



Coventry City Council

Council Meeting

18th October 2011

Booklet 1

Recommendations

INDEX TO MINUTES

Cabinet, 4th October 2011

CABINET

4th October 2011

| | |
|---|---|
| Cabinet Members Present: - | Councillor Mrs Bigham Councillor Clifford Councillor Duggins (Deputy Chair) Councillor Harvard Councillor Kelly Councillor A. Khan Councillor J. Mutton (Chair) Councillor O'Boyle Councillor Skipper Councillor Townshend |
| Non-Voting Opposition Representatives Present:- | Councillor Blundell Councillor Dixon (Substitute for Councillor Foster) |
| Other Members Present:- | Councillor Gazey Councillor Lakha Councillor Mrs Lucas (Chair of Scrutiny Co-ordination Committee) Councillor M Mutton |
| Employees Present:- | P. Baggott (Finance and Legal Services Directorate) P. Beesley (City Services and Development Directorate) F. Collingham (Chief Executive's Directorate) C. Forde (Finance and Legal Services Directorate) B. Hastie (Finance and Legal Services Directorate) P. Jennings (Finance and Legal Services Directorate) L. Knight (Customer and Workforce Services Directorate) S. Lal (Customer and Workforce Services Directorate) P. McDermott (Customer and Workforce Services Directorate) B. Messinger (Director of Customer and Workforce Services) R. Moon (City Services and Development Directorate) J. Parry (Chief Executive's Directorate) M. Reeves (Chief Executive) J. Sansom (Finance and Legal Services Directorate) A. Simpson (Children, Learning and Young People's Directorate) R. Sugars (Finance and Legal Services Directorate) S. Symonds (Customer and Workforce Services Directorate) G. Tate (Community Services Directorate) B. Walsh (Director of Community Services) C. West (Director of Finance and Legal Services) M. Yardley (Director of City Services and Development) |
| Apologies | Councillor Foster |

RECOMMENDATIONS

54. **Exclusion of Press and Public**

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the item of business referred to in Minute 66 below relating to Lease Negotiation and Land Transfer at Bishop Street and Tower Street on the grounds that this item involves the likely disclosure of exempt information as defined in Paragraphs 3 and 4 of Part I of Schedule 12A of that Act.

56. **Consultation Response on the Allocation Options for Distribution of Additional Funding for Local HealthWatch, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards**

The Cabinet considered a report of the Director of Community Services, which outlined a proposed response to a Government consultation on the allocation options for the distribution of additional funding for Local HealthWatch, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards (DOLS), which was required by 24th October 2011.

It was proposed that Local HealthWatch would be established in October 2012 and would continue the functions currently provided by Local Involvements Networks (LINKs). Additionally, the Local HealthWatch would also signpost citizens to information about health and social care services, a service currently provided by the PCT Patient Advice and Liaison Services (PALS). The consultation also sought views on whether a minimum allocation for each local authority to reflect the fixed costs of setting up and running a signposting service should be included within the allocation methodology.

The Department of Health currently managed the contract for the NHS advocacy services from the Independent Complaints Advocacy Services (ICAS). This contract was due to end in March 2013 and it was proposed that from April 2013, the commissioning for NHS advocacy would move to local authorities. The service could be commissioned from either a Local HealthWatch organisation or a third party provider.

In addition, the Council currently received funding to undertake Deprivation of Liberty Safeguards assessments in residential care to support and care for people who lack mental capacity. The PCT had responsibility to undertake DOLS assessments in health settings. It was proposed that responsibility for these assessments would transfer to the local authorities from either October 2012 or April 2013.

The allocation options for all services would either be based on the adult working age population, adjusted for area costs, or be based on the social care relative needs formula. The purpose of the consultation was to provide local authorities to indicate their preference on these funding options.

The Council's proposed response was detailed in full in the appendix to the report and, in summary, indicated that the Council's preferred funding option for the Local HealthWatch, NHS Complaints Advocacy Service and DOLS was that they should be based on the Adult Social Care Relative Needs Formulae. The Council also agreed that the proposal for a minimum allocation in respect of Local HealthWatch and DOLS.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve the proposed response to the consultation.

57. Department for Education Consultations: School Funding Reform – Proposals for a Fair System and Implementation of the 2010-11 Review of Education Capital (The James Review)

The Cabinet considered a report of the Director of Children, Learning and Young People, which sought approval of a proposed response to two consultations from the Department for Education (DfE) in relation to "School Funding Reform – Proposals for a Fair System" and "Implementation of the 2010-11 Review of Education Capital (The James Review)".

The DfE had issued two consultations in July 2011 in relation to school and education funding reform for revenue and capital. The school funding revenue consultation followed an earlier 6 week consultation on the rationale and principles for school funding reform which had ended in May 2011. The education capital consultation followed the publication of the James Review in April 2011. The Cabinet noted that the deadline for responses to both consultations was 11th October 2011.

The consultations contained a wide range of proposals for school and education funding, which included:

- Changes to the way that funding for schools and education is distributed nationally to Local Authorities
- Changes to the role of the Local Authority and other partners in relation to revenue and capital funding
- Increased central prescription and scrutiny of Local Authorities in relation to the allocation of funding
- Potentially significant changes in relation to funding for pupils with high needs
- Future arrangements for the distribution of the Pupil Premium Grant
- Introduction of national procurement frameworks for capital projects and national project management arrangements to support procurements
- Timing of move to a new system and potential transitional arrangements

Education revenue funding for the City formed part of the ringfenced dedicated schools grant. This amounted to £234M in 2011/12, and Education capital funding for 2011/12 amounted to approximately £12M. Changes in how funding was distributed could significantly impact upon funding levels for the City and its schools.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet:

(1) Agree that these responses be submitted to the Department for Education by its deadline of 11th October 2011, with the indication that the responses are subject to approval at Council on 18th October 2011.

(2) Recommend that Council:

- (a) Agree the proposed response to the school funding consultation set out in Appendix A.**
- (b) Agree the proposed response to the education capital consultation set out in Appendix B.**

58. Response to Consultation – Local Government Resources Review: Proposals for Business Rate Retention

The Cabinet considered a report of the Director of Finance and Legal Services, which sought approval of a proposed response to a Government consultation on the Local Government Resources Review: Proposals for Business Rate Retention.

The Government had stated that its intention would be to allow authorities to benefit from future increases in Business Rates. The downside of this approach was the risk of local authorities losing resources if the level of Business Rates was reduced. The report detailed the current system of local government funding along with the Governments' design principles and the key issue resulting from the proposals.

In summary, the Government intended to establish a baseline position in 2013-14 for each local authority in terms of the amount of money they receive from central government via their Formula Grant Allocation and the level of business rates that were collected in the area. Using the baseline position, the Government would develop a process of tariffs or top ups, with the intention of achieving a fair starting point for all areas. From the first year of introducing this new model (expected to be 2013), local authorities whose level of business rates increases would be able to benefit by keeping a “significant proportion” of any increase in business rates yields above the baseline position, while those whose level of business rates declines would lose overall resources.

To manage the possibility that some local authorities with high business rate taxbases could see disproportionate financial gains, the Government proposed that they collect a levy recouping a share of disproportionate benefit; and use the proceeds to help manage large, unforeseen negative volatility in individual authorities' budgets.

In addition, the proposed new system would have features to enable it to be reviewed or “reset” in the future, if the Government felt that the level of business rates no longer met local service needs/pressures. The proposed system included voluntary pooling arrangements of local authorities within a geographic area, to share the benefits of growth, help avoid the impacts of displacement and smooth the impact of volatility across a wider economic area.

The consultation response made it clear that the Council favours the principle of giving local authorities greater financial autonomy and strengthening the incentives to support local economic growth. However, the Government's proposals represented a move away from settlements based on resourcing needs and the response expressed opposition to this change in approach.

The Cabinet noted that there was a strong possibility that the Council would suffer a reduction in funding as a result of these proposals and, in addition, they introduced a significant uncertainty into funding arrangements. It was felt that this uncertainty would have a detrimental effect on the Council's ability to carry out effective financial planning.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve the proposed response to the consultation as detailed in Appendix 1 to the report.

59. Government Consultation – Responding to the Localising Support for Council Tax in England Consultation

The Cabinet considered a report of the Director of Finance and Legal Services, which sought approval of a proposed response to a Government consultation on Localising Support for Council Tax in England.

The Government's Welfare Reform Bill 2011 included provision for the establishment of a Universal Credit (UC) to replace a range of existing means-tested benefits. The Bill made provision for the abolition of housing benefit and council tax benefit, which were both currently administered by local authorities on behalf of the Department for Works and Pensions (DWP). Support for housing costs to replace housing benefit was to be included within the new UC. However, via this consultation, the Department for Communities and Local Government was proposing that support for council tax, which was due to be cut by 10 per cent (£490m), be localised for Council's to design and administer their own schemes of support. A 10 per cent cut in funding would mean that Coventry would have £3m less than it currently receives to help low income households with their council tax costs.

The proposed response, which was appended to the report, covered the following themes:

- The 10 per cent funding reduction for localised schemes would cause significant hardship to low income households and it was unreasonable to expect Councils to protect work incentives whilst administering such significant cuts in support;
- The Council argued that there should be a properly funded national system of council tax support and that, if the Government is determined to proceed with reform of the welfare system then, UC should include an element for council tax which should be credited directly to the council tax account. This represented a better outcome for benefit claimants and for the Council in terms of financial risk;
- Councils would bear the financial risk of fluctuations in eligibility for support. Council tax collection rates would be adversely affected as Councils were forced to collect additional council tax from people who had been put in hardship as a result of the 10 per cent cut in funding;
- The April 2013 timescale was challenging and it was unclear how the implementation costs would be met;

- Localised support for council tax appeared contrary to the Government's wider programme of Welfare reform which would centralise and rationalise existing benefits under the UC;
- The consultation identified a key benefit of localised schemes as giving Councils a greater stake in tackling unemployment. This purported benefit was illusory; broadly Councils did not need further incentives to tackle unemployment as this was already high on the agenda for local authorities. The task of tackling unemployment would be made significantly more difficult with the existence of disparate local schemes administering 10 per cent less support than was currently provided to low income households;
- It was unclear whether support for council tax would be included within the proposed total benefits cap. If it were to be included, and council tax support was restricted as a result of the cap, this would increase the administrative complexity of local schemes and increase financial risk to the Council.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve the proposed response to the Localising Support for Council Tax in England consultation as set out in Appendix 1 to the report.

60. Medium Term Financial Strategy 2012-15

The Cabinet considered a report of the Director of Finance and Legal Services, which sought approval of the Medium Term Financial Strategy (MTFS) 2012-15. The Strategy underpinned the medium term policy and financial planning process that was fundamental to setting the Council's revenue and capital budgets.

This Strategy was the first following the Spending Review announced by the Government on 20th October 2010 which outlined headline cuts in local government resources from central government of around 27 per cent over four years, plus a dramatic decrease in the level and number of specific grants.

The report indicated that further massive uncertainty remained resulting from a very large number of areas of policy development. These, and a wide range of other reviews, reports, proposals and initiatives, affected just about every service provided by local government. Individually and collectively they presented a massive challenge to the future working of the sector, some significant financial threats and a smaller number of financial opportunities.

There was continued uncertainty in the world economy marked by a number of sovereign debt crises and low growth across most economic regions with no current signs of recovery. In this environment it was essential that this MTFS provided the financial framework to enable the Council to start to meet these financial challenges and the flexibility to continue to respond to the impacts of Government policy change over this period.

The Cabinet noted that the Council's ABC Transformation Programme was now into its third year and it continued to be the single most fundamental element of the Council's response to the financial and policy environment. It was important, despite the difficulties that existed, to maintain the pace and extent of changes that could be delivered from such a programme as it moved into a more mature phase of its development because the scale of the external changes facing the Council meant that further radical change would be required into the foreseeable future. This meant that the Council must continue to make changes across the whole range of activity, including how it delivered its services, the organisational structures of these services, relationships with its key partners and its human resources policies. The Medium Term Financial Strategy provided the financial context to these changes and the financial frameworks to help enable them to be delivered.

The initial medium term financial position shown in section 3.2 of the report indicated that there was a bottom line gap of £17.4m in 2012/13 which increased to £20.2m in 2013/14. Initial work had begun to identify proposals to balance the position for 2012/13 and the results of this work would be brought forward as part of the budget setting process. However, the anticipated future years' impact of the Spending Review, the massive turmoil anticipated from reforms in a number of areas affecting local government finance and underlying expenditure pressures indicate that the Council may face a massive 'cliff-edge' in the region of £33.9m in the gap between spending needs and resources moving into 2014/15. The overall medium term financial position would be kept under constant review during this time but it was already clear that there would be a need for significant transformation beyond that envisaged within the existing ABC programme.

It was noted that Resources, Communities and Sport Scrutiny Board (Scrutiny Board 1) would consider the report at their meeting scheduled for 13th October 2011.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve the Strategy.

61. Replacement of the Financial Information System

The Cabinet considered a report of the Director of Finance and Legal Services, which sought approval of spending up to £2m to replace the Council's Financial Information System.

Coventry City Council implemented its current Financial Information System in 1997. The version currently in use was of such an age that it was no longer supported by the provider, Oracle Financials, and was in need of replacement. An interim upgrade was planned to take place in September 2011 which would bring the system temporarily back into support. However, a full upgrade to the latest version of Oracle would then be required in 2013.

The Money Matters Project, a fundamental service review of financial management, had considered future ways of working to improve the way that the Council manages financial information. The findings of the review concluded that existing systems were inefficient and inconsistent across the organisation. The review also identified a significant level of savings that could be delivered in the short to medium term by

transforming the way in which financial management activity was undertaken across the organisation. While some improvements in processes could be made using existing IT systems, more significant savings and benefits would require the re-implementation of the Financial Information System.

Analysis of ICT systems showed that there were numerous operational systems which interact with the Financial Information System. These systems combined operational activity and financial data which could lead to duplication of effort. The specification for any replacement finance system, would also incorporate functionality for HR and Payroll and may also be evaluated on the criterion of any additional modules that may be available for use.

In the longer-term, additional modules would be considered in order to enable the retirement or consolidation of other operational systems in a phased approach. The retirement of other systems may be in full, or in part by replacing financial elements of existing systems to ensure that as much financial activity takes place in the finance system as possible.

It was therefore proposed that a full tender process be commenced to ensure that the Council could procure a system that best meets its requirements within the resources available. The report indicated that this resource would be up to £2m.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council:

- (1) Authorise the Director of Finance and Legal Services to commence procurement for a replacement to the Financial Information System.**
- (2) Authorise the procurement funding and the contract award and implementation by the Director of Finance and Legal Services using the funding options outlined in Section 5 of the report.**

63. Lease Negotiation and Land Transfer at Bishop Street and Tower Street

The Cabinet considered a report of the Director of City Services and Development, which detailed lease negotiations that had taken place and sought approval of proposed land transfers at Bishop Street and Tower Street. A corresponding private report detailing financially confidential aspects of the proposals was also submitted to this meeting (Minute 66 below refers).

Barberry Group Ltd, a privately owned Property Company based in the West Midlands, acquired the freehold interest in the former Royal Mail sorting office on the corner of Bishop Street and Tower Street in January 2011. Barberry also acquired, at risk, the leasehold interest in 50 Bishop Street, the former Kingston furniture store, to assist with facilitating their proposed scheme, to be known as Bishop Gate.

In April 2011 following initial discussions with the Council, Barberry submitted proposals for a £50m, 400,000sqft retail led mixed use development on both their site and adjoining Council owned land, which they received outline planning consent for in June

2011.

This significant investment would create a prominent new building in the city centre, provide improved retail, leisure and parking facilities along with substantial job opportunities. It would also deliver significant public realm improvements (linking to the Council's investment in the city centre's public realm) and included a new, improved, pedestrian link connecting the Canal Basin and the wider area beyond with the city centre.

To deliver their proposed scheme, Barberrry needed to acquire Council land including a surface car park and amend existing leasehold interests. In addition to the land on which Barberrry Group held freehold ownership, they required two further areas of land on which they had the benefit of leases until 2058 and 2070 respectively, with the Council owning the freehold, and the 110 space surface car park on which the Council held the freehold.

It was therefore proposed that the existing ground leases' over the sites identified as 2 and 4 at Appendix A, be surrendered and a new 150 year lease be granted across the Council owned sites including the land currently comprising the Tower Street public surface car park. To enable this car park to form part of the development scheme approval was also sought to commence the process for closing the car park.

Barberrry had agreed to pay a premium for the new leases. In addition to the premium, Barberrry would be obligated to undertake offsite improvement works at their expense. Tower Street car park was currently designated as a long stay car park and had, until the Royal Mail vacated the Bishop Street sorting office, been an important car park for those working there. Income from this car park had fallen year on year from 09/10 to 10/11. Although adjacent to the Coventry Transport Museum, the museum directed its patrons to park in the Belgrade Plaza multi story car park, giving visitors to the city a better first impression of Coventry. The Bishop Gate scheme proposed to provide a public car park of 585 spaces and although it was recognised that these spaces would in the main be used by the development they would, through agreement with the developer, also be made available to the general public at the prevailing parking rate across the city centre. The supermarket operator would have the flexibility to incentivise its customers parking if it chose to do so.

