre Regeneration Rental Income Loss</u>	The regeneration of the City Centre will involve significant rental income loss from the Council's commercial property holdings. The precise pattern of these losses is not yet known but it is anticipated that this will start within 2011/12 - Change to Pre-Budget Report.	0	3,000	4,000
2	<u>Waste Project Affordability Gap</u>	The Council is currently developing its long-term waste disposal plans and the outcome of this will not be determined for some time. Whichever option is chosen, the City's future waste disposal costs will be significantly higher than currently. This proposal allows for early project implementation costs and the setting aside of resources to de-commission the existing facility, working towards to the implementation of a new facility from around 2016.	500	1,500	2,500
3	<u>Revenue Budget to Support Capital Infrastructure</u>	This proposal provides for resources to fund essential capital infrastructure requirements in relation to highways and property - Change to Pre-Budget Report.	4,000	4,000	5,000
4	<u>City Centre Regeneration Project Costs</u>	Time-limited funding for initial project implementation costs over two years in relation to the regeneration of the City Centre	500	500	0
5	<u>ABC Programme</u>	Funding to support implementation of the ABC programme	1,000	1,000	1,000
6	<u>Redundancy and Pension Strain Costs</u>	The one-off resources that have previously been used to fund redundancy and pension strain costs are anticipated to be used up in 2009/10. This budget will provide resources to continue to fund these costs - Change to Pre-Budget Report.	1,500	1,500	1,500
7	<u>ICT Capital</u>	Essential investment in our key ICT systems managed through the ICT Strategy Board	100	1,300	2,600
8	<u>CLYP - Children's Social Care</u>	Additional resources to relieve pressures in children's social care and enable the delivery of a safe service. Changes to include the upgrading of posts to senior social work practitioner positions, revised staffing structures to enable administrative burdens to be lifted from social work and the creation of additional capacity within the Referral and Assessment Service	1,000	1,000	1,000

	Title of Service Area	Description of Proposal	2010/11 £000	2011/12 £000	2012/13 £000
9	<u>Budgetary Control Pressures</u>	A number of areas are currently experiencing budgetary control pressure within 2009/10. The majority of these will move towards a balanced position by the year-end but several intractable pressures will remain reflecting increases in demographic or service pressure or shifts in trading conditions.	1,500	1,500	1,500
10	<u>Capital Programme Costs</u>	This reflects the overall position within the Asset Management Revenue Account (AMRA). It includes the underlying resourcing gap for our Capital Programme that needs to be balanced by prudential borrowing in the short term pending a subsequent increase in capital receipts in future years. The 2010/11 saving is the result of pushing back our overall expenditure plans as far as we can to help minimise the total level of short-term borrowing that is required - Change to Pre-Budget Report.	(500)	398	702
11	<u>Lease and Rental Income Losses</u>	Loss of sizeable income streams linked to several of our major investments and commercial property holdings in part connected to the prevailing economic conditions. This includes the loss of share dividend income from Birmingham International Airport.	600	600	600
12	<u>ICT Contract Recommissioning</u>	Our current ICT contract expires in April 2011. We are in the early stages of deciding how best to organise future arrangements. This proposal reflects the cost of the work required to carry out this assessment - Change to Pre-Budget Report.	750	0	0
13	<u>Corporate Budgets</u>	There are several anticipated one-off movements including additional Local Authority Business Growth Incentive grant, a slight delay in year-one Street Lighting PFI payments and other minor corporate budgets - Change to Pre-Budget Report.	(420)	0	0
Total Additional Spending Proposals			10,530	16,298	20,402

Medium Term Financial Position 2010/11 to 2012/13**Appendix 5**

	£m	£m	£m
	2010/11	2011/12	2012/13
Base Revenue Expenditure	269.0	275.8	283.8
<u>2010/11 Budget Setting and Future Projected Medium Term Expenditure Changes</u>			
Identified ABC and Efficiency Savings (Appendix 3)	(10.2)	(15.0)	(16.7)
Future Transformation Savings Required	0.0	(8.3)	(20.1)
Expenditure Proposals (Appendix 4)	10.5	16.3	20.4
Medium Term Revenue Expenditure	269.3	268.8	267.4
Formula Grant	(153.0)	(148.4)	(144.0)
Council Tax Resources	(116.3)	(120.4)	(123.4)
Medium Term Revenue Resources	(269.3)	(268.8)	(267.4)
Balance of Expenditure/(Resources)	0.0	0.0	0.0