The proposal would also require the stopping up of part of Tower Street. The Council, as highway authority, would undertake the stopping up with any costs attributable to this being underwritten by the developer.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve:

- (1) The terms presented in section 2 of the report and delegate authority to Cabinet Member (City Development) in consultation with Director of City Services and Development and Finance and Legal services to complete the disposal of the site based on these terms.**
- (2) The commencement of the formal car park closure procedures, outlined in paragraph 2.3 of the report.**

- (3) Pursuant to section 122 of the Local Government Act 1972, once the car park closure has been made, that the site be appropriated and hereafter held for planning purposes**
- (4) The making of a Stopping Up Order for that section of Tower Street cross hatched on the attached plan.**

Private Business

66. Lease Negotiation and Land Transfer at Bishop Street and Tower Street

Further to Minute 63 above, the Cabinet considered a report of the Director of City Services and Development, which detailed financially confidential information in relation to lease negotiations that had taken place and sought approval of proposed land transfers at Bishop Street and Tower Street.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend that Council approve:

- (1) The terms presented in section 2 of the report and delegate authority to Cabinet Member (City Development) in consultation with Director of City Services and Development and Finance and Legal services to complete the disposal of the site based on these terms.**
- (2) The commencement of the formal car park closure procedures, outlined in paragraph 2.3 of the report.**
- (3) Pursuant to section 122 of the Local Government Act 1972, once the car park closure has been made, that the site be appropriated and hereafter held for planning purposes**
- (4) The making of a Stopping Up Order for that section of Tower Street cross hatched on the attached plan.**

67. Any Other Private Business

There were no other items of private business.

Meeting closed at: 3.00 pm

Cabinet
Council

4 October 2011
18 October 2011

Name of Cabinet Member:

Cabinet Member (Health and Community Services) - Councillor Clifford

Director Approving Submission of the report:

Director of Community Services

Ward(s) affected:

All

Title:

Consultation response on the Allocation Options for distribution of additional funding to Local Authorities for Local HealthWatch, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards

Is this a key decision?

No

Executive Summary:

Subject to the passage of the Health and Social Care Bill 2011 through Parliament, the Department of Health will allocate additional funding to local authorities for Local HealthWatch, NHS Complaints, Advocacy and PCT Deprivation of Liberty Safeguards (DOLS). This report details the City Council's response to the Department Of Health consultation on the allocation options for the distribution of this additional funding to local authorities.

It is proposed that Local HealthWatch will be established in October 2012 and will continue the functions currently provided by Local Involvement Networks (LINKs). Additionally the Local HealthWatch will also signpost citizens to information about health and social care services. This is one of the services currently provided by the PCT Patient Advice and Liaison Services (PALS). The consultation also seeks views on whether a minimum allocation for each local authority to reflect the fixed costs of setting up and running a signposting service should be included within the allocation methodology.

The Department of Health currently manages the contact for NHS advocacy services from the Independent Complaints Advocacy Service (ICAS), these contracts will end in March 2013. It is currently proposed that in April 2013, the commissioning for NHS advocacy will move to local authorities. The service can be commissioned from either a Local HealthWatch organisation or a third party provider.

The Council currently receives funding to undertake Deprivation of Liberty Safeguards (DOLS)

assessments in residential care to support and care for people who lack mental capacity. The PCT currently has the responsibility to undertake DOLS assessments in health settings. This responsibility will transfer to Local Authorities potentially from October 2012 or April 2013.

The allocation options for all services will either be based on the adult working age population, adjusted for area costs or be based on the social care relative needs formula. The purpose of the consultation is to provide local authorities with the opportunity to state their preferred funding option.

Recommendations:

Cabinet is requested to recommend that Council approve the consultation response.

Council is requested to approve the consultation response.

List of Appendices included:

Consultation response

Other useful background papers:

Consultation on Allocation Options for distribution of additional funding to local authorities for Local HealthWatch, NHS Complaints Advocacy, PCT Deprivation of Liberty Safeguards, Department of Health (2011)

http://www.dh.gov.uk/en/Consultations/Liveconsultations/DH_128429

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 18 October 2011

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Report title:

Consultation response on the Allocation Options for distribution of additional funding to Local Authorities for Local HealthWatch, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards

1. Context (or background)

- 1.1 Subject to the passage of the Health and Social Care Bill 2011, the Department of Health (DH) will allocate additional funding to local authorities for HealthWatch, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards (DOLS). The Department of Health is seeking views on the allocation options for the distribution of the funding to local authorities. The additional funding will be added to the DH Learning Disabilities and Health Reform Grant. This is one of the remaining specific core revenue grants following the latest spending review.
- 1.2 As this consultation response requires Council consideration and agreement on 18 October 2011, in order to be submitted to the Department of Health within the prescribed timescales, it is not possible to present this to the Health and Social Care Scrutiny Board meeting, (scheduled for 6 October), as this is after the Cabinet Meeting at which it will be formally considered before going to full Council for approval.

2. Options considered and recommended proposal

- 2.1 The Health and Social Care Bill 2011 is currently going through its passage through Parliament. If approved the Bill will give local authorities new responsibilities in respect of funding, commissioning and supporting the establishment of a Local HealthWatch by October 2012. Local HealthWatch organisations will be the consumer champion for all citizens to promote better outcomes in health for all and in social care for adults. Local HealthWatch will continue the functions provided by Local Involvement Networks (LINKs), which will discontinue following the creation of Local HealthWatch organisations who will be supported by the national organisation HealthWatch England.
- 2.2 At a local level, Local HealthWatch will act as a point of contact for individuals, community organisations and voluntary organisations when dealing with health and social care. They will offer a signposting service which is currently provided by PCT Patient Advice Liaison Service (PALS). This consultation focuses on the funding allocation for the signposting service, including start up costs. It is expected there will be increased demand for this service over the coming years therefore an annual increase of 2.5% has been added to the existing spend as part of the overall funding allocation.
- 2.3 The current grant funding for LINKs will continue to fund Local HealthWatch for at least the remainder of the current spending review and is not affected by this consultation.
- 2.4 In April 2013 Local Authorities will take on the responsibility for commissioning an NHS Advocacy Service who will support citizens to make complaints about the health service from the Department of Health. The service can be commissioned from either a Local HealthWatch organisation or a third party provider.
- 2.5 The PCT currently has the responsibility to undertake DOLS assessments in health settings. This responsibility will transfer to Local Authorities from potentially October 2012 or April 2013. The PCT currently receive funding from the Department of Health for undertaking DOLS assessments.
- 2.6 The consultation paper presents two main options for allocating funding to local authorities either via the adult working age population, adjusted for area costs or be based on the

social care relative needs formula. Table A below shows the illustrative allocations for both options for Local HealthWatch. Table B illustrates the allocations for both options Complaints Advocacy. Table C illustrates the revised funding allocations for Deprivation of Liberty Safeguards (DOLS).

Table A – Local HealthWatch

| | LHW1: Adult working age population, adjusted for area costs | | LHW2: The social care relative needs formula | |
|-----------------|---|---------------------|--|---------------------|
| | Without Allocation | Min With Allocation | Without Allocation | Min With Allocation |
| Coventry | £138,172 | £137,968 | £160,692 | £160,391 |

Table B - NHS Complaints Advocacy

| | NHSCA1: Adult working age population, adjusted for area costs | NHSCA2: The social care relative needs formula |
|-----------------|---|--|
| Coventry | £83,011 | £92,292 |

Table C – PCT Deprivation of Liberty Safeguards

| | DOLS1: Adult working age population, adjusted for area costs | | DOLS2: The social care relative needs formula | |
|-----------------|--|---------------------|---|---------------------|
| | Without Allocation | Min With Allocation | Without Allocation | Min With Allocation |
| Coventry | £8184.17 | £8158.46 | £9099.24 | £9068.23 |

- 2.7 The Council's preferred funding option for the additional funding for Local HealthWatch is that it should be based on The Adult Social Care Relative Needs Formulae. The Council also agrees with the proposal for a minimum allocation. The actual funding for 2012-13 will be for part of the year. The actual amount that will be transferred will be confirmed at a later date when the Department of Health has completed its 2012-2013 financial planning round.
- 2.8 The Council's preferred option is for the funding allocation for the NHS Complaints Advocacy Service should be based on The Adult Social Care Relative Needs Formulae.
- 2.9 The Council's preferred funding option for the revised funding allocation for Deprivation of Liberty Safeguards (DOLS) is that it should be based on The Adult Social Care Relative Needs Formulae. The Council also agrees with the proposal for a minimum allocation.

3. Results of consultation undertaken

- 3.1 This response to the consultation is from the Coventry City Council and therefore wider consultation has not been undertaken.

4. Timetable for implementing this decision

- 4.1 Responses to the consultation are required by the 24 October 2011.

5. Comments from Director of Finance and Legal Services

- 5.1 Financial implications

The consultation refers to 3 specific funding streams relating to the Local HealthWatch signposting element, NHS Complaints Advocacy and PCT Deprivation of Liberty Safeguards. Whilst the figures are not yet final the allocations proposed suggest the different methodologies could produce a transfer of resources to Coventry in a range of £229k to £262k.

The consultation response proposed, basing allocations on Adult Social Care Relative Needs Formulae, if adopted would result in resources of £262k transferring to the Local Authority. It is not clear from the consultation paper whether either funding formulae would provide sufficient resources for the Council to manage the additional responsibilities placed upon it, as the nature and scope of the additional responsibilities have not been clarified and refined.

5.2 Legal implications

Under the Public Sector Equality Duty (section 149 of the Equalities Act 2010) decision makers must have ongoing due regard to avoid discrimination and advance opportunity for anyone with the relevant protected characteristics which are disabilities, age, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. "Due regard" requires more than just an awareness of the equality duty. It requires rigorous analysis by the public authority, beyond broad options.

Consideration needs to be given to any possible impact on vulnerable people and safeguarding procedures when planning and implementing any changes.

The Council's policy in respect of Deprivation of Liberty Safeguards will need to be reviewed in light of the new requirement for NHS assessments and may need to be amended.

Commissioning for Local Healthwatch and for NHS complaints advocacy will need to observe relevant procurement procedures.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The funding will support the City Council's aim of protecting our most vulnerable residents through the continuation of NHS advocacy to provide support to residents who wish to complain about NHS services. Learning from complaints provides the opportunity to improve service delivery across health services and potentially adult social care. The Local HealthWatch will provide a signposting service to information about health and social care. This will support Community Services in their aim to improve access to information and advice for all residents.

6.2 How is risk being managed?

N/A

6.3 What is the impact on the organisation?

The Council will gain additional commissioning responsibilities as a result of the Health and Social Care Bill 2011, if it is enacted in the current form. The additional responsibilities for carrying out Deprivation of Liberty Safeguards assessments in health settings will require

detailed planning to understand how this is currently delivered compared to the demands going forward. The number of assessments carried out in health settings in Coventry is currently low but is likely to increase. This may create additional resource pressures on the Council due to the small amount of funding being allocated to the Council regardless of which financial formulae is chosen by the Department of Health. The Council will also need to ensure adequate numbers of staff are appropriately trained to undertake Deprivation of Liberty Safeguards (DOLS) assessments to carry out the assessments in health settings.

6.4 Equalities / EIA

An equalities impact assessment is included within the Government proposals.

6.5 Implications for (or impact on) the environment

N/A

6.6 Implications for partner organisations?

The Council will need to work in partnership with the Local HealthWatch through the Health and Well Being Board. The transfer of the signposting service from PCT Patient Advice Liaison Service (PALS) to Local HealthWatch could potentially have TUPE implications.

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Consultation on Allocation Options for distribution of additional funding for Local Authorities for Local HealthWatch, NHS Complaints Advocacy, PCT Deprivation of Liberty Safeguards

Consultation Questions and Responses

Local HealthWatch (LHW)

Consultation question

Question LHW1) Do you prefer Option LHW1: population based or Option LHW2: Adult Social Care Relative Needs Formulae?

Coventry City Council supports the Option LHW2. It is not clear from the consultation paper whether either funding formulae would provide sufficient resources for the Council to manage the additional responsibilities placed upon it, as the nature and scope of the additional responsibilities have not been clarified and refined.

Consultation question

Question LHW2) Do you agree that there should be an allocation of at least £20,000, in respect of the additional functions for local HealthWatch to each Local Authority in each financial year?

Coventry City Council agrees with minimum of allocation of £20,000 to each Local Authority for each financial year of the funding settlement.

Consultation question

Question HHW3) Why do you prefer the option selected above? Do you have any comments about the options or alternative suggestions for allocating the funding, or alternative costings for the minimum allocation amount?

The adult social care relative needs formulae (ASCRNF) use information on the size of the local population, population characteristics and area costs to predict the relative need for a local authority to provide social care. The formulae take account of indicators of deprivation and for older people's services, information on the proportion of very old people and whether old people live alone.

Measures of deprivation are appropriate indicators to demonstrate the need for health and social care - deprivation is clearly linked both to premature mortality and greater experience of ill health (see Coventry JSNA). Additionally, the formulae take account of and weight for demand from older people who make greater use of health services. Similarly, the formulae takes account of numbers of people in receipt of disability living allowance – a proxy for the number of disable people in the locality who are likely to make use of - and require support in respect of using – health and social care services.

NHS Complaints Advocacy (NHSCA)

Consultation question

NHSCA1) Do you prefer: Option NHSCA1: population based or Option NHSCA2: Adult Social Care Relative Needs Formulae?

Coventry City Council supports the option NHSCA2. It is not clear from the consultation paper whether either funding formulae would provide sufficient resources for the Council to manage the additional responsibilities placed upon it, as the nature and scope of the additional responsibilities have not been clarified and refined.

Consultation question

NHSCA2) Why do you prefer the option selected above? Do you have any comments about the options or alternative suggestions for the allocation of funding?

The adult social care relative needs formulae (ASCRNF) use information on the size of the local population, population characteristics and area costs to predict the relative need for a local authority to provide social care. The formulae take account of indicators of deprivation and for older people's services, information on the proportion of very old people and whether old people live alone.

Measures of deprivation are appropriate indicators to demonstrate the need for health and social care - deprivation is clearly linked both to premature mortality and greater experience of ill health (see Coventry JSNA). Additionally, the formulae take account of and weight for demand

from older people who make greater use of health services. Similarly, the formulae takes account of numbers of people in receipt of disability living allowance – a proxy for the number of disable people in the locality who are likely to make use of - and require support in respect of using – health and social care services.

PCT Deprivation of Liberty Safeguards (DOLS)

Consultation question

DOLS1) Would you prefer the transfer of funding to happen in October 2012 or April 2013?

The Council would prefer the funding to be transferred to the local authority in April 2013. Local Authorities will need time to prepare and work with health colleagues to ensure a smooth transfer of responsibilities. The proposed allocation to Coventry City Council using either formulae appears low and the Council considers this may not reflect the additional resources required by the Council to meet the extra responsibilities placed upon them.

Consultation question

DOLS2) Which of the options do you prefer Options DOLS1 population or Option DOLS2 RNF?

Coventry City Council supports the option DOLS2 RNF.

Consultation question

DOLS3) Do you agree that there should be a minimum allocation in respect of PCT DOLS funding of £2,000 for each financial year?

Yes.

Consultation question

DOLS4) Why do you prefer the option selected above? Do you have any comments about the options or alternative suggestions for the allocating the grant?

The adult social care relative needs formulae (ASCRNF) use information on the size of the local population, population characteristics and area costs to predict the relative need for a local authority to provide social care. The formulae take account of indicators of deprivation and for older people's services, information on the proportion of very old people and whether old people live alone.

Measures of deprivation are appropriate indicators to demonstrate the need for health and social care - deprivation is clearly linked both to premature mortality and greater experience of ill health (see Coventry JSNA). Additionally, the formulae take account of and weight for demand from older people who make greater use of health services. Similarly, the formulae takes account of numbers of people in receipt of disability living allowance – a proxy for the number of disable people in the locality who are likely to make use of - and require support in respect of using – health and social care services.

Cabinet
Council

04 October 2011
18 October 2011

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Duggins
Cabinet Member (Education) – Councillor Kelly

Director Approving Submission of the report:

Director Finance & Legal Services, Director Children Learning & Young People

Ward(s) affected:

All

Title:

Department for Education Consultations: School Funding Reform - Proposals for a fair system and Implementation of the 2010-11 Review of Education Capital (The James Review)

Is this a key decision?

No

Executive Summary:

The Department for Education (DFE) issued 2 consultations in July 2011 in relation to school and education funding reform for revenue and capital. The school funding revenue consultation follows an earlier 6 week consultation on the rationale and principles for school funding reform which ended in May 2011. The Education capital consultation follows the publication of the James Review in April 2011.

The consultations contain a wide range of proposals for school and education funding, which include:

- Changes to the way that funding for schools and education is distributed nationally to Local Authorities
- Changes to the role of the Local Authority and other partners in relation to revenue and capital funding
- Increased central prescription and scrutiny of Local Authorities in relation to the allocation of funding
- Potentially significant changes in relation to funding for pupils with high needs
- Future arrangements for the distribution of the Pupil Premium Grant

- Introduction of national procurement frameworks for capital projects and national project management arrangements to support procurements
- Timing of move to a new system and potential transitional arrangements

Education revenue funding for the city forms part of the ringfenced dedicated schools grant. This amounts to £234M in 2011/12, and Education capital funding for 2011/12 amounted to approximately £12M. Changes in how funding is distributed could significantly impact upon funding levels for the City and schools.

Recommendations:

Cabinet is requested to:

- (1) Agree that these responses be submitted to the Department for Education by its deadline of 11th October 2011, with the indication that the responses are subject to approval at Council on 18th October 2011.
- (2) Recommend that the Council:
 - (a) Agree the proposed response to the school funding consultation set out in appendix A
 - (b) Agree the proposed response to the education capital consultation set out in appendix B

Council is recommended to:

- (1) Agree the proposed response to the school funding consultation set out in appendix A
- (2) Agree the proposed response to the education capital consultation set out in appendix B

List of Appendices included:

Appendix A: School Funding Consultation Response
Appendix B: Education Capital Consultation Response

Other useful background papers:

DfE: Consultation on school funding reform: Proposals for a fairer system
 DfE: Implementation of the 2010-11 Review of Education Capital (The James Review)
 Consultation Document
www.education.gov.uk/consultations/

Has it been or will it be considered by Scrutiny?