SUMMARY

APPENDIX 6

CAPITAL PROGRAMME: 2010/11 - 2014/15

Expenditure	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s
Cabinet Member:					
Children, Learning & Young People	53,433	39,762	63,075	79,256	42,706
City Development	6,692	10,014	6,867	2,500	2,500
City Services	10,690	6,770	7,088	11,398	6,639
Climate Change, Housing & Sustainability	2,254	2,254	2,254	2,254	2,254
Community Services	154	154	154	154	-
Culture, Leisure & Libraries	605	100	45	-	-
Customer & Workforce Services	6,573	5,200	5,000	-	-
Total Programme	80,401	64,254	84,483	95,562	54,099
Allowance for Rescheduling (5%)	(2,933)	660	(978)	(603)	2,043
Programme After Rescheduling	77,468	64,914	83,505	94,959	56,142
Resources Available	(64,824)	(65,742)	(91,446)	(102,165)	(56,702)
Additional temporary borrowing required to balance the programme	(12,644)				
Net Resources Available	0	(828)	(7,941)	(7,206)	(560)

CAPITAL PROGRAMME: 2010/11 - 2014/15

Cabinet Member	2010/11	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s
Children, Learning & Young People					
Sidney Stringer School (BSF)	17,484	4,267	410		
Primary Capital Strategy	12,862	8,309	8,050	8,050	8,050
Contingency for 2009/10 Rescheduling	7,000				
Devolved Formula Capital	6,897	4,112	1,615	1,108	1,108
Swanswell/Caludon	3,147	487			
Early Years Quality	1,810				
Harnessing Technology	836				
Children's Centres	682				
Playbuilder Programme	624				
Short Break Pathfinder	571				
Schools Access Programme	325	277	180	88	88
Extended Schools	297				
Pathways to Care (Support to Foster Carers)	250	250	250	250	250
Leased Equipment	200	200	200	200	200
Youth Capital	185				
School Kitchens	163				
Revenue Funded Schemes	100	200	200	200	200
BSF - Design & Build Programme		21,660	52,170	69,360	32,810
Total Approved Programme	53,433	39,762	63,075	79,256	42,706

Cabinet Member	2010/11	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s
City Services					
Integrated Transport Programme	5,912	4,139	4,139	4,139	4,139
A45 Drainage	2,196				
Highways Investment	2,000	2,000	2,500	2,500	2,500
Vehicle & Plant Replacement	311	631	449	4,759	
Liveability Programme	213				
Replacement Cremators	58				
Total Approved Programme	10,690	6,770	7,088	11,398	6,639

CAPITAL PROGRAMME: 2010/11 - 2014/15

Cabinet Member Climate Change, Housing & Sustainability	2010/11	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s
Housing Policy	2,254	2,254	2,254	2,254	2,254
Total Approved Programme	2,254	2,254	2,254	2,254	2,254

Cabinet Member Culture, Leisure & Libraries	2010/11	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s
Allesley Park Library	255				
Coventry Sports Centre Repairs	200				
War Memorial Park (Match Funding)	150	100	45		
Total Approved Programme	605	100	45	0	0

Cabinet Member Community Services	2010/11	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s
Supporting Mental Health	154	154	154	154	
Total Approved Programme	154	154	154	154	0

CAPITAL PROGRAMME: 2010/11 - 2014/15

Cabinet Member	2010/11	2011/12	2012/13	2013/14	2014/15
Customer & Workforce Services	£000s	£000s	£000s	£000s	£000s
Strategic ICT Projects	5,000	5,000	5,000		
WAN 2	550				
Social Services IT System: Connecting Care	548	200			
Enterprise Licence / Server Upgrade	425				
Replacement HR/Payroll System	50				
Total Approved Programme	6,573	5,200	5,000	0	0

Cabinet Member	2010/11	2011/12	2012/13	2013/14	2014/15
City Development	£000s	£000s	£000s	£000s	£000s
Property Repairs	2,000	2,000	2,500	2,500	2,500
Far Gosford St Regeneration	1,150	1,845			
NDC Business Centre	648				
Barracks Car Park Repairs	600				
Canley Regeneration	576				
City Centre - Enhancements	563	750	550		
NDC Environmental Improvements	467				
Friargate (GROWTH funded)	280				
Meantime Strategy	150	100			
NDC Masterplanning	106	214			
City Centre - Footbridge (Friars Rd)	102	1,167	867		
Miscellaneous (GROWTH funded)	50				
Friargate Bridge		3,050	2,950		
Swanswell		822			
NDC		51			
Aldermans Green Industrial Estate		15			
Total Approved Programme	6,692	10,014	6,867	2,500	2,500

COUNCIL INVESTMENT STRATEGY AND POLICY

1. Governance

In respect of investments, the key requirement of the government's "Guidance on Local Government Investments" initially issued on 12th March 2004 by the ODPM, is for local authorities to draw up an annual investment strategy for the management of its investments. The strategy is to be approved by full Council.

2. Principles Governing Investment Criteria

The fundamental principle governing the City Council's investment criteria is the security of its investments, although investment return will be a consideration. The Council will ensure:

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counter parties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments, taking into account known and potential cashflow requirements.

3. Types of Investments Available to the City Council

Government guidance on local authority investments categorises investments as either specified or non-specified:-

Specified investments are high security (i.e. high credit rating), liquid investments in sterling, with a maturity of no more than a year, and include investments:-

- The UK Government;
- Supranational bonds of less than one year's duration (eg. multilateral development bank bonds such as the European Investment Bank), a financial institution that is guaranteed by the United Kingdom Government. The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt-edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
- A local authority, parish council or community council;
- An investment scheme that has been awarded a high credit rating by a credit rating agency. This covers a money market fund rated by Fitch (or equivalent) rating agency;
- A body that has been awarded a high credit rating by a credit rating agency. This covers organisations with a minimum rating of F1 (short term) and A (long term) as rated by Fitch (or equivalent) rating agency.

Non-specified investments are any other type of investment (i.e. not defined as specified above) with a greater level of risk, and include investments: -

- Supranational Bonds of more than one years duration

- Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity.
- Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.
- Banks or building society for more than one years duration
- Any non-rated subsidiary of a credit rated institution included in the *specified* investment category.

4. Counterparties and Investments to be Used Directly by the City Council

The Director of Finance and Legal Services will maintain a counterparty list based on the criteria set out below. The credit rating criteria stated are those determined by the Fitch crediting rating agency. In addition, 2 other agencies undertake credit ratings : Standards and Poors and Moody's. However, the rating criteria use the "lowest common denominator" method of selecting counterparties, whereby the limit is determined by the lowest of the 3 agency ratings. Where a counterparty does not have a Fitch rating, the equivalent rating of one of the other 2 agencies will be used.

The following specified investments can be used directly by the City Council:

Specified Investments < 12 months	Limit £m	Time Limit	Minimum Short Term Rating	Minimum Long Term Rating	Individual Rating	Support Rating
UK Government	unlimited	12 months				
Supranational Bonds	£10m	12 months				
Local Authority "a"	£8m	12 months				
Local Authority "b"	£4m	12 months				
MoneyMarket Funds	£10m	12 months		AAA		
Credit Rated Body (incl banks & building societies)	£10m	12 months	F1+	AA-	C	3
Credit Rated Body (incl banks & building societies)	£5m	12 months	F1	A	C	3
A body which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13th October 2008	£10m	12 months	F1+	AA-	No Rating Required	3

A body which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13th October 2008	£5m	12 months	F1	A	No Rating Required	3
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The following non-specified investments can be used directly by the City Council:

Non Specified Investments > 12 months	Limit	Time Limit	Minimum Short Term Rating	Minimum Long Term Rating	Individual Rating	Support Rating
Credit Rated Body (incl banks & building societies)	£10m	3 years	F1+	AA-	C	3

The limit for all non specified investments is £15m, including investments made directly by the City Council and on its behalf through fund managers.

Investment limits apply at the time the investment is made.

In the event of the City Council's own banker falling below the minimum criteria, balances held at the bank would be minimised as far as possible. In particular, no fixed term deposits would be made with the bank. In such circumstances any balances held would then be classified as Non Specified Investments.

The tables above set out the *maximum* limits that provide a sound approach to investment. However, in the light of the any uncertainty, the Director of Finance and Legal Services will, as appropriate, restrict further investment activity to those counterparties considered of higher quality than the minimum. Examples of such precautionary restrictions can include limiting investments to specific organisations, their duration or both. In addition, country limits, whereby investments in certain foreign regulated institutions are restricted will be used to manage risk.

Separately, the City Council holds share or loan investments for policy reasons. The acquisition of such share or loan capital represents capital expenditure of the authority and is reported on as part of the capital monitoring process.