No
 Although the report will not be considered by Scrutiny, the contents of the consultation were discussed at Scrutiny Board 2 on 15th September 2011

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No
 Although the report will not be considered by any other Council Committee, Advisory Panel or other body, the contents of the consultation will be discussed at the Schools Forum on 6th October 2011

Will this report go to Council?

Yes, 18th October 2011

Report title: Department for Education Consultations (DfE): School Funding Reform - Proposals for a fair system and Implementation of the 2010-11 Review of Education Capital (The James Review)

1. Context (or background)

- 1.1 On the 19th July the DfE published two education funding consultations lasting 12 weeks: one on revenue funding and one on capital funding. This followed the publication of The James Review (capital) in April, and an earlier school revenue funding consultation on rationale and principles which closed in May. The consultations are lengthy, particularly in relation to revenue funding. The following paragraphs summarise the key points, and the full proposed responses are included at appendix A and B.
- 1.2 The DfE are proposing a return to a formula basis for distributing revenue funding to Local Authorities (Dedicated Schools Grant, DSG). Since 2006/07, and the introduction of a ring-fenced grant for education spend, this money has been distributed on a spend plus¹ basis. When DSG was introduced Coventry spent approximately £2.5M more than the national formula for education delivered, so a national method of distribution that was linked to previous levels of spend was welcomed, as it protected city-wide funding levels. This was 6 years ago, and it is not a certainty that a return to a national formula will result in a reduction in funding levels for the city. The position for Coventry will be dependent on the factors used to distribute the funding in the new formula, and the relativity of change in circumstances within Coventry when compared with other Local Authorities.
- 1.3 The consultation recognises the need to be able to reflect local circumstances when distributing funding for education at a local level. There is, however, also a drive to secure some national consistency. The DfE have set out their intention to rationalise the number and range of factors that Local Authorities can use in their local schools funding formula. This could have a significant impact on school funding distribution at a local level, albeit there will be protection arrangements in place to secure some stability.
- 1.4 The consultation sets out a continuing role for the Schools Forum, and considers how it can be more representative, and how the decision-making powers of the group might be increased. Academies are expected to have a role on the Schools Forum, because, aside from Local Authority Central Services Equivalent Grant, an Academy's funding is derived from the same formula as a maintained school within the Local Authority. This is regardless of whether the allocation is calculated locally or whether Central Government replicate each Local Authority's fair funding formula. The DfE are also proposing greater scrutiny and challenge at a national level, with Local Authority's expected to complete and submit proformas in relation to distribution of money, and potentially introducing a review body where schools and academies could raise issues or concerns if decisions by the Local Authority are taken without due consultation or are unfair or biased.
- 1.5 The DfE are also proposing much greater prescription in relation to which services can be retained centrally by the Local Authority rather than delegated to schools. There are a number of services that are currently retained centrally, where in the future the start point will be that they are delegated across all schools (including Academies). Agreement to retain centrally on behalf of maintained schools would then need to be negotiated with the Schools Forum. It could be hard to reach consensus on this, particularly as some of the services/areas are ones that schools would have differential benefit from dependent on their circumstances (e.g. behaviour support, ethnic minority achievement, exceptional circumstances). This could limit a Local Authority's flexibility to respond to local pressures

¹ Previous years funding per pupil plus a nationally determined increase

and manage central resource to ensure support for vulnerable pupils or those with additional needs.

- 1.6 The proposals in relation to the funding for high needs pupils are very unclear, although the underlying message seems to suggest a significant shift. The lack of clarity is linked to awaiting the final outcomes from the consultation on the Special Educational Needs & Disability Green Paper. It is likely that the proposal will be clearer following that. The key messages are that the DfE see a shift for Local Authorities from provider to commissioner. This is due to a concern that Local Authorities' decisions in relation to the placement of children are financially motivated. They want a greater diversity of provision, and see this change in LA role as being key in removing the perverse incentive for Local Authorities to place children in one provision over and another. The consultation articulates the clear intention to have a single SEN budget for the age-range 0-25. The post 16 budget is currently held at a regional level by the Young People's Learning Agency, and is significantly overspent.
- 1.7 The DfE have set out their intention to implement this after 2012/13, and there is consideration given to whether an appropriate time for implementation is 2013/14 or the next Comprehensive Spending Review (CSR). They recognise the likely distributional issues, and are concerned that at a time of a cash standstill settlement it will be difficult to effect significant change if there are transitional arrangements. If there is a delay until the next CSR, there will still be some changes that will be implemented ahead of this including a number of proposals in relation to high needs pupils.
- 1.8 In relation to the capital funding consultation the most significant proposals are the introduction of a single capital pot, as opposed to multiple funding streams and the introduction of Local Area Panels to determine priorities for spend. Although currently there are a number of stakeholders who we would engage with when determining priorities for spend, ultimately the Local Authority currently determine the final priorities. The James Review proposals will introduce a role for other non maintained schools providers (e.g. Academies, Free Schools etc) in prioritising and allocating funding through the Local Panel. In addition a move to a national procurement framework could impact on the Local Authority's ability to influence decision-making in relation to education capital projects within Coventry, and reduce local purchasing power.

2. Options considered and recommended proposal

- 2.1 The 2 options available are either to do nothing and not respond to the consultations or send responses to the DfE with the council's view.
- 2.2 The recommended option is to approve the appended responses as the City Council's responses to the 2 funding consultations.

3. Results of consultation undertaken

- 3.1 Due to the timing of the consultation (issued just before school summer holidays) it has been difficult to undertake significant consultation in the first half of the consultation period, other than with local authority officers and Members.
- 3.2 Up until the consultation ends briefing and consultation will be carried out with all relevant stakeholders through school stakeholder briefings (including the Schools Forum), Trade Union Briefings and other relevant meetings. In addition, this item will be discussed at Scrutiny Board 2 on the 15th September, and this will provide an opportunity to shape the response further.

4. Timetable for implementing this decision

- 4.1 Responses to the 2 consultations should be submitted to the DfE by the 11th October 2011. This is ahead of the Council Meeting, on the 18th, so we propose to issue our draft responses to the DfE by the 11th and the final responses on the 18th.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

The consultation does not currently provide sufficient detail to quantify the financial risks at this stage, however the level of funding in this area circa £245M in 2011/12 for Education/Schools revenue plus capital funding highlights the overall level of funding that is involved, and the implicit risks in relation to this.

Although the implementation will not be until after the 2012/13 financial year the DfE have proposed to issue Local Authorities with shadow funding allocations for the 2012/13 financial year, so that the impact at local level can be clearly quantified and understood.

In summary the financial risk lies in the following areas:

- Potential changes to the way in which the City receives revenue funding for education and schools from the introduction of a new national formula for distribution, which could result in a reduction in the overall level of resource;
- Potential changes that we will need to make to the local schools funding formula if formula factors are reduced and rationalised which could result in a distributional impact at school level;
- Potential changes that impact on the Local Authority's ability to manage central services, which could result in reductions in service;
- Potential changes to funding for high needs pupils, that may result in increased costs and less flexibility for the Local Authority in how provision for high needs pupils is managed;
- An overall reduction in capital resource including the sharing of scarce capital resources across the increasing diverse schools sector, although a single funding pot will potentially give better flexibility;
- A potential national approach to procurement of capital projects which could reduce the Local Authority's local purchasing power, and leave little ability for local decision-making to be taken into consideration

Whatever, the final revenue proposals are the DfE are keen to minimise funding turbulence that will impact upon budgets for schools. They want to ensure that changes in funding levels are clear and are planned for. There will be transitional arrangements at a national and local level to safeguard against this.

5.2 Legal implications

When responding to these consultations and when planning and implementing any changes as a result of the outcomes the following matters will need to be considered:

- Under the Public Sector Equality Duty (section 149 of the Equalities Act 2010) decision makers must have ongoing due regard to avoid discrimination and advance opportunity for anyone with the relevant protected characteristics which are disabilities, age, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. "Due regard" requires more than just an awareness of the equality duty. It requires rigorous analysis by the public authority, beyond broad options. This duty is particularly relevant to current issues in respect of children with disabilities and/or special educational needs and in respect of those children from minority groups for whom English is an additional language to ensure equality of opportunity for these children continues to be promoted.
- The Local Authority will still retain existing statutory duties to children within its area in respect of matters such as Special Educational Needs and school transport.
- Consideration needs to be given to any possible impact on vulnerable children and safeguarding procedures when planning and implementing any changes as a result of the outcomes of these consultations to ensure that changes in funding do not adversely affect existing procedures for safeguarding.
- Commissioning and procurement processes will need to take account of the proposed budgetary changes, as there is likely to be an impact on contracting at a local level. Existing rules on procurement will still need to be followed.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

Responding to the two consultations will not directly contribute to the achievement of the council's key objectives, but if there are significant changes to the levels of revenue and capital funding in the city there will be implications for children and young people, which could impact on a number of the council's core aims. Responding to the consultations give the Council the ability to participate, and try and shape and influence this important agenda.

6.2 How is risk being managed?

There may be significant financial risks as identified in section 5.1 and the resultant consequences on services and education provision within Coventry. There is insufficient detail to quantify the potential impact and likelihood of these risks at this stage. We will keep up to date on the development of this key area and respond appropriately.

The DfE is committed to put transitional arrangement in place nationally and locally, which should enable us to formulate strategies of dealing with the risks.

6.3 What is the impact on the organisation?

Any potential reduction in funding to schools and the Local Authority as a result of changes to the national funding formula may lead to a reduction in staffing levels. However, at this stage of the consultation process, there is insufficient detail to outline the precise impact on each organisation. Once the national funding formula has been agreed, this will be considered in further detail with all relevant stakeholders.

6.4 Equalities / EIA

This report is in response to 2 government consultations, so an EIA has not been produced by the Council at this stage. It will not be possible to calculate the likely impact on children and young people until there is more information available about the detailed implementation of the final proposals.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

The proposals carry implications for maintained schools, academies, and providers of early education, as there could be changes to the levels of funding that they receive in the future.

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| Councillor Duggins | Cabinet Member (Strategic Finance & Resources) | | 08/09/11 | 09/09/11 |

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Appendix A

A consultation on school funding reform: Proposals for a fairer system

Consultation Response Form

The closing date for this consultation is: October 2011

Your comments must reach us by that date.

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential.

Name

Organisation (if applicable)

Address:

If you have an enquiry related to the policy content of the consultation you can contact either

Ian McVicar on: Telephone: 020 7340 7980 e-mail: ian.mcvicar@education.gsi.gov.uk
or

Juliet Yates on: Telephone: 020 7340 8313 e-mail: juliet.yates@education.gsi.gov.uk,

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail: consultation.unit@education.gsi.gov.uk, by Fax: 01928 794 311, or by telephone: 0870 000 2288.

Please tick the box that best describes you as a respondent.

| | | | | | |
|-------------------------------------|----------------------------|--------------------------|---------------------------------------|--------------------------|-----------------------|
| <input type="checkbox"/> | Maintained School | <input type="checkbox"/> | Academy | <input type="checkbox"/> | Teacher |
| <input checked="" type="checkbox"/> | Individual Local Authority | <input type="checkbox"/> | Schools Forum | <input type="checkbox"/> | Local Authority Group |
| <input type="checkbox"/> | Teacher Association | <input type="checkbox"/> | Other Trade Union / Professional Body | <input type="checkbox"/> | Early Years Setting |
| <input type="checkbox"/> | Governor Association | <input type="checkbox"/> | Parent / Carer | <input type="checkbox"/> | Other |

If 'Other' Please Specify:

Chapter 1 - The National Funding System

In paragraphs 1.8 to 1.14 we discuss two ways we are considering using to calculate the schools block:

- a) A formula based on the schools within the area and the pupils within those schools (“School-level”);
- b) A formula based solely on the pupils within the area (“local authority-level”).

Question 1: Would you prefer the formula to be based on

a) a notional budget for every school; or

b) the pupils in each local authority area?

| | | | |
|---------------------------------------|--|----------------------------------|-----------------------------------|
| <input type="checkbox"/> School level | <input checked="" type="checkbox"/> LA level | <input type="checkbox"/> Neither | <input type="checkbox"/> Not Sure |
|---------------------------------------|--|----------------------------------|-----------------------------------|

Comments:

We are pleased to see that the consultation document recognises there is a need for local flexibility in managing local pressures and priorities. A school level national formula will greatly limit this local flexibility as one of the risks with this approach is that a notional budget for every school will be seen as a school's entitlement to the funding rather than a way of calculating the funding for the schools block in a local authority. This would make it difficult for Local Authorities to vary this to reflect local circumstances.

As a Local Authority that was spending above Education Formula Spending Share (EFSS) at the time of the introduction of the ring-fenced grant for education, we have some significant concerns that a shift from a spend-plus approach back to a formula approach may result in a reduction in funding to the city. The commitment to spend above EFSS was a clear policy of the political leadership of the city, and we would request that this is clearly understood and taken into account in the work you are doing on a national formula. We would also request that there is further consultation with Local Authorities in relation to the distribution mechanics of a national formula at the earliest opportunity.

Chapter 2 - The Schools Block - system

Local flexibility

In paragraphs 2.6 to 2.9 we discuss local funding formulae and propose reducing the number of formula factors which local authorities can apply. We suggest that the local formula factors could cover:

- a. Basic entitlement per pupil (currently Age-Weighted Pupil Units)
- b. Funding for additional educational needs (e.g. deprivation, SEN)
- c. Rates
- d. Exceptional site factors (e.g. split site, PFI and rent)
- e. Lump sums for schools

Question 2: Do you agree that these are the right formula factors to retain at a local level?

| | | | |
|-------|-------------------------------|-------------------------------|-----------------------------------|
| ✓ All | <input type="checkbox"/> Some | <input type="checkbox"/> None | <input type="checkbox"/> Not Sure |
|-------|-------------------------------|-------------------------------|-----------------------------------|

Comments:

We believe these are the common factors that are currently included in all local authorities' fair funding formula and majority of the funding will be devolved to schools via these factors.

We would like some clarity over whether the Department will limit/specify the measures local authorities can use to measure these factors? The section in relation to deprivation funding seems to suggest that this is the case.

Question 3: What other factors, if any, should be able to be used at local level or could any of these factors be removed?

Comments:

Factors should be included at local level in addition to the ones mentioned in question 2:

- Prior Attainment – possibly you can argue there is a relationship between lower attainment/achievement and deprivation/AEN. If this is the case level of deprivation funding in local formula would be very high; also we can fund prior attainment at absolute level (e.g. number of children didn't achieve a certain level of attainment in each school) but would be difficult to do on deprivation measures other than FSM. If use FSM there will be too much funding delegated on this basis and we know FSM doesn't capture everything.
- School building and site related factors (e.g. grounds maintenance and funded vacant places) – these are costs inherent to the condition and size of the school site or building which are generally outside schools' control and costs are not necessarily in line with pupil numbers (e.g. there is significant pupil number reduction in a few of our secondary schools, but the heating and lighting costs won't reduce in proportion to the pupil

number change as buildings and site square metres of school do not change as pupil numbers change)

- Class size funding – legislation requirement for reception year and year 1&2 to not exceed 30 pupils in a class. A small primary school may struggle to meet class size legislation if funding is not targeted in line with the requirement.
- EAL and minority under achieving groups – underpinning the delegation of former EMAG – would this be considered as a measurement for AEN?
- Local protection factor/transitional factor – 3% budget protection. Although the Minimum Funding Guarantee operates as a protection mechanism for each school, this has its limitations. In our experience this protects schools with increasing pupil numbers, which are generally not the schools that get into financial difficulty. A budget protection mechanism often seeks to protect a school with falling roles for a year to give them time to make the necessary structural changes.

Paragraphs. 2.12 to 2.14 discuss primary/secondary ratios:

Question 4: Do you think that setting a range of allowable primary / secondary ratios around the national average is the right approach to ensure that there is consistency across the country?

Yes

No

X Not Sure

Comments:

We would need further information on how this is intended to operate. The differentiation between primary and secondary ratios, although largely down to different curriculum requirements, can also be linked to different Local Authority delegation policies (i.e. what has been delegated and which factors it has been delegated through).

Arrangements for Academies

Paragraphs. 2.17 to 2.22 discuss options for the future of calculating Academies' budgets. Option (i) suggests that local authorities could calculate budgets for all schools in the area and then tell the EFA how much Academies should be paid; and Option (ii) that the EFA could calculate Academies' budgets using a pro-forma provided by local authorities setting out their formula factors.

Question 5: Do you think we should implement option (i) or (ii) when calculating budgets for Academies?

✓ (i)

(ii)

Other

Not Sure

Comments:

To have the Education Funding Agency replicate local formula and calculate academies' budgets using a pro-forma will be no different to the current arrangement with the YPLA and academy funding albeit that the formula being replicated may be simpler. All issues with current arrangement will still exist, e.g. accuracy, time and resource spent on replicating and querying formula, duplication of effort.

As part of the recoupment model Local authorities already calculate funding for academies, and as we will be running the formula for maintained schools it makes sense for Local Authorities to run the formula for academies also.

Providing a proforma in relation to a local authority's formula factors and what is delegated is no different to the former part 4 of the Section 251 statement, and makes you question why this requirement was ever removed in the first place.

Ensuring accountability and fairness

Paragraphs 2.23 to 2.26 discuss options to improve the working of Schools Forums - whether the main groups on the Forum should all separately have to approve a proposed formula and whether the Forum should have more decision making powers.

Question 6: Do you think these options would help to achieve greater representation and stronger accountability at a local level?

Yes

X No

Not Sure

Comments:

We believe the Schools Forum has the right level of involvement currently, as all funding decisions are consulted on with the Schools Forum in detail as well as with other stakeholders through the fair funding consultation and budget setting processes for schools. We believe this has worked well in Coventry, and we already face significant challenge and scrutiny from our Schools Forum.

To require approval on formula changes/funding decisions by each of the main groups on the Forum separately could create barriers to partnership working and preventing each group to seeing the big picture. As a consequence, it could be difficult to reach a consensus and could result in delaying the decision being taken, and ultimately delaying the delivery of funding allocations to schools.

Paragraphs 2.27 to 2.31 discuss functions the EFA could provide to ensure scrutiny and challenge at a national level. They are (i) checking compliance and/or (ii) acting as a review body.

Question 7: Do you think we should implement option (i), (ii), both or neither?

| | | | | |
|------------------------------|-------------------------------|-------------------------------|---|-----------------------------------|
| <input type="checkbox"/> (i) | <input type="checkbox"/> (ii) | <input type="checkbox"/> Both | <input checked="" type="checkbox"/> Neither | <input type="checkbox"/> Not Sure |
|------------------------------|-------------------------------|-------------------------------|---|-----------------------------------|

Comments: Local Authorities currently work to the school finance regulations, so as long as these are reflective of what is and is not allowable, then surely there is only a role for central government in reviewing cases where non compliance is reported or suspected.

Local Authority officers are professional people with integrity and on that basis the introduction of a checking compliance or review body is an unnecessary expense to the taxpayer.

In particular a review body could become embroiled in lengthy disputes, unless the criteria / arrangements are sensible and clearly defined.

Arrangements for Free Schools

Paragraphs 2.33 to 2.35 discuss arrangements for the funding of Free Schools:

Question 8: If we introduce the new system in this spending review, do you think that Free Schools should (i) remain on the Free School methodology for 2013-14 and 2014-15 or (ii) move straight away to the overall funding system?

| | | |
|------------------------------|-------------------------------|--|
| <input type="checkbox"/> (i) | <input type="checkbox"/> (ii) | <input checked="" type="checkbox"/> Not Sure |
|------------------------------|-------------------------------|--|

Comments:

There is a fundamental question that should be considered in relation to free schools, and that is whether they should be funded at the same level as other schools.

A large part of what drives the school funding formula is funding to reflect the costs of qualified teaching staff. If free schools are able to make alternative arrangements (i.e. unqualified staff) then they should not be funded at the same level as other schools.

The funding for all types of school should reflect the legal and policy requirements that are in place for that type of school, otherwise you are not operating a fair funding model.

Chapter 3 - The Schools Block – formula content

In paragraphs 3.3 to 3.6 we discuss formula content and propose that the new formula could consist of:

- A basic per-pupil entitlement
- Additional funding for deprived pupils
- Protection for small schools
- An Area Cost Adjustment (ACA)
- English as an Additional Language (EAL)

Question 9: Are these the right factors to include in a fair funding formula at a national level?

| | | | |
|---|-------------------------------|-------------------------------|-----------------------------------|
| <input checked="" type="checkbox"/> All | <input type="checkbox"/> Some | <input type="checkbox"/> None | <input type="checkbox"/> Not Sure |
|---|-------------------------------|-------------------------------|-----------------------------------|

Comments:

This is partly dependent on what formula you introduce. If you introduce a LA level formula these components are similar to what was included in the previous formula and it recognises the most significant funding elements/ cost drivers. The key to this though is getting the right level of funding delegated through each of these factors, and using the right measures within each of the factors.

It is harder to see how this works if you introduce a school level formula, please refer back to question 1 for comments in relation to this.

Deprivation

Paragraphs 3.14 to 3.17 discuss possible indicators we could use in a national formula for reflecting deprivation.

Question 10: Do you agree that we should use Ever FSM to allocate deprivation funding in the national formula? Should this be Ever 3 or Ever 6?

| | | | |
|---------------------------------|---------------------------------|----------------------------------|--|
| <input type="checkbox"/> Ever 3 | <input type="checkbox"/> Ever 6 | <input type="checkbox"/> Neither | <input checked="" type="checkbox"/> Not Sure |
|---------------------------------|---------------------------------|----------------------------------|--|

Comments:

From an analysis of the data at Local Authority level the position for each local authority varies

greatly when comparing the Ever FSM measures with FSM. We would have expected some consistency to this at Local Authority level (i.e. similar proportional increases for ever 3 and ever 6 across Local Authorities), and the fact that there is not highlights the need to explore the reasons behind this further.

See also the response to question 45 which highlights some general concerns in relation to FSM as an indicator.

Notwithstanding some of these other points our general view is that Ever 6 is more appropriate as it would counteract the registration/claimant issue which is often compounded in the secondary sector.

Small school protection

Paragraphs 3.19 to 3.28 discusses funding protection for small schools, suggesting that a £95,000 lump sum would be sufficient to provide protection, that it should be applicable to primary schools only and should adopt Middle Super Output Areas to derive the sparsity factor. If a local authority formula is used a choice between a lump sum payment and a sparsity measure is offered and there is also discussion on whether the threshold for eligibility should be narrowed so that sparsity funding is focused on the most sparsely populated areas.

Question 11: If we have a school-level formula, do you agree that £95,000 is an appropriate amount for a primary school lump sum?

Yes

No

Not Sure

Comments: If a school-level formula is introduced £95K per primary school seems reasonable when looking at the scatter chart in the annex. Would Local Authority's be allowed flexibility to set a different local school level lump sum?

If a sparsity factor is used under a local authority formula, how would any savings achieved through narrowing the threshold be used? Would it be re-distributed to all local authorities or would the eligible local authorities receive more?

Question 12: Do you agree that the lump sum should be limited to schools with Year 6 as the highest year-group?

Yes

No

Not Sure

Comments:

In terms of a national formula that distributes funding at local authority level this seems reasonable; however local authorities should have the flexibility to introduce a secondary lump sum at local level.

Question 13: If we have a local authority-level formula, should we use a primary school lump sum or the sparsity measure?

Primary
School
lump sum

Sparsity
Measure

Neither

Not Sure

Comments:

Yes, if this means that all local authorities would receive a lump sum for each primary school within the Local Authority.

Question 14: If we have a sparsity measure, do you think we should narrow the sparsity threshold as described above?

Yes

No

Not Sure

Comments:

Would suggest that if going for this approach a narrower approach is better, but the amount of funding for sparsity should also be reduced.

Area Cost Adjustments

Paragraphs 3.29 to 3.33 (and annex D) discuss approaches to calculating the area cost adjustment.

Question 15: Which option should we use to calculate the Area Cost Adjustment: the current GLM approach or the combined approach?

GLM Approach

Combined Approach

Other

Not Sure

Comments:

I think it is right to recognise teachers' salaries are not entirely market driven due to national pay structure and to recognise the uplift applied to the 6 inner London authorities are heavily influenced by other professions rather than having a specific focus on the teaching profession.

English as an Additional Language and Underperforming Ethnic Groups

Paragraphs 3.34 to 3.38 considers what further factors of underachievement there might be for school age pupils and proposes the inclusion of an EAL factor in a national formula.

Question 16: Do you agree that we should use an EAL factor in the national formula?

Yes

No

Not Sure

Comments:

Some Local Authorities have more EAL children as a % of overall children than others and schools with higher proportion of EAL children will inevitably incur significantly more costs (e.g. on teaching assistants and multi-lingual assistants) than other schools where ELA is a minority. This is the case for the primary and secondary phase.

The argument about ELA children achieving almost as well as pupils without additional needs may not be that valid as the current level of attainment of EAL children is supported by the current level of funding targeted at these children in/by each local authority. If there is no targeted funding to support these children, their attainment would possibly suffer.

Question 17: Do you agree that this should cover the first few years only? How many years would be appropriate?

Yes

No

Not Sure

Comments:

We would suggest that there should be some further research into what timescale this money

should be in place for, as young people learn English at different rates, and an individual who has learnt English may still be at a disadvantage when sitting exams, when compared with individuals where English is their first language.

Transitional Arrangements

Paragraphs 3.39 to 3.41 discuss transitional arrangements to minimise turbulence.

Question 18: Do you think we should:

(a) Continue with a maximum decrease of -1.5% per pupil each year and accept that this will mean very slow progress towards full system reform; or

(b) Continue with a -1.5% per pupil floor in 2013-14 but lower it thereafter so that we can make faster progress?

X (a)

(b)

Neither

Not Sure

Comments:

Schools and local authorities are already facing financial challenge due to the cash standstill settlement for education. Adding to this further as a result of funding redistribution could create significant difficulty. We would therefore request as gentle transition as possible.

In addition this may be better answered once shadow funding statements are issued, and the level of redistribution is clear.

Chapter 4 - Central services and defining responsibilities

Paragraphs 4.1 to 4.7 discuss the development of a funding model, having first defined the respective responsibilities of maintained schools, Academies and local authorities. The model would clarify what elements of funding would be delegated to schools or centrally retained for maintained schools, if there is local discretion.

Question 19: Do you agree that some of these services could be retained centrally if there is local agreement by maintained schools?

X Yes

No

Not Sure

Comments:

We have some concerns in relation to this proposal. The reason that a number of these services/areas are not currently delegated to schools is that schools get differential benefit from them depending on their circumstances – i.e. they are services for citywide pupils e.g. behaviour support, ethnic minority achievement. The danger of operating this model is that it may be difficult to gain consensus to retain these services for maintained schools, as schools that do not see much benefit from the service will want to see the money remain delegated. This may mean a reduction in service, which is likely to impact upon the most vulnerable children. Our ability to impact on this through how we delegate the monies, which may have been a solution, will be hampered by a rationalisation of local formula factors.

Paragraphs 4.8 to 4.13 set out details of the funding blocks which make up the funding model and their functions. Funding blocks for schools, High Needs Pupils, early years, central services and formula grant are proposed.

Question 20: Do you agree that the split of functions between the blocks is correct? If not, what changes should be made?

Completely Correct

Broadly, but some changes required

X No

Not Sure

Comments:

There is more work required on this.

Insurance (line 1.6.1) – Coventry have delegated insurance to schools so what is currently on this line for us relates to employee insurance costs for central education service (DSG funded) staff, and should therefore not be in the school's block.

An element of Staff cover non-sickness (line 1.6.7) and support to underperforming ethnic minority groups and bilingual learners (line 1.4.1) should also be apportioned for high needs and early years block; some of the line 1.1.2 should also be apportioned for high needs and/or early years block (e.g. for us this line include Advanced Skills Teachers who could be in special schools as well as mainstream schools)

There needs to be clear definition in relation to high needs block and who is included there. For instance are pupils with special educational needs in mainstream schools and academies funded from schools block or high needs block? What about pupils with special educational needs that are not related to disability – e.g. mental health?

Each local authority's baseline will be established on this split. But actual spend and budget may be significantly different. For example we have built in additional budget for Early Years based on forecasted increase in number of 3 and 4 year olds in line with birth rate data, this may not materialise. If our EY block is based on the current "spend", then our EY block may be overstated. It is then very important for LA to be given flexibility to move funding across the blocks.

Chapter 5 - Future arrangements for the Local Authority Central Spend Equivalent Grant (LACSEG)

Paragraphs 5.1 to 5.9 discuss the future arrangements for the calculation of LACSEG.

Question 21: Do you think the funding for local authority LACSEG should be moved to a national formula basis rather than using individual LA section 251 returns?

Yes

No

Not Sure

Comments:

Having just recently responded to the LACSEG consultation, and still waiting for an adequate response from the DfE in relation to some queries we raised in relation to current calculation of LACSEG we are absolutely clear that the current system is very flawed.

We have a clear concern that the basis for removal of funding from Local Authorities for academies is flawed and does not take into account the additional costs that you incur when you increase the number of organisations responsible for these areas. Please refer to Coventry's LACSEG consultation response on this.

In our view there still needs to be a valid argument and basis for removal of this money from local authorities in the first place and then method would need to be agreed.

We would need to understand the financial impact of the proposed arrangements.

Question 22: Do you think the distribution mechanism should be changed to one that more accurately reflects the actual pattern of where Academies are located?

Yes

No

Not Sure

Comments:

Please refer our response to the LA LACSEG consultation for details.

Chapter 6 - Children and Young People requiring high levels of support

Principles

Paragraph. 6.7 sets out the high level principles behind the proposals for funding children and young people with high levels of need.

Question 23: Is this the right set of principles for funding children and young people with high needs?

Yes

X No

Not Sure

Comments:

Principle 2 – wording should be changed from "So far as practicable" to "So far as in the child's best interest ..."

The overarching right to a mainstream education should be maintained for pupils with high needs. It is imperative that there is not an incentive for mainstream schools to encourage parents to seek placement in the specialist sector. Nor would we want to undermine the agenda to reduce reliance on Statements of SEN which is in line with the SEND green paper in relation to current levels of identification of SEND.

Principle 5 – Fully support this principle but in order for it to work there needs to be clear definitions /legal framework showing which agency has responsibility for the various needs/provisions.

Principle 6 – This needs to be considered alongside the delegation of resources to schools as recommended by the previous government in Removing Barriers to Achievement. Coventry has fully delegated resources for Statements of SEN to its mainstream schools (which support early identification / support and reducing reliance on Statements). (In this respect for this city the context described in para 6.9 of the document is incorrect in relation to points a and b).

Principle 9 – I am concerned regarding the definition of "unsuccessful". Placements in special schools are the responsibility of the LA. Unfilled places do not therefore automatically reflect on the schools "success". Coventry has a large range of special schools. There has to be an ongoing balance between schools being as full as possible (to ensure the use of resources) and

availability of places for the next pupil identified as needing such a placement. Placements occur throughout the year and are affected in areas like Coventry by high inward migration to the city.

With regards to post-16 especially, the principles should include an entitlement to independent careers information advice and guidance to enable young people to identify and articulate their aims and aspirations. This may be implicit but a statement would demonstrate the commitment to active participation by young people in the process.

A Base Level of Funding for High Needs SEN

Paragraphs 6.11 to 6.18 discuss proposals to set a base level of funding to reflect high needs SEN.

Question 24: Would it be appropriate to provide a base level of funding per pupil or place to all specialist SEN and LD/D settings, with individualised top up above that?

Yes

No

X Not Sure

Comments:

It is still very unclear as to how funding for high needs pupils will work in the future, and this leaves us unable to answer this question. Further more detailed consultation is required on this area, because at present it is very hard to envisage how it is intended to work.

There also needs to be a clear definition in relation to which pupils we are talking about in this section, as we also have a number of pupils in maintained settings with special educational need. How is it intended that these individuals are recognised in a funding formula? We maintain that there is a correlation between high incidence special educational need and deprivation, and would suggest that the PWC research of 2009 is widely shared so this can be looked at in more detail.

Question 25: Is £10,000 an appropriate level for this funding?

Yes

No – too high

No – too low

X Not Sure

Comments:

This would be difficult for Coventry who fully delegates funding to mainstream schools for all pupils with SEND. It would mean a return to a system for these pupils of deciding who meets this threshold – a perverse incentive to demonstrate failure / difficulties to trigger additional resource. It encourages the individual resource allocation approach per child (at worst the "velcroed" teaching assistant model). The system in Coventry has encouraged early intervention and given flexibility for schools in the use of resources across pupils as needed. It has enabled staff to build up expertise. We think flexibility is absolutely key.

Applying this approach to post-16

Paragraphs 6.19 to 6.21 discuss proposals for funding high needs pupils to post -16 pupils.

Question 26: Is the idea of a base rate of funding helpful in the post-16 context?

Yes

No

X Not Sure

Comments:

A base rate is probably helpful for consistency, but there is a clear question in relation to what level this base rate should be at. Where providers are supporting learners from multiple local authorities they will still be negotiating with Local authorities at individual learner level as is the case now for Independent Specialist Providers (ISPs). But this is likely to increase for FE colleges if local authorities become involved in assessment and decisions for young people whose educational provision costs more than £10,000, as under existing funding criteria, ALS between £5,500 and £19,000 is currently dealt with by the provider within their ALS allocation. Compared with the current system, the proposed system will significantly increase the support required from the Local Authority as currently local authority is responsible for commissioning education support for children costing over £19,000 and the proposed system will mean local authority will be commissioning for children costing over £10,000.

There is an issue within the current system for learners aged 19-25 who are on part time programmes, i.e. learners aged 19-24 in FE colleges with ALS support under £5,500 are funded by the Skills Funding Agency regardless of whether they are subject to a Learning Difficulty Assessment (Section 139a) and they are subject to the Skills Funding Agency criteria for fee remission and (at provider discretion) may have to contribute towards the cost of their learning. Whilst young people with ALS over £5,500 are funded by the YPLA (funding is transferred from the SFA) and are not required to contribute towards their learning. If a base rate continues to determine the body responsible for funding (LA or the EFA) and therefore eligibility criteria, then this issue will remain, which does not appear to have been considered in the Equality Impact Assessment.

Question 27: Should local authorities be directly responsible for funding high level costs over £10,000 for young people in post-16 provision in line with their commissioning responsibilities?

| | | |
|------------------------------|-----------------------------|--|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> Not Sure |
|------------------------------|-----------------------------|--|

Comments:

The post 16 budget is currently held at a regional level and is significantly overspent. We would want assurances that the funding passed to local authorities will be at the level of spend and not budget, otherwise you could be passing on a significant financial problem which ultimately will need to be funded from pre-16 resource.

Specifically in relation to the latter proposal in para 6.21 c, if there is to be a single post-16 SEN/LDD budget for local authorities with local authorities responsible for commissioning support for high level costs over £10,000 then it is not clear whether there would be significant advantages if the EFA is responsible.

Question 28: Do the proposed funding arrangements create risks to any parts of the post-16 sector?

| | | |
|---|-----------------------------|-----------------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Not Sure |
|---|-----------------------------|-----------------------------------|

Comments:

Please see the first paragraph of the comments to question 27 for the financial risks to local authorities.

Compare with current system, the proposed system will increase the support required from the Local Authority as currently local authority is responsible for commissioning education support for children costing over £19,000 and the proposed system will mean local authority will be commissioning for children costing over £10,000.

For large mainstream colleges there is likely to be less impact as this is a relatively small group of learners. There are potential risks for ISPs depending on the methodology used to calculate the minimum level of places to be funded and the base funding rate. We request further details and consultation on how the baseline costs are to be calculated for post-16 high needs education provision costs.

We agree that we would not wish to see funding used to support unfilled places indefinitely.

There is currently the risk for a group of young people over 18 who do not meet the criteria for

social care and health support (due to different eligibility and assessment criteria for children and adults) therefore may not be able to access the appropriate education provision. The proposed funding arrangements and the equality assessment do not address this issue.

Funding by Places or Pupil Numbers

Paras 6.22 to 6.26 discuss whether institutions providing for high needs children and young people should be funded on the basis of planned places or pupil numbers. It also sets out four options for doing so.

Question 29: Should institutions providing for high needs children and young people be funded on the basis of places or pupil numbers?

Places

Pupil Numbers

Not Sure

Comments:

Para 6.24 implies that Local authorities place pupils only based on cost. Whilst cost is a factor the overarching requirement is that the placement can fully meet the pupil's needs. Local authorities have to have regard to cost in line with principle 3 of this consultation that "The interests of the taxpayer require that funding and resources should be used efficiently and to best effect".

My view would be that these institutions should continue to be funded on the basis of places. Consideration needs to be given to the relatively small size of most of these establishments. The document implies that the schools control the admissions (see para 6.25) rather than it being the LA for maintained schools.

As detailed in question 23 there has to be an ongoing balance between schools being as full as possible (to ensure the use of resources) and availability of places for the next pupil identified as needing such a placement. Placements occur throughout the year and are affected in areas like Coventry by high inward migration to the city.

The biggest cost to schools is staffing so I would be concerned that any reduction in funding could affect provision and staff development / recruitment. The recruitment and retention of staff is critical in this area, as is encouraging new staff into the area of SEND.

Question 30: Are any of options (a)-(d) desirable?

(a)

X

(b)

(c)

X

(d)

None

Not Sure

Comments:

In the context of the response to question 29 b or d may be the least disruptive.

Funding Special and AP Academies and Free Schools

Paragraphs 6.27 to 6.39 discuss how funding for special and AP Academies and Free Schools should be managed in the short term and, in the longer term, whether funding should be routed through the Education Funding Agency (EFA) or the commissioner.

Question 31: For the longer term, should we fund Special and AP Academies and Free Schools:

- a) with all funding coming direct from the commissioner?
- b) with all funding coming through the EFA and recouped from the commissioner?
- c) through a combination of basic funding from the EFA and top-up funding for individual pupils direct from the commissioner?

X (a) (b) (c) Neither Not Sure

Comments:

Question 32: If we go for the combination funding approach, should we pass all funding through the EFA for a limited period while the school is establishing itself before moving to this approach?

Yes No X Not Sure

Comments:

Concerned about the underlying agenda to incentivise schools to "secure pupils". Whilst supportive of the agenda to give parents greater choice and control there is the danger of over publicising specialist provision leading to unnecessary placements and greater costs to the system.

Constructing the High Needs Block for local authorities

Paragraphs 6.40 to 6.47 propose a new formula for determining the High Needs Block building on the research carried out for the Department by PricewaterhouseCoopers in 2009.

Question 33: Given there is no absolute method of determining which pupils have high needs, and given local variation in policy and recording, is this approach to determining proxy variables acceptable?

Yes

No

X Not Sure

Comments:

There needs to be a clear definition in relation to which pupils we are talking about in this section, as we also have a number of pupils in maintained settings with special educational need. How is it intended that these individuals are recognised in a funding formula? We maintain that there is a correlation between high incidence special educational need and deprivation, and would suggest that the PWC research of 2009 is widely shared so this can be looked at in more detail.

Should this not be considered when the government has advised on a national criteria for SEND as per the green paper so that there is not such a local variation of definition as exists now.

Question 34: Do you agree that deprivation is linked more to AP rather than the wider SEN needs?

Yes

X No

Not Sure

Comments:

There is a clear link between deprivation and AP, but we would also maintain that there continues to be a link between high incidence special educational need and deprivation (see above). This is all linked to definition.

Paragraphs 6.48 to 6.49 suggest the need for substantial transitional arrangements in moving to a new formula as the formula will fail to reflect the spend of local authorities on high need pupils.

Question 35: Do you agree that in the short term we should base allocations to local authorities for the high needs block largely on historic spend?

Yes

No

Not Sure

Comments:

Post-16

Paragraph 6.50 proposes aligning pre- and post-16 funding for high needs pupils over time.

Question 36: Do you agree that post-16 funding should also become part of the local authority's high needs block over time, but that there might be a particular need for transitional arrangements?

Yes

No

Not Sure

Comments:

Local authorities have been working very closely with the YPLA to support in managing the Learning Difficulty and/or Disability (LDD) budget. This budget has consistently been overspent nationally and, as stated in the consultation, it currently funds high levels of care and health needs. We welcome the statement that the DfE will work with relevant Departments to address this. Understandably, Local authorities are concerned that they may be taking over a budget which is insufficient to meet need. The transfer of such a budget will indeed be complex to take

account of base rate funding for providers who support learners at a national level and 'top ups' from local authorities for their individual learners. We believe there will need to be transitional arrangements to support the management of change and there will be a period of more than one year (e.g. 3 to 4 years) when funding may have been committed for individual learners under the current matrix funding system with ISPs.

Question 37: What data should ideally underpin the funding allocations both initially and for a potential high needs block arrangement?

Comments:

Historical data and trends of high level support. The actual cost of educational support at ISPs is not clear as the matrix does not provide a breakdown between education and support costs.

Issues Specific to Alternative Provision

Paragraphs 6.51 to 6.56 highlight issues specific to AP provision but suggest that AP should continue to be treated alongside SEN for funding purposes.

NB: Questions 38 is displayed together with question 39 in the document.

Question 38: Should AP continue to be treated alongside high needs SEN for funding purposes?

Yes

No

Not Sure

Comments:

Question 39: What differences between them need to be taken into account?

Comments:

Local authorities may have very differing amounts of AP depending on their other provisions in their area. Coventry has working practices established over the last ten years which support a joint financial responsibility on the funding of AP. The LA is working in partnership with its schools for them to take greater responsibility in this area.

Whilst noting the comment in para 6.52 about avoiding children attending AP for the longer term, this has to be balanced against the fact that it is better for young people to be in supportive, appropriate provision than on a mainstream school role but not attending/participating.

Early Years

Paragraphs 7.5 to 7.8 set out current arrangements for early years funding and discuss whether the Early Years Single Funding Formula could be made simpler:

Question 40: Do you agree we should aim for a simpler EYSFF? If so, how?

Yes

No

Not Sure

Comments:

Our current EYSFF only includes a base rate funding and a deprivation rate funding therefore cannot be made simpler under the current arrangements from a formula structure point of view.

Our base rates recognise the real costs difference in each sector – e.g. statutory requirements over adult to child ratio, sector general practice on pension arrangements and corresponding Nic difference etc. Within each sector, our base rates are banded to recognise the economy of scale bigger settings are able to achieve. We believe these base rate bandings and sector base rate differentiation need to be taken into account to ensure the fairness of the formula.

Fairness in funding is not about giving all settings the same but ensuring that funding reflects the policy and statutory requirements for the type of setting.

Again our deprivation rate also recognises the above mentioned costs difference in each sector and we currently only have 1 deprivation rate for each sector.

Therefore we don't think banding (assume this include sector dependent base and deprivation rates) should/could be removed in our case.

To introduce a series of "clearly identifiable lump sums" cannot make the formula simpler. If each LA goes about determining the lump sums by different ways, there will be just as many variations as there currently are for other elements of the formula. And if not careful to use lump sum would mean funding places, which is one of the issues the EYSFF is trying to address?

Paragraphs 7.9 to 7.11 sets out options for improving the focus on tackling disadvantage and improving consistency in the support offered to disadvantaged children.

Question 41: How could we refine the EYSFF so that it better supports disadvantaged children?

Comments:

We believe sufficient funding should be targeted towards the disadvantaged children for it to make a difference for these children.

As to the options of identifying children who should be eligible for the funding, our comments are as following:

- Pupil Premium is measured by FSM and not many 3 and 4 year olds currently stay over lunch time in maintained nursery classes and FSM is not mandatory in PVI settings therefore it cannot be used as a way of identifying disadvantaged children
- We believe the national measure/definition for children eligible for free early education for 2 year olds doesn't exist currently

To base disadvantage funding on settings in deprived areas will potentially mean funding won't follow children who needs the support. Local comparison indicates children who access the free entitlement in settings in deprived area are not necessarily from deprived areas due to there is no admission requirement (e.g. catchment area) for the early years provisions. And there will need to be a cut-off point/threshold of deprivation level and this will have the cliff edge effect.

Target funding towards disadvantaged children through the EYSFF is only the first step in supporting these children as it cannot guarantee the funding is spent on these children by each setting in the best possible way to support these children.

Bringing more consistency to free early education funding

Paragraphs 7.12 to 7.15 consider two options for continuing to fund local authorities for free early education: on the basis of their current spend or on the basis of a formula.

Question 42: Do you agree we should allocate funding to local authorities on the basis of a formula?

| | | |
|------------------------------|-----------------------------|--|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> Not Sure |
|------------------------------|-----------------------------|--|

Comments:

If moving to a formula basis for the rest of the DSG then it makes sense to do the same for early years. With the usual caveats about ability to remove funding between blocks, protection arrangements etc...

Paragraphs 7.16 to 7.18 discuss how a formula to local authorities for funding early years would operate.

Question 43: Do you agree a formula should be introduced based largely on the same factors as the schools formula?

Yes

No

Not Sure

Comments:

It makes sense to use similar factors, but as with the schools formula it is the level and weighting of each factor that is crucial.

Bringing greater transparency to free early education funding

Paragraphs 7.19 to 7.20 discuss what has been done so far to improve transparency and our plans for the future.

Question 44: We would be grateful for views on whether anything else can be done to improve transparency.

Comments:

We believe the operation of the formula is transparent currently through the consultation

process and briefings with providers, and guidance/FAQ etc.

The early year's formula is set out in the S251 currently (old table 4?)

Pupil Premium

Paragraphs 8.1 to 8.8 set out two options for extending the coverage of the pupil premium to include pupils previously eligible for Free School Meals: an 'ever 3' measure or an 'ever 6' measure which extend cover to those eligible for FSM at some point in the last three or six years.

Question 45: What is your preferred option for determining eligibility for the Pupil Premium from 2012-13? Should it be based on the Ever 3 or Ever 6 measure?

Ever 3

Ever 6

Neither

Not Sure

Comments:

See comments at question 10 in relation to the introduction of an 'ever' FSM measure.

We still have a number of concerns in relation to the pupil premium – we feel that we have adequately funded deprivation through the formula and the introduction of the pupil premium has given rise to some significant concerns in relation to double-funding of pupils. The strict minimum funding guarantee arrangements have meant we have been unable to address this through our funding formula. As a potential future delivery mechanism for all deprivation funding we want to highlight the following issues:

- Is a basket of measures more successful in appropriately targeting deprivation?
- The impact of deprivation when there are a high number of deprived pupils in a school. PWC did some research in 2002 that has been quoted in previous funding consultations in relation to an escalation of cost once a critical mass of deprivation is reached. If this is still the case this would suggest that a flat amount per pupil is not sufficient and there should be some banding to reflect this.
- In addition, 2 individuals on FSMs could be in very different circumstances

Paragraphs 8.9 to 8.10 seek views on other issues for calculating the pupil premium, such as whether to reflect differences in funding already in the system.

Question 46: What is your preferred approach for calculating the Pupil Premium?

Comments:

There is some suggestion that the distribution methodology for the premium should be amended to recognise funding differences already in the system. This should only be pursued if there is clarity on what these differences are – and that the differences are down to deprivation.

In addition as this consultation is about moving to a new formula model – is this irrelevant?

Timing for implementation

Paragraphs 9.1 to 9.4 consider the issue of when to begin the process of moving to a new funding formula.

Question 47: Do you think we should implement the proposed reforms in 2013-14 or during the next spending period?

| | | | |
|----------------------------------|--|----------------------------------|-----------------------------------|
| <input type="checkbox"/> 2013-14 | <input checked="" type="checkbox"/> Next X Spending Period | <input type="checkbox"/> Neither | <input type="checkbox"/> Not Sure |
|----------------------------------|--|----------------------------------|-----------------------------------|

Comments:

This all depends on the amount of funding turbulence, but it is our view that this will be hard to implement at a time of no growth in funding.

The aim should be to minimise funding turbulence.

Question 48: Have you any further comments?

Comments:

Some of this funding consultation seems to be driven by the need to find a way to fund academy's and free schools. As Local Authority maintained schools are still the majority of schools this at times feels very one-sided.

We also feel that there is a significant lack of clarity in relation to the funding for high needs pupils section, and that once the outcomes of the SEND Green paper are confirmed there needs to be further detailed consultation in this area.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply X

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

X Yes No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

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If you have any comments on how DfE consultations are conducted, please contact Carole Edge, DfE Consultation Co-ordinator, tel: 01928 738060 / email: carole.edge@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 11 October 2011

Send by e-mail to: schoolfunding.consultation@education.gsi.gov.uk

Send by post to:

Consultation Unit
Area 1C
Castle View House
Runcorn
Cheshire
WA7 2GJ

Implementation of the 2010-11 Review of Education Capital (The James Review)

Consultation Response Form

The closing date for this consultation is: 11 October 2011
Your comments must reach us by that date.

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 1998.

If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Please tick if you want us to keep your response confidential.

Reason for confidentiality:

| | |
|------------------------------|---|
| Name | Ashley Simpson |
| Organisation (if applicable) | Coventry City Council |
| Address: | Coventry City Council Room 246 New Council Offices Earl Street Coventry CV1 5RS |

If your enquiry is related to the policy content of the consultation you can contact Jane Power on:

Telephone: 01928 438037

e-mail: CapitalReview.CONULTATION@education.gsi.gov.uk

If you have a query relating to the consultation process you can contact the Consultation Unit on:

Telephone: 0370 000 2288

e-mail: consultation.unit@education.gsi.gov.uk

Please tick one category that best describes you as a respondent.

| | | |
|---|---|---|
| <input checked="" type="checkbox"/> Local Authority Children's Services | <input type="checkbox"/> LA Building Officer | <input type="checkbox"/> Cabinet Member |
| <input type="checkbox"/> Academy | <input type="checkbox"/> School Applying for Academy Status | <input type="checkbox"/> Voluntary Aided School |
| <input type="checkbox"/> School Forum | <input type="checkbox"/> Private Sector (construction) | <input type="checkbox"/> Maintained School |
| <input type="checkbox"/> Campaign Group | <input type="checkbox"/> Governor's Association | <input type="checkbox"/> Other Children's Services Provider |
| <input type="checkbox"/> Other | | |

Please Specify:

Use of Basic Need and Condition Data to Determine Local Budget Allocations

Recommendations 'Review of Education Capital: Sebastian James, April 2011'

Rec 1: Capital Investment and apportionment should be based on objective facts and use clear, consistently applied criteria. Allocation should focus on the need for high-quality school places and the condition of facilities.

Rec 8: That the Department:

- *gathers all local condition data that currently exists, and implements a central condition database to manage this information; and*
- *carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate's condition in five years and thereafter.*

1 What data on the condition of the local estate should be used alongside pupil and student numbers data, as the basis of a fair allocation to address need across the range of children's and young people's institutions and facilities?

Comments:

The Asset Management Plan Section 3: Condition Assessment issued by DfEE in 1999 is fundamentally flawed.

It requires a great deal of detailed visual information on every room in a school. There is no requirement for intrusive surveys. It states "they (non-intrusive) should be sufficiently thorough as to identify the need for any further surveys or tests."

Major structural problems may not show any visual signs of serious deterioration.

Much of the data that is recorded does not need the services of building experts – any competent school caretaker or business manager can see when rooms need redecoration, sanitary services need refreshing, windows and doors need repair or replacement.

Revenue budgets for repair and maintenance of school buildings have long been delegated to schools. Schools employ the staff and commission the advice they need to maintain their sites. There will probably be a requirement to identify schools that are failing to maintain their buildings in an acceptable condition for pupils and staff. As an increasing number of schools will no longer be the responsibility of Local Authority's (LAs) can this be a visual observation by OfSTED inspectors and/or a financial check looking at the proportion of expenditure spent on building repair and maintenance as compared with similar schools? The commonest reason for schools failure to maintain their buildings is too high a proportion of their delegated budgets being spent on employing staff.

There should be a programme of intrusive surveys to ensure the structural integrity of school buildings and the major services. The frequency of these investigations should take account of the age and the nature of the building construction. At the same time all aspects of the building that no longer comply with current building regulations should be recorded and used to inform priorities for replacement or major refurbishment of school buildings.

As the formula for delegated budgets are simplified and heating costs continue to increase, schools with buildings built after the second world war that have virtually no insulation, will be at

a disadvantage as an increasing proportion of their budget has to be directed to maintaining adequate temperatures. These schools will also be contributing disproportionately to the carbon emissions from more recently constructed schools. In Coventry these schools tend to be 'land hungry' and if replaced could be designed to accommodate additional pupils more effectively.

2 Access to, and quality of, condition data can be variable. Do you have robust and complete data available, or have you proposals on how it can be gathered and managed most effectively, but at the same time with minimal cost? Please outline.

Yes

No

Not Sure

Comments:

The City Council is currently undertaking a rolling programme of condition surveys across its primary school estate. Condition surveys for secondary and secondary special schools have not been completed for a number of years, given that all of these schools were to have been either replaced or significantly refurbished as part of Coventry's single wave Building Schools for the Future (BSF) programme, which was cancelled in July 2010. A small number of surveys have recently been completed in support of applications for the Priority Schools Building Programme, but otherwise there is now a backlog of surveys required to be undertaken. This is further complicated by the fact that eight of our nineteen secondary schools have now converted to academies.

Condition surveys carried out by external contractors require the input from LA's to supply Computer Aided Design (CAD) drawings and provide expert background information regarding known issues with individual buildings and buildings of particular construction types e.g. CLASP, and HILLS as well as MandE service history and life cycle information. Non intrusive surveys are very limited in scope and will not uncover major issues relating to roofs, cladding or drainage. LA's also provide a key role in the checking of data quality for errors and omissions, from current experiences it safe to say that there will be inconsistencies if this is not done for all properties and will mean data cannot be trusted.

If LA's are required to provide condition survey data to set guidelines as before using standard costing and reporting requirements then whether they are carried out by qualified internal surveyors or external contractors consistency can be achieved with the LA using their expertise to check and analyse the result before submitting to the DFE. This will reduce the quality control and validation checking required at the receiving end, the central data store.

Flexible capital budget with local decision-making

Recommendations 'Review of Education Capital: Sebastian James, April 2011'

Rec 2: Demand-led programmes, such as Free Schools, are most sensibly funded from the centre and a centrally retained budget should be set aside for them.

Rec 3: The Department should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single,

flexible budget for each local area, with a mandate to include ministerial priorities in determining allocations.

Rec 4: Notional budgets should be apportioned to Local Authority areas, empowering them fully to decide how best to reconcile national and local policy priorities in their own local contexts. A specific local process, involving all Responsible Bodies, and hosted by the Local Authority, should then prioritise how this notional budget should be used.

Rec 5: The local prioritisation decisions should be captured in a short local investment plan. There should be light-touch central appraisal of all local plans before an allocated plan of work is developed so that themes can be identified on a national level and scale-benefits achieved. This must also allow for representations where parties believe the process has not assigned priorities fairly.

Rec 6: Individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision. Wherever possible, this should be aggregated up to Responsible Bodies according to the number of individual institutions they represent, for the Responsible Body then to use for appropriate maintenance across its estate, working in partnership with the institutions.

3 Do you think that the Department should move to a system for capital investment that apportions the available capital as a single, flexible budget for each local area, and that investment should then be determined through a specific local process, involving all Responsible Bodies and ultimately hosted by the Local Authority?

| | | |
|---|-----------------------------|-----------------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Not Sure |
|---|-----------------------------|-----------------------------------|

Comments:
Yes. The Department should move to a system for capital investment that apportions the available capital as a single, flexible budget for each Local Authority area. The investment should then be determined through the Schools Forum involving all Responsible Bodies process rather than set up a dedicated Local Panel. The academies within the LA area will need to form a "Responsible Body" to be represented on the Schools Forum. Each Academy could not be represented on the Schools Forum because they would be over represented relative to the number of community and Voluntary Aided (VA) schools.

4 a) What do you consider to be the benefits or risks in establishing a single capital funding model of this nature?

Comments:

It is essential that good quality information is available to all parties and that they have confidence in the information gained from their experience over time. The critical data is :

- a) pupil numbers and school capacity by planning areas and city wide;
- b) Reliable condition information that clearly demonstrates where the greatest and most urgent need for replacement or major refurbishment of school buildings are; and
- c) Evidence that each school is appropriately maintaining their buildings to minimise the need for capital investment because of avoidable neglect and inappropriate use of delegated budgets.

The data on location of pupil numbers and school capacity will enable officers to work with schools to develop proposals for expansion where there is a deficit of places as Coventry is facing. The Schools Forum can then debate how the need for additional places can be delivered and funded as a first call on capital.

The condition information should enable the Schools Forum to develop a five year plan of priority projects for building replacement and major refurbishment.

4 b) How would you address the risks you have identified?

Comments:

The need for building replacement in Coventry is likely to far exceed the likely capital funding allocations at current levels over the next 5 years. There will inevitably be some strong debate and huge concerns from a significant number of schools – heads, governors, staff and parents.

The Schools Forum will need to agree an emergency condition fund to which schools facing immediate closure because of a building failure if the cost of repair is beyond the capacity of their delegated budgets to fund. The emergency capital fund could be used to offer a loan or grant depending on the circumstances and the schools previous approach to the maintenance of its buildings.

4 c) Specifically, how could the local area decision-making arrangements be established to ensure that the process represents the range of Responsible Bodies, takes account of all needs, leads to fair prioritisation of investment within the available resource, and is not unduly bureaucratic?

Comments:

Each Responsible Body will need to be part of the decision-making arrangements. Rather than reinvent a new bureaucracy we would suggest utilising the existing Schools Forum arrangements where those Responsible Bodies are already represented (representative headteachers form the primary, secondary and special phases together with diocesan authorities etc). With an increasing number of academies (and potentially Free Schools), further consideration would need to be given as to how the needs of these establishments will be taken into account. Even in a relatively small authority such as Coventry having each individual academy represented would be unmanageable. Consideration would need to be given to academies nominating a representative(s) commensurate with their numbers.

5 Would you prefer to see the current funding model used for the 2011-12 allocations retained until at least 2015 or for the foreseeable future? What are the risks and benefits of this approach?

Yes

No

Not Sure

Comments: Yes. The greatest benefit is it would allow capital funding to be allocated for the next 3 years and enable the LA or the Schools Forum to make allocations and enable building work to be planned and developed according to the agreed 5 year plan. At present Coventry must enter into contracts for projects that will complete and spend significant capital funding in 2012-13. Other urgent condition needs cannot be progressed until there is some certainty about future years capital funding. If the capital is not forthcoming it will have to use prudential borrowing and ask all schools to contribute to the repayments.

The risks are that until there is confidence in the accuracy of the condition needs of school buildings across the country individual local authorities may receive too much or too little of the available capital funding to address condition needs.

6 Should some of the ring-fenced programmes currently managed centrally, for example maintenance of Academies and Sixth Form Colleges, become ring-fenced programmes managed locally? What would be the risks and benefits?

Yes

No

Not Sure

Comments: Funding should not be ring-fenced if that leaves those within the ring-fence better or worse off than those outside the ring fence. Until there is confidence with the quality of the condition information it will not be possible to be able to determine what proportion of the capital funding should be within or outside the ring fence.

7 a) Would you support a model that includes a fair proportion of maintenance capital being directly allocated to Responsible Bodies that have assets in several local authority areas, so that they can make their own decisions on how best to deploy that maintenance funding across their estate? What are the benefits and risks of this approach?

Yes

No

Not Sure

Comments:

The greatest risk lies with the LA if there is a major failure of a VA school and the Responsible Body has no funding left to address it, because all the funding is committed to the VA schools in another authority. The LA still retains the legal responsibility to ensure the education of the children that cannot be educated in the failed VA school.

There may be some advantages however, to the responsible body in managing a larger budget over a larger estate.

7 b) How would such Responsible Bodies be identified?

Comments:

For Coventry, the Responsible Bodies with assets in more than one LA area are the Archdiocese of Birmingham Diocesan Schools Commission and the Coventry Diocesan Board of Education. The LA already has a long established working relationship with both bodies.

8 Do you agree with the principle that there should be a Local Investment Plan to support local and national transparency and better procurement? If so, what should be included in a Local Investment Plan?

Agree

Disagree

Not sure

Comments:

There needs to be a Local Investment Plan covering 5 years and based on some certainty of capital funding over that period. Coventry has a 5 year plan to address known basic need and the highest major condition needs. It cannot be progressed because a lack of any indication of future capital funding levels. A five year rolling plan provides clarity for schools but only if there is some certainty on capital funding and design and planning can proceed with confidence. The more time allowed for the planning of a major project the better the chance of ensuring the best value for money even if there is a model design to work to.

9 Do you agree that each local authority area should provide the department with an initial Local Investment Plan in spring 2012, drawing from the respective plans that all Responsible Bodies make for their own allocations?

Agree

Disagree

Not sure

Comments:

Yes. These should be relatively easy to roll forward as a five year plan each year if there was some indication of the capital funding levels available over the period. A five year plan would also enable a more strategic plan rather than trying to force relatively small projects into relatively small pockets of funding.

10 Do you believe there are other models which incentivise the creative and efficient use of capital at school level?

Yes

No

Not Sure

Comments:

All schools need to have a shared understanding of their relative needs in regard to the state of their buildings. Coventry has a huge need to replace a significant number of primary and secondary schools that were built in the 1950', 60's and 70's. At the rate Coventry has been able to replace school buildings over the last 30 years it would take 120 years to replace all schools.

All revenue funding for building repair and maintenance is delegated to schools and in recent years a significant proportion of the capital funding has been delegated to schools. Schools need to plan to use these resources to maintain all aspects of their buildings. The capital made available to Responsible Bodies needs to be used for replacement buildings or major refurbishments only. Only a small proportion should be retained as a contingency if there is a large cost project at a school that must be undertaken to keep the school open and is beyond a schools budget to manage.

The delegation of revenue and capital to schools does not adequately reflect a schools needs to repair and maintain its buildings. There has been some differentiation between new schools and the rest but still leaves those schools with new and relatively new buildings with funding to spend on developments which schools in crumbling, non-insulated buildings can only dream of.

It would be inequitable to withdraw delegation from some schools to allocate to responsible bodies while others – single Academies - retain their delegation.

Good quality and reliable meaningful condition information for every school could enable a fairer delegation of financial resources to need but does this fit with the desire to simplify delegated school budgets?

National Contracting and Procurement

Recommendations 'Review of Education Capital: Sebastian James, April 2011'

Rec 13: That the Central Body should put in place a small number of new national procurement contracts that will drive quality and value from the programme of building projects ahead.

Rec 14: That the Department uses the coming spending review period to establish a central delivery body and procurement model, whereby the pipeline of major projects - to a scale determined by the Department - is procured and managed centrally with funding retained centrally for that purpose.

Rec 15: That the Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.

11 Do you agree that there are benefits and efficiencies to be gained in building and capital maintenance from using national expertise, national procurement frameworks, a standard contract with suppliers and national project management? What do you consider to be the potential advantages and disadvantages?

Agree

Disagree

Not sure

Comments:

No. Large organisations are not automatically better. The larger the organisation grows the greater the risk of growing management costs with more managers, more tiers of management and increasing financial rewards and bonuses. There needs to be regular competition to ensure contractors and suppliers continue to deliver good products, on time and continually seek to improve and provide better value for money for the client and end users.

There can be no guarantee that the national expertise is of a higher quality than the expertise available in well managed local authorities that already deliver new and refurbished schools on time, of good quality and value for money. Contractors and their supply chain and designers working with LAs (together with their model briefs) and their schools through the partnering arrangements can provide continuing improvements and better value.

There are broadly standard contracts already available for building work. Using good and committed contractors the existing contracts generally work well.

National project management is more likely to add to costs with the managers remote from the communities where schools are to be built, rebuilt or refurbished. LAs with experienced and committed project managers working in the community are accountable to them and the City Council's Cabinet. Networks of LAs and their officers share best practice and expertise.

12 Do you have evidence to show that local or regional procurement arrangements offer better value for money for certain types of projects or within certain values? If so, please describe.

Yes No Not Sure

Comments:
Coventry is currently not a member of any regional consortium for major school procurement projects. There are many local examples however of high quality schemes delivered on time and within budget. In fact since we developed our partnering strategy back in 2001/2002 all of our major education projects have delivered within approved resources and by the critical date for delivery. An analysis of nine major education projects completed between April 2009 and March 2010 reveals that the five delivered through our partnering arrangements were all completed on time (or earlier) and within budget. The value of these schemes ranged from £140k to £2.7m, with an average value of £950k.

13 Are there limits - contract value or type of project - where you think the case can best be made for local or regional contract procurement? Please specify below.

Yes No Not Sure

Comments:
Where existing local/ regional procurement arrangements for projects of all types/ values can demonstrate value for money, delivered on time and within budget, then these arrangements should be allowed to continue.

In Coventry, contractors and their supply chain and designers working with the Authority together with their model briefs and their schools through the partnering arrangements can provide continuing improvements and better value. This is across a broad range of projects, both in terms of value and type. Typically these range from small modernisation/ refurbishment projects (£100k to £200k) through to whole school replacements (£5 million plus).

There are broadly standard contracts already available for building work. Using good and committed contractors, the existing contracts generally work well.

14 What criteria do you suggest for projects to be potentially exempt from project management by the central body?

Comments:

Where LA's such as Coventry are able to demonstrate a successful track record that their existing procurement arrangements deliver high quality vfm schemes on time and within budget, these should be allowed to continue with existing arrangements.

15 Where local or regional procurement or project management is used, how can its benefits and learning be shared so as to achieve the same gains in all procurement?

Comments:

There already exist a number of both formal and informal national, regional and local networks comprising experienced procurement and project managers. These forums already enable the sharing of best practice. These could be used as conduits to ensure that benefits and learning from different procurement practices can be shared.

Other recommendations not covered specifically by this consultation that are set out in the Review

Review of Education Capital: Sebastian James, April 2011

Rec 7: The Department ensures there is access to clear guidance on legal responsibilities in relation to maintenance of buildings, and on how revenue funding can be used for facility maintenance.

Rec 9: That the Department revises its school premises regulations and guidance to remove unnecessary burdens and ensure that a single, clear set of regulations apply to

all schools. The Department should also seek to further reduce the bureaucracy and prescription surrounding BREEAM assessments.

Rec 10: There should be a clear, consistent Departmental position on what fit-for-purpose facilities entail. A suite of drawings and specifications should be developed that can easily be applied across a wide range of educational facilities. These should be coordinated centrally to deliver best value.

Rec 11: The standardised drawings and specifications must be continuously improved through learning from projects captured and coordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.

Rec 12: As many projects as possible currently in the BSF and Academy pipeline should be able to benefit from the Review's findings to ensure more efficient procurement of high quality buildings. This should be an early priority to identify where this could be done.

Rec 16: That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.

16 Do you have any immediate further comments you wish us to consider on other parts of the Recommendations from the Review?

Comments:

We would wish to see that LA's continue to be consulted once Government has determined its formal response to these outstanding recommendations.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes No

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Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Carole Edge, DfE Consultation Co-ordinator, tel: 01928 438060 / email: carole.edge@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 11 October 2011

Send by post to:

Jane Power
Department for Education
Castle View House
Ground Floor Area C
East Lane
Runcorn
Cheshire
WA7 2GJ

Send by e-mail to: CapitalReview.CONSULTATION@education.gsi.gov.uk

Cabinet Briefing
Cabinet
Council

20th September 2011
4th October 2011
18th October 2011

Name of Cabinet Member:

Cabinet Member Strategic Finance and Resources – Councillor Duggins

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

City Wide

Title:

Response to Consultation – Local Government Resources Review: Proposals for Business Rate Retention

Is this a key decision?

No

Executive Summary:

This is a response to the government consultation on the Local Government Resources Review: Proposals for Business Rates Retention. The Council's recommended response is included in full at Appendix 1.

The consultation response makes it clear that the Council favours the principle of giving local authorities greater financial autonomy and strengthening the incentives to support local economic growth. However the Government's proposals represent a move away from settlements based on resourcing need. The response expresses opposition to this change in approach.

There is a strong possibility that the Council will suffer a reduction in funding as a result of these proposals. In addition they introduce significant additional uncertainty into funding arrangements and, as such, will have a detrimental effect on our ability to carry out effective financial planning.

The consultation has both a main element and a number of additional technical papers. The appendix to this report is a proposed response to the main consultation. The response also includes indirect responses to areas of interest raised in the technical papers and work is continuing to be carried out on these supplementary technical papers.

Recommendations:

Cabinet is recommended to consider the consultation response in Appendix 1 and propose any changes for consideration by Council.

Council is recommended to approve the consultation response including any changes proposed by Cabinet and to delegate responsibility to the Director of Finance and Legal Services to supplement the main response with any detailed elements that arise from the ongoing work on the technical papers. Any additions will be in keeping with the general principles included within the main response.

List of Appendices included:

Appendix 1: Consultation Response

Other useful background papers:

Local Government Resources Review: Proposals for Business Rates Retention consultation document (Available on the website of the Department for Communities and Local Government)

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 18th October

Report title:

Response to Consultation – Local Government Resources Review: Proposals for Business Rate Retention

1. Context (or background)

- 1.1 A consultation document was published by the Department of Communities and Local Government on 19th July 2011.
- 1.2 The consultation questions and the Council's proposed response are included in full at Appendix 1.
- 1.3 A further eight technical papers were released subsequent to this on the 19th August. These consisted of a further 200 pages of consultation information and 63 consultation questions in addition to the original 33 questions set out in the initial Consultation Paper. The main issues identified within these technical papers are covered within the body of this response.

2. Options considered and recommended proposal

- 2.1 The options for this report are to accept the proposed response in full, to suggest amendments for acceptance by the Council or to not send a response.
- 2.2 An outline of the current Local Government funding arrangements is provided below, followed by the design principles included within the consultation proposals.

2.3 Current system of Local Government funding

Local Authorities collect Business Rates on behalf of Central Government. Any income is paid into a national pool that is then redistributed as part of the annual Local Government Settlement.

In the Settlement the Government determines how much Formula Grant each authority should receive using a complex set of calculations that attempt to take into account both relative spending pressures and relative Council Tax incomes for each authority. The Formula Grant contains two elements: redistributed business rates; and Revenue Support Grant (RSG).

The Council's budget requirement is funded from a combination of Council Tax income and Formula Grant from Central Government. Figure 1 below shows in 2011/12 Coventry's budget requirement of £277m is funded through £119m of Council Tax and £158m of Formula Grant – made up of £121m Redistributed Business Rates and £37m RSG.

Fig1. Coventry 2011/12 Budget Requirement

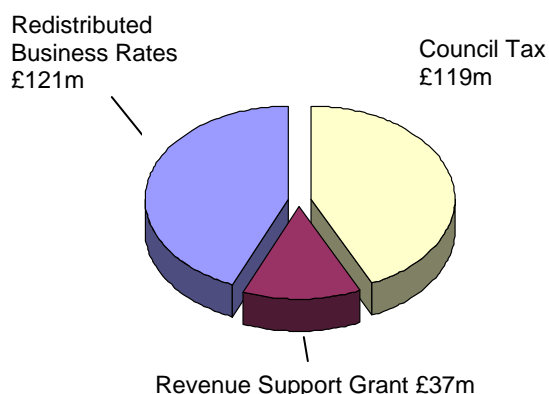
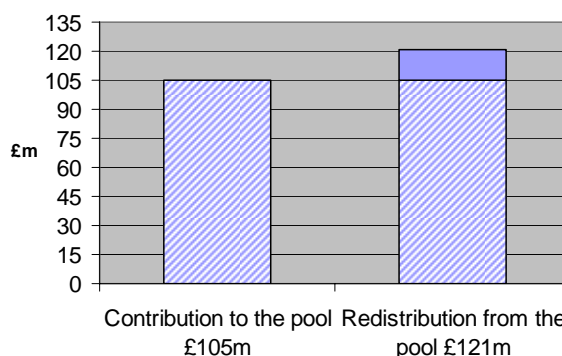


Fig2. Coventry 2011/12 Business Rates



The amount of Business rates collected locally is anticipated to be £105m, compared to Coventry's £121m share of the pool. The key point to note is that for 2011/12 Coventry is a net receiver from the business rates pool as shown in figure 2.

This reflects one of the fundamental principles of the current system that resources are allocated on the basis of need.

It is also important to note that there is an adjustment, known as 'damping', which aims to prevent large changes for individual authorities. This adjustment results in Coventry receiving significantly less Formula Grant than a purely needs based assessment would deliver. In 2011/12 Coventry lost £8m as a result of 'damping'. We have consistently lobbied Central Government to remove this inequity.

2.4 Design Principles

The Government has stated that its intention is to allow authorities to benefit from future increases in Business Rates, the downside of this approach is the risk of authorities losing resources if the level of business rates reduces. The following section briefly summarises the key elements of this proposed new approach:

- The Government intends to establish a **baseline position** in 2013-14 for each local authority in terms of the amount of money they receive from central government (via their Formula Grant allocation), and the level of business rates that is collected in the area.
- Using this baseline position, the Government will develop a process of **tariffs or top-ups** with the intention of achieve a fair starting point for all areas. Those areas that generate business rates revenues in excess of their baseline position will be required to pay a tariff to government, while those with a business rates yield below their baseline will receive a top-up. It is envisaged that this system would be self-funding and fixed into future years. This will initially be constrained by the expenditure limits for local government set within the 2010 Spending Review for the four-year period to 2014-15.
- From the first year of introducing this new model (expected to be 2013), local authorities whose level of business rates increases will be able to benefit by keeping what the Government states will be a “significant proportion” of any increase in business rates yields above the baseline position, while those whose level of business rates declines would lose overall resources.
- To manage the possibility that some local authorities with high business rate taxbases could see disproportionate financial gains, the Government proposes that they collect a **levy** recouping a share of **disproportionate benefit**; and use the proceeds to help manage large, unforeseen negative volatility in individual authorities’ budgets (i.e. as a result of large closures or relocations).
- The proposed new system would have features to enable it to be **reviewed or “reset” in the future**, if the Government felt that the level of business rates no longer met local service needs/pressures.
- The proposed system includes **voluntary pooling** arrangements of local authorities within a geographic area, to share the benefits of growth, help avoid the impacts of displacement and smooth the impact of volatility across a wider economic area.

2.5 Key issues

The recommend response expresses significant concern that the proposals represent a movement away from funding methodology based on need and towards a system of winners and losers based on economic opportunities.

The response also challenges the principle of additional incentives for economic growth, as Councils already prioritise economic development as a key objective where this is in the long term interest of the local community. Therefore throughout the consultation response we have supported options which are weighted towards protection as opposed to growth incentives.

It is anticipated that Coventry will be a top-up authority and that we could potentially be faced with a situation of falling Business Rates which would mean we would lose resources.

A further issue highlighted within the response is that the proposed baseline for use in this system already contains a distorted alignment between resources and need inherent from previous policies of 'damping' (to prevent sudden changes in resources). The Government is minded to retain the impact of Formula Grant damping within the initial baseline position. The consultation response urges the Government to remove damping and ensure that this inequitable feature is not built into the new resource allocation process.

3. Results of consultation undertaken

- 3.1 This is a strategic issue facing the Council and there has been no specific further consultation for this report. Any interested parties in the issues covered by the consultation are able to respond directly to Government.

4. Timetable for implementing this decision

- 4.1 The approved consultation response will be sent to the DCLG to meet the 24th October 2011 deadline.

5. Comments from Director of Finance and Legal Services

- 5.1 Financial implications
The decisions made by Central Government as an outcome of this consultation will have financial implications on the Council as it will directly influence the way Local Government is funded and the resources available to Coventry in the future.
- 5.2 Legal implications
There are no legal implications arising from this report.

6. Other implications

- 6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

There is a strong possibility that Coventry will suffer a reduction in funding as a result of Central Government proposals within this consultation.

- 6.2 How is risk being managed?**

The risk of losing resources as a result of the Local Government Resources Review will be considered as part of the Council's medium term financial planning processes.

6.3 What is the impact on the organisation?

The main impacts are financial and are dealt with at 5.1

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix 1 – Consultation Questions and Proposed Response

General Comments

Coventry City Council is strongly opposed to the overall thrust of the consultation proposals. These proposals risk undermining the fairness and stability within the existing system without delivering benefits to Local Authorities.

The Council is very concerned that these proposals will dramatically erode our financial stability and prevent the authority's ability to plan effectively for the medium term. This would be taking place within the backdrop of a significant reduction in resources (per Spending Review) and ever increasing spending pressures, particularly linked to an ageing demographic

These proposals do not recognise the wide variety of circumstances that authorities face with regard to their potential for economic development. Instead they will distribute resources on the bases of opportunity and advantage and move away from settlements based on need.

The Government has presented these proposals under the guise of promoting localism. However the layers of adjustments, levies, set asides and exclusions included within the proposals will result in Central Government maintaining a high level of control over resource distribution. Coventry's view is that the proposals do not deliver a meaningful degree of localism, but rather represent a way of way of transferring the risk of Business Rate collection and growth to Local Authorities.

It also appears that the Government is minded to retain the impact of Formula Grant damping within the initial baseline position. The Council would urge the Government to remove damping and ensure that this inequitable feature is not built into the new resource allocation process.

A scheme for rate retention

Q1: What do you think that the Government should consider in setting the baseline?

The current system of Local Government funding already contains a distorted alignment between resources and need inherent from previous policies of 'damping' (to prevent sudden changes in resources). The Council's view is that the government should remove or, as a minimum, significantly reduce the damping built in to the 12/13 formula grant allocations to avoid building this existing inequity into the baseline; which would then be carried forward into the new funding structure.

Q2: Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline?

No, unless 'damping' is removed (see answer to Q1)

Q2a: If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?

We prefer the option outlined in paragraph 3.14. This option will take into account additional information regarding authorities' relative needs.

Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

Yes.

The principle of tariff and top up amounts represent the method of 'resource equalisation' (aligning resources and need) within the proposed new system. This would be an essential part

of maintaining a fair system that adequately protected the services in areas with low business rate tax bases.

Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why?

We would strongly prefer the method that inflates the tariff and top up amounts. If this is not done then the resource equalisation that exists in year one would be eroded by any inflationary pressures.

Q5: Do you agree that the incentive effect would work as described?

Our view is that many authorities, including ourselves, already prioritise economic development as a key objective seeking to 'create jobs through the growth of businesses and invest in the city'.

In addition there are a wide range of issues that need to be considered when a local authority is considering the impacts of particular planning proposals, including environmental issues. There is a potential danger that linking resources so closely to Business Rates could cause some authorities to make decisions that are not in the long term interests of the local community.

A further point is that the opportunities and potential scope for economic development and promoting business rates growth will vary dramatically from authority to authority. Some authorities will be put at a continuous disadvantage of not being able to generate additional resources for the authority to reinvest into its service needs.

Q6: Do you agree with our proposal for a levy on disproportionate benefit, and why?

Yes, on the basis that this would provide a cushion for those authorities less able to respond to the incentives, affected by inherent business rates volatility or suffering from local economic circumstances.

Q7: Which option for calculating the levy do you prefer and why?

We would prefer the third option, the creation of individual levy rates for local authorities to allow the retention of growth in an equivalent proportion to its baseline revenue.

Q8: What preference do you have for the size of the levy?

The larger the levy the greater the ability will be to protect vulnerable authorities within this funding structure. Limited options to increase the business rate tax base could adversely affect resource levels and jeopardise an authority's ability to respond to service needs.

Q9: Do you agree with this approach to deliver the Renewable Energy commitment?

The Council agrees with the principle of the Renewable Energy commitment.

Q10: Do you agree that the levy pot should fund a safety net to protect local authorities:

(i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes); or

(ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?

Given the potential volatility that can exist in the rateable value we consider it vital that the proposed funding system should include a significant and robust safety net. This needs to be

adequate to deal with both short and long term reductions in business rates that are outside local authorities' control.

Relaxing the system by using option (i) and therefore allowing greater losses, will require earlier resetting of the system. A balance needs to be drawn between year on year protection levels and a commitment to reset.

Q11: What should be the balance between offering strong protections and strongly incentivising growth?

We believe local authorities are already strongly incentivised to promote growth, therefore we prefer a system weighted towards protection.

Q12: Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

We would prefer the first option in which the safety net is enhanced to utilise the full available levy.

The consultation document seems to assume that the only possibility is that the levy proceeds exceed the safety net requirement. It is not clear to us why the opposite is not considered.

Q13: Are there any other ways you think we should consider using the levy proceeds?

As above.

Q14: Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?

Yes.

We agree with the principle of resetting the tariff and top-ups to ensure no financial gain or loss arises from the revaluation of rateable values.

Q15: Do you agree with this overall approach to managing transitional relief?

Transitional Relief protects Business Rate payers from sudden changes in tax charges. This is a well established element of the existing scheme and it would seem unthinkable to discard a policy that is well received in the business community. However making adjustments to compensate for the effects of transitional relief, will add further complexity to this already unwieldy proposed system.

Q16: Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?

Yes. This would be an essential failsafe if the process of linking authorities' resources directly to its local tax revenues becomes adversely detached from the resource requirement to meet service needs of the area.

Q17: Should the timings of reset be fixed or subject to government decision?

We prefer the fixed option. A lack of local authority knowledge regarding the timing of a reset would lead to uncertainty within medium term resource planning and consequently prevent authorities from being able to take decisions regarding investment and economic planning.

Q18: If fixed, what timescale do you think is appropriate?

Coventry City Council's view is that the timescale should be as short as possible. The longer the timescale between resets, the greater the discrepancy will be between resources and needs.

Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

Coventry would be in favour of a full reset within a fixed time period, which has the advantage of providing the opportunity to realign resources with criteria for assessed need. A disadvantage of a partial reset would be that authorities with greater scope for increasing the tax base would continually increase their resource levels and the authorities with limited opportunities would continue to suffer.

Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?

No, this flexibility should not be retained. We think it is vital to maintain an ongoing assessment of need based on the principles of the existing relative needs formulae. This would enable an ongoing comparison to be made between the new incentive based scheme and a purely needs based alternative.

Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?

Yes, Coventry agrees with the three specified criteria for pooling.

Q22: What assurances on workability and governance should be required?

There should be clear rules of engagement between pooling authorities and defined criteria around benefit distribution between authorities.

Q23: How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?

Given that we are a unitary authority, this question is not relevant to Coventry's response.

Q24: Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive?

No. Authorities should engage in pooling activity based on sound decision including sharing risk and working strategically together. If pooling arrangements are approached in this way, there should be no further need for incentives.

In addition, any funding of financial incentives for pooling authorities will come from the overall Business Rates total, which will leave less funds available for non-pooling authorities and potentially the funding of the safety net.

Coventry agrees with the principle of pooling to provide protection from potential volatility within Business Rates and share the benefits of growth. The Government has suggested we look to counties, districts and LEP communities to form these unions. Coventry would propose the Government considers maximising the benefits of this proposal through the creation of a 'National Pool'.

Q25: Do you agree with these approaches to non-billing authorities?

We agree with the broad principles of Police and Fire Authorities receiving fixed funding allocations.

Chapter 4: Interactions with existing policies and commitments

New Homes Bonus

Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

No.

Coventry City Council is opposed to the principles of Business Rates Retention scheme because it does not align available resources with need. Removing an element of Business Rates revenues to fund the New Homes Bonus scheme adds further complexity and unfairness to the already unwieldy proposals. There is a prospect that a future 'reward' for increasing residential properties will actually be matched by a reduction in Business Rates – as the national total available to fund both aspects is intended to be fixed.

Q27. What do you think the mechanism for refunding surplus funding to local government should be?

Coventry agrees with the proportionate distribution of refunding the surplus based on this being broadly in relation to need.

Business rates relief

Q28: Do you agree that the current system of business rates reliefs should be maintained?

There is a danger that the extra layers of complexity being added to the tariff and top up calculations will make it even more difficult to be clear about our resourcing position, but in principle we support the current business rates relief system.

Supporting local economic growth through new instruments

Q29: Which approach to Tax Increment Financing do you prefer and why?

Coventry City Council is strongly in favour of Option 2, and considers Option 1 to be unworkable.

In particular Option 2 gives more protection in terms of the top ups and tariffs from the wider business rate retention regime. It also gives the most certainty over the amount of business rates that can be retained against the TIF scheme and therefore to carry out the assessment of whether the scheme satisfies the tests for Prudential Borrowing.

Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

Option 2 gives more certainty over the amounts that could be retained under TIF and offers a better guarantee for local authorities and developers in terms of the revenue streams against which borrowing can be secured.

Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?

Yes, it is clear to us that Option 1 would be entirely unworkable.

Q32: Do you agree that pooling could mitigate this risk?

No, we do not think that pooling would provide a solution to the problems inherent in Option 1.

Q33: Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

Yes, option 2 does mean additional central control in terms of the number of schemes coming forward and Coventry would want to see the criteria for assessment take into account areas where there is a real need for economic growth and where opportunities for unlocking schemes are limited, due to local factors including deprivation.

Coventry would not want the controls to be so aggressive as to act as a barrier to TIF schemes, but not so relaxed as to severely limit the pool available to rebalance any reset. The business case for individual schemes needs to be robust and further detail is needed on the types of schemes that could be funded in this way and the period over which TIF could apply.

Cabinet
Council

4 October 2011
18 October 2011

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Duggins

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

City-wide

Title:

Government Consultation – Responding to the *Localising support for council tax in England* consultation

Is this a key decision?

No

Executive Summary:

The government's Welfare Reform Bill 2011 includes provision for the establishment of Universal Credit (UC) to replace a range of existing means-tested benefits. The Bill makes provision for the abolition of housing benefit and council tax benefit, both of which are currently administered by Local Authorities (LAs) on behalf of the Department for Work and Pensions (DWP). Support for housing costs to replace housing benefit is to be included within the new UC. However, the Department for Communities and Local Government (DCLG) is proposing, via this consultation, that support for council tax, which is due to be cut by 10 per cent (£490 million), is localised for Councils to design and administer their own schemes of support. A 10 per cent cut in funding would mean that this Council would have £3 million less than it currently receives to help low income households with their council tax costs.

The DCLG have initiated a formal consultation entitled *Localising support for council tax in England* and are seeking responses to the proposals.

This report outlines the proposed response by the Council to the *Localising support for council tax in England* consultation.

The Council's proposed response covers the following key themes:

- The 10 per cent funding reduction for localised schemes will cause significant hardship to low income households and it is unreasonable to expect Councils to protect work incentives whilst administering such significant cuts in support;

- The Council argues that there should be a properly funded national system of council tax support and that if the Government is determined to proceed with reform of the welfare system then UC should include an element for council tax which should be credited directly to the council tax account. This represents a better outcome for benefit claimants and for the Council in terms of financial risk;
- Councils would bear the financial risk of fluctuations in eligibility for support. Council tax collection rates will be adversely affected as Councils are forced to collect additional council tax from people who have been put in hardship as a result of the 10 per cent cut in funding;
- The April 2013 timescale is challenging and it is unclear how the implementation costs would be met;
- Localised support for council tax appears contrary to the government's wider programme of Welfare reform which will centralise and rationalise existing benefits under the UC;
- The consultation identifies a key benefit of localised schemes as giving Councils a greater stake in tackling unemployment. This purported benefit is illusory; broadly Councils do not need further incentives to tackle unemployment as this is already high on the agenda for Local Authorities. The task of tackling unemployment would be made significantly more difficult with the existence of disparate local schemes administering 10 per cent less support than is currently provided to low income households;
- It is unclear whether support for council tax would be included within the proposed total benefits cap. If it were to be included, and council tax support was restricted as a result of the cap, this would increase the administrative complexity of local schemes and increase financial risk to the Council.

Recommendations:

Cabinet is requested to:

- 1) Recommend that the Council approve the proposed response to the *Localising support for council tax in England* consultation as set out in appendix 1;

Council is requested to:

- 1) Approve the proposed response to the *Localising support for council tax in England* consultation as set out in appendix 1 and submit this response to Central Government.

List of Appendices included:

Appendix 1 – The Council's response to the *Localising support for council tax in England* consultation

Other useful background papers:

Localising support for council tax in England consultation – Department for Communities and Local Government

<http://www.communities.gov.uk/publications/localgovernment/localisingcounciltaxconsult>

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 - 18 October 2011

Report title:

Responding to the *Localising support for council tax in England* consultation

1. Context (or background)

- 1.1 The Council's Revenues and Benefits division currently administers council tax benefit on behalf of the DWP and receives subsidy for the benefit it pays out and administrative subsidy for the cost to the Council of administering the system. In 2010/11 the Council awarded approximately £30 million of council tax benefit to more than 37,000 council tax payers.
- 1.2 The DCLG issued the consultation *Localising support for council tax in England* on 2 August 2011. The formal consultation period ends on 14 October 2011 but DCLG have confirmed that a full response will be accepted from the Council following Council approval on 18 October 2011 (assuming that approval is forthcoming). The Consultation details proposals for localised council tax support schemes to replace the current national council tax benefit scheme.
- 1.3 The Spending Review 2010 announced that council tax support would be localised from April 2013 with overall expenditure reduced by £490 million (10 per cent). For Coventry this would mean a localised scheme would administer approximately £3 million less than the current national council tax benefit scheme. The Welfare Reform Bill 2011 contains provision for the abolition of council tax benefit and its replacement with localised schemes.
- 1.4 The Welfare Reform Bill also makes provision for the abolition of housing benefit, which is also administered by LAs, with future support for housing costs to be included within the new Universal Credit (UC) which will replace a range of existing means-tested benefits with a single, centrally administered credit. It should also be noted that the Welfare Reform Bill contains provision for council tax support to be included within the UC. However, the DCLG are in favour of localising council tax support in line with the principles of localism and DCLG argues that localised schemes of council tax support would give Councils increased financial autonomy and a greater interest in the economic prosperity of their local communities.
- 1.5 The consultation, which has been launched by DCLG, is a public consultation and seeks the views, particularly from LAs, local government professional bodies and voluntary and third sector organisations, on the proposed approach set out in the consultation. The consultation poses 45 specific questions.
- 1.6 The DCLG plan to introduce a Local Government Finance Bill in Autumn/Winter 2011/12 which will provide the primary legislation for localised council tax support.

2. Options considered and recommended proposal

- 2.1 The Council does not have to respond to the *Localising support for council tax in England* consultation but given the potential financial risks to the Council of localised schemes of council tax support it is recommended that the Council submit the response included at appendix 1.

The *Localising support for council tax in England* consultation

2.2 The consultation document proposes that the current national council tax benefit scheme be replaced by localised schemes of support, formulated at the discretion of the relevant LA within centrally defined parameters.

2.3 The consultation document identifies the key principles of localised schemes as:

- Local authorities to have a duty to run a scheme to provide support for council tax in their area.
- For pensioners there should be no change in the current level of awards, as a result of this reform.
- Local authorities should also consider ensuring support for other vulnerable groups.
- Local schemes should support work incentives, and in particular avoid disincentives to move into work.

2.4 The consultation document proposes the following timescale for implementing local schemes:

Summer 2011

- Consultation begins.
- Government begins working with local authorities, representative organisations and suppliers on delivery requirements for localisation.
- Basis for model schemes considered.

Autumn/winter 2011-12

- Government publishes a response to the consultation.
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support).
- Central and local government begin working on model schemes.

Spring 2012

- Primary legislation in passage through Parliament.
- Government preparing and publishing draft secondary legislation.

Summer 2012

- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing and consulting on local schemes.

Autumn/winter 2012-13

- Local authorities establishing local schemes - putting place systems, notifying claimants of changes.
- Local authorities setting budgets.

Spring 2013

- Local schemes in operation.

The Council's response

2.5 The consultation proposes that pensioners be protected from any reductions in council tax support under localised schemes. Whilst the Council agrees with the need to protect support for pensioners, this means that the 10 per cent reduction in funding would need to be applied to working age claimants only – thus equating to a *de facto* 17 per cent reduction for working age people. The percentage reduction may be even higher once

other vulnerable groups are protected. It is unreasonable to expect Councils to administer such significant cuts in support for low-income, working age people without having a significantly detrimental impact on work incentives.

- 2.6 Currently Coventry assesses council tax benefit entitlement in line with national regulations and generally receives 100 per cent subsidy from central government for any money which is paid out. Therefore it is central government which shoulders the financial risk of fluctuating levels in entitlement to council tax benefit. If, under localised schemes, Councils are given cash limited grants, based on current expenditure less a 10 per cent reduction, then Councils would have to absorb the impact of increasing caseloads at times of deteriorating local and national economic conditions.
- 2.7 The timescale for implementing a local scheme is challenging and, in all likelihood, completely unachievable. Councils could not begin to design their respective schemes until secondary legislation is in place, following the successful passage of the primary legislation through parliament. A period of consultation would need to be undertaken to have the proposed scheme approved with stakeholders and procurement of new IT systems would need to be undertaken. All of this needs to be achieved within 18 months for a go-live date of 1 April 2013. At which point the government envisage a bulk transfer exercise to change all existing council tax benefit cases to the new localised scheme. The consultation document does not explain how the costs of implementation would be met.
- 2.8 The government's wider programme of welfare reform seeks to rationalise and simplify a complex benefit system through the establishment of a UC to replace existing means-tested benefits. This appears to be divergent with the DCLGs intention to localise support for council tax.
- 2.9 Whilst there is a general propensity for Councils to argue for the retention of as many services as possible, the arguments against localised schemes of council tax support are overwhelming. It is therefore the Council's view that if the government is determined to proceed with reform of the welfare system then council tax support should be included within UC and should be properly funded. UC should include an amount for council tax support which should be credited directly to the council tax account.
- 2.10 If council tax support was included within UC but paid to the claimant, then this presents a significant risk to council tax collection rates. The DWP intend for UC payments to be made directly to the claimant whereas, under the current system of council tax benefit, the claimant's benefit is credited directly to their council tax account and so the Council does not have to physically collect this money. If the council tax element of UC was paid directly to the claimant then the Council would have to collect the additional £30 million per year from low-income households.
- 2.11 The consultation document argues that localised systems of support would give Councils a direct financial interest in tackling unemployment and getting people back into work. However, unemployment is already high on the Council's agenda and the Council does not believe that it is necessary to provide any further incentives for Councils to tackle unemployment. Furthermore, it is entirely unreasonable to expect Councils to administer disparate schemes of support, with 10 per cent less funding than they currently receive, without significantly harming work incentives.
- 2.12 The Welfare Reform Bill includes provision for a cap on the total amount of benefit an individual or family can receive. It is expected to be in line with average earnings and likely to be approximately £350 per week for single claimants and £500 per week for families and couples. It is not clear at this stage whether council tax support would be

included within this cap and if so whether the Council would have to restrict support to ensure that caps were not exceeded. Restricting council tax support would increase the administrative complexity of local schemes and would increase the financial risk to the Council as this money would then need to be collected from low-income households.

3. Results of consultation undertaken

3.1 No consultation has been undertaken.

4. Timetable for implementing this decision

4.1 Not applicable

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Currently central government reimburses local authorities directly for the actual tax income lost from awarding council tax benefit. The proposal contained within this consultation is switch to funding the costs through specific grant payments. This is contrary to the Government's stated intention to reduce dependency on specific grant funding and it also transfers the risks of future increases in benefit levels to local authorities. It is important to note that that the grant will be 10 per cent less than historical benefit levels - leaving local authorities with the stark choice of either amending the eligibility criteria to meet the 10 per cent shortfall or face additional resourcing pressures. The 10 per cent shortfall for Coventry would be approximately £3 million. In addition it should be noted that administrative costs are only likely to increase as a result of the proposed changes.

5.2 Legal Implications

There are no legal implications at this stage arising from this report.

6. Other implications

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

6.2 How is risk being managed?

6.3 What is the impact on the organisation?

There will be significant complexities in disaggregating the numbers of staff working on housing benefits as opposed to council tax benefit, agreeing TUPE arrangements with the DWP and handling the transition arrangements from the old system to the new.

6.4 Equalities / EIA

None arising at this stage from a response to the consultation.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

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Localising support for council tax in England

A Consultation response by Coventry City Council

The Government has taken the decision to nationalise welfare benefits in England into Universal Credit. There seems very little point in excluding Council Tax Benefit from this overall position. Indeed, it is abundantly clear that there is massive diseconomy of scale in leaving Council Tax Benefit outside of Universal Credit for more than 350 Local Authorities to design and operate their own schemes. To do so would be:

- Inherently inefficient;
- wrong in principle as it will mean that entitlement may vary between Local Authority areas, and;
- confusing to individual benefit claimants as it will still involve multi-channel access to benefits when a single channel is surely the major objective of welfare reform.

The supposed benefits to Local Authorities outlined in the consultation paper for maintaining local control of Council Tax support are illusory. Broadly, authorities do not need any additional incentives to get people in their area back into work – this is a key priority for Local Authorities. However, the task of getting people back into work will be made infinitely more difficult if Councils have to operate disparate schemes with 10 per cent less funding than they have at present.

Many of the issues raised in the consultation paper about the ability to simplify the system, the need to make it standard across areas, and the need to dovetail with Universal Credit to make sure disregards are consistent, can be achieved at a stroke by including Council Tax Benefit within Universal Credit.

By moving to fund Council Tax Benefit from a cash limited grant, the Government will be putting an unacceptable level of risk on Local Authorities in that it may be very difficult to administer schemes within cash-limited resources. The Paper is silent on how year to year increases in the level of grant will be planned and managed and the relationship between increases in Council Tax Benefit Grant and the overall regime of Council Tax capping. It is possible that Councils will be in the strange position of having to raise Council Tax simply to raise enough additional resources to pay for Council Tax Benefit.

The impact of treating the replacement for Council Tax Benefit as a discount would mean that overall the value of Local Authority Collection Funds will decrease significantly, approximately in the first instance by the amount of the new grant which will fund the discounts. This will mean that a greater proportion of Council net expenditure is funded by Government grant and runs contrary to the proposition in the Business Rate retention consultation of making Local Authorities more independent of direct grant. Ironically, for Coventry as for many Local Authorities the increase in grant for Council Tax Benefit will more than offset any greater freedom they get by local control over Business Rates. These two areas of Government policy seem to be in direct contradiction.

Introducing the new Council Tax Benefit system from 1st April 2013 is a challenging and probably undeliverable target. Changing the arrangements for Council Tax Benefit in advance of the introduction of Universal Credit in October 2013 appears to be particularly challenging and no explanation is offered in the Paper. It would be more appropriate to combine the two and have a common implementation date.

There will be significant complexities in disaggregating the numbers of staff working on Housing Benefits as opposed to Council Tax Benefit, agreeing TUPE arrangements with the DWP and handling the transition arrangements from the old system to the new. This will be significantly simplified if Council Tax Benefit is included in Universal Credit.

In practice, implementing a new system to replace Council Tax Benefit will involve the procurement of new IT systems or significant adaptations to existing systems. Given the timetable for decisions, with primary legislation and secondary legislation not due until 2012, it is obvious that there is insufficient time for the development and procurement of new systems in time for an April 2013 implementation.

Whilst the Council supports the principle of exempting pensioners and other vulnerable groups from the 10 per cent reduction in funding, this means that the reduction would equate to in excess of a 17 per cent reduction for other groups of claimants. This is a central government policy and it seems only rational that it is consistent between authorities and led by a national framework. It needs to be part of overall benefits policy and not some locally developed Council tax rebate scheme.

The major risk to putting the replacement Council Tax Benefit into Universal Credit is with collection. If Government pay Universal Credit to individual claimants as a single lump sum without a specific Council Tax element it will inevitably make it harder to collect. In particular Councils will be seeking to collect cash from low income families who under the current system would simply have had all or a large part of their Council Tax covered directly by benefit. Landlords (and developers) have similar concerns about the potential absence of a specific rent element in Universal Credit. The Council would argue that Universal Credit should include a specific amount for Council Tax and that this amount should be credited directly to the claimant's council tax account.

On balance there is no rationale for continuing with the local operation of a replacement for Council Tax Benefit in the context of overall Welfare Reform. Whilst there is a general propensity for Local Authorities to argue for the retention of as many services as possible, in this instance the arguments for relinquishing responsibility for Council Tax benefit are overwhelming. There needs to be a national, properly funded system of council tax support and if the government are determined to proceed with reform of the welfare system then Universal Credit should include an amount for council tax support and that amount should be credited directly to the council tax account.

Section 5:

5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

In implementing the 10 per cent reduction, it appears that once pensioners and vulnerable groups have been protected, there will be a very significant impact on other current claimants. This is a central government policy and it seems only rational that it is consistent between authorities and led by a national framework. It needs to be part of overall benefits policy and not some locally developed Council tax rebate scheme.

The most effective method of protecting pensioners and guaranteeing support to this group is to maintain a national model of council tax support. To ensure that a national model was effective and consistent the scheme would need to be so heavily prescriptive that the purported benefits of having 'local' schemes would be entirely diminished and it may as well be administered centrally through the UC.

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Coventry City Council would argue that anyone who is eligible to receive any level of council tax benefit could, by definition, be considered vulnerable given the level of income upon which they subsist.

To protect the interests of vulnerable groups there needs to be clarity, at a national level, about what constitutes vulnerability and what actions are required by Councils to ensure the protection of these groups in designing schemes for local council tax support.

The protection of pensioners and 'vulnerable' groups (subject to clarification above), means that the cut would 'hit' a higher proportion of working age people – in Coventry we estimate this group would in effect bear a 17 per cent cut. There appear to be tensions here with other welfare priorities in supporting people back into work. This cut could lead to considerable hardship for people who have just lost their jobs.

An obvious consideration in respect of vulnerable groups is the protection of support for families with children in line with the child poverty agenda. However, in protecting pensioners and families with children we are left with a very small group of people to which the 10 per cent reduction can be applied and it is likely to be a group which the government is particularly looking to encourage into work.

There remain questions over what happens to nondependent deductions and to second adult rebate.

The flexibility offered to councils with the associated 10 per cent cut in funds, means that councils are left with the difficult task of determining which groups will face the most financial loss. This will bring with it associated problems of collecting money from hard stretched people.

The supposed benefits to Local Authorities outlined in the consultation paper for maintaining local control of Council Tax Benefit appear ill conceived. Broadly, authorities do not need any additional incentives to get people in their area back into work – this is a key priority for Local Authorities and it will be made more difficult if each Local Authority administers a different scheme of support with 10 per cent less funding than at present.

Section 6:

6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?

The localisation of council tax support, even with appropriate resources to predict fluctuations in demand and take-up, exposes the Council, and major precepting authorities, to an unacceptable level of financial risk.

6b: What forms of external scrutiny, other than public consultation, might be desirable?

The Council would expect that relevant external audit bodies would have a key role in scrutinising both the framework of administration proposed by the Council and auditing benefit awards made under such a framework.

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

Yes in line with standard consultation timescales and involving relevant stakeholders.

6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?

Councils should be able to change schemes from year-to-year in light of the significant financial risks presented by such localised schemes but the practicalities of so doing would be costly and resource-intensive.

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

The most effective method by which to ensure that work incentives are upheld is to maintain a national model for the administration of council tax support which is properly funded. Allowing each LA to formulate their own framework of support has the potential of creating a postcode lottery in terms of the generosity of schemes from one area to the next.

Issues also need to be considered in relation to council tax support and the Universal Credit. Will council tax support contribute to the overall benefit cap? This would certainly be more straightforward if the support was contained in the Universal Credit, but adds a further layer of complexity by being dealt with separately. The Council would be concerned if council tax support had to be restricted as a result of benefit caps. Not only would this add to the administrative complexity of the scheme but it would increase financial risk to the Council. Immediate loss of council tax support could also undermine the principle of the Universal Credit to encourage people to take low paid work.

Section 7:

7a: Should billing authorities have default responsibility for defining and administering the schemes?

Yes but there remain many associated problems with more than 350 LAs devising different schemes of support.

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

It is right that precepting authorities should be consulted on the design of the localised scheme. However, as stated in 7c below, it is questionable whether some precepting authorities would make a meaningful contribution to the process.

Whilst the Council would encourage preceptors to actively contribute to the design process, it does not believe that there are 'safeguards' that can be established to prevent precepting authorities from being jointly exposed to financial risk.

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

Precepting authorities should be consulted in the design of the scheme, but, particularly in respect of police and fire authorities, it is questionable whether they would possess sufficient knowledge and expertise to make a meaningful contribution to the process.

Consultation should extend to neighbouring LAs.

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

Yes but there would be significant practical difficulties.

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

Yes but there would be significant practical difficulties.

Section 8:

8a: Should billing authorities normally share risks with major precepting authorities?

The localisation of support for council tax presents a considerable risk to the collection performance of billing authorities and, as now, preceptors should share the risk of the detrimental impact on the collection fund.

8b: Should other forms of risk sharing (for example, between district councils) be possible?

Risk sharing across LA boundaries is a laudable principle and should be *possible* but the difficulties of doing so are such that it would be challenging for this to happen in practice.

It would be helpful for clarification of the potential savings for shared services – and thus shared risk. The case studies in the report do not make it clear how much of the savings was achieved solely to revenue services, in what are *revenues and benefits* partnerships. Improved economies of scale may well provide some efficiencies for smaller councils sharing some or all aspects of administration. However, neighbouring councils do not necessarily share the same IT systems, which would be vital to improve value for money.

The current Council Tax benefit scheme ensures that risk is shared nationally and the inclusion of council tax support within UC would ensure the continuation of risk sharing at a national level.

8c: What administrative changes are required to enable risk sharing to happen?

There would need to be flexibility within the specific grant allowing LAs to share grant funding.

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

In respect of paragraph 8.10, the Council would point out that consultation in itself can not prevent an LA from being exposed to risk.

Section 9:

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

The Council would argue that all aspects of the schemes should be consistent and the most effective means to achieve consistency is to operate a national scheme through UC.

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

A national scheme presents the most appropriate method of achieving consistency.

9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

The Council believes that support for council tax should be included within UC.

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

Many of the issues raised in the consultation paper about the ability to simplify the system, the need to make it standard across areas, and the need to dovetail with Universal Credit to make sure disregards are consistent, can be achieved at a stroke by including Council Tax Benefit within Universal Credit.

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

It is difficult to look at providing certainty for claimants and to maintain work incentives whilst having to apply a 10 per cent reduction in funding, compounded further by the fact