5. The Monitoring of Investment Counter parties

The credit rating of counter parties will be monitored regularly. The Council receives credit rating information from its advisers, Butlers, on a daily basis as and when ratings change. There will be a minor time delay between rating changes and the Council receiving notification, and on occasion ratings may be downgraded when an investment has already been made. Any counter party failing to meet the criteria will be removed from the list immediately by the Director of Finance and Legal Services and new counter parties which meet the criteria will be added to the list.

The authority has access to more detailed data through its treasury consultants. This includes information on equity and credit default swap prices, which can provide an indicator to risk. In addition, use is made of the financial media as a source of information on financial institutions.

6. Use of External Fund Managers

It is the Council's policy to use an external fund manager for part of its investment portfolio. The fund manager will use both specified and non-specified investment categories. The parameters within which fund managers invest City Council funds are set out in their contract. In summary, these include the requirements that:

- the average duration of the investments in each portfolio does not exceed 3 years;
- investments arranged by the Fund Manager with each counterparty are limited to 10% of the fund balance, at the time the investment is made;
- only counterparties with a minimum rating of F1, AA- are used.

7. The Use of Treasury Management Consultants

The authority employs consultants to provide treasury management advice. This includes both the provision of advice on credit risk and information on credit ratings from the 3 rating agencies, referred to above (section 5). Regular review meetings with the consultants provide a vehicle through which quality is managed. In addition, within the City Council, the Treasury Management Monitoring Group meets on a quarterly basis to review treasury issues, including the use of consultants.

8. Treasury Management Staff Training

The authority's process of performance management, of which the Personal Development Reviews are central, addresses the training requirements of individuals. Staff with involvement in treasury issues routinely attend events, including training courses, seminars and networking sessions focused on treasury management.

Summary Prudential Indicators

Appendix 8

	Actual 08/09 £000's	Budget 09/10 £000's	Forecast 10/11 £000's	Forecast 11/12 £000's	Forecast 12/13 £000's
1 Ratio of financing costs to net revenue stream:					
(a) General Fund financing costs	28,709	29,733	31,842	33,612	33,553
(b) General Fund net revenue stream	257,717	263,685	269,344	268,805	267,361
General Fund Percentage	11.14%	11.28%	11.82%	12.50%	12.55%
2 Estimates of Council Tax Impact Proposed Programme			£130.81	£144.55	£148.66
Estimates of Council Tax Impact ~ Feb 09 Programme			£129.24	£126.63	
3 Net borrowing and the capital financing requirement:					
gross borrowing	351,069	343,787	351,420	347,992	341,605
less investments	-17,719	-17,480	-17,480	-17,480	-17,480
less transferred debt reimbursed by others	-21,502	-20,972	-20,389	-19,747	-19,041
= net borrowing	311,848	305,335	313,551	310,765	305,084
Capital Financing Requirement in year 3					417,498
net borrowing must not exceed year 3 CFR			425,965	423,179	417,498
4 Capital Expenditure (Note this excludes leasing)					
General Fund	74,765	71,028	76,957	65,211	90,797
5 Capital Financing Requirement (CFR)					
Capital Financing Requirement	406,801	388,567	425,965	423,179	417,498
6 Authorised limit for external debt					
Authorised limit for borrowing	397,815	411,031	403,245	397,564	
+ authorised limit for other long term liabilities	0	0	0	0	
= authorised limit for debt	397,815	411,031	403,245	397,564	
7 Operational boundary for external debt					
Operational boundary for borrowing	350,315	361,031	353,245	347,564	
+ Operational boundary for other long term liabilities	0	0	0	0	
= Operational boundary for external debt	350,315	361,031	353,245	347,564	
8 Actual external debt					
actual borrowing at 31 March 2009	329,567				
+ actual other long term liabilities at 31 March	0				
= actual external debt at 31 March 2009	329,567				
9 CIPFA Treasury Management Code?					
Has the authority adopted the TM Code?	Yes				
10 Interest rate exposures					
upper limit on fixed rate exposures			110%	110%	110%
upper limit on variable rate exposures			30%	30%	30%
11 Maturity structure of borrowing - limits					
	lower	upper			
under 12 months	0%	15%			
12 months to within 24 months	0%	20%			
24 months to within 5 years	0%	20%			
5 years to within 10years	0%	30%			
10 years & above	40%	100%			
12 Investments longer than 364 days					
upper limit :			15,000	15,000	15,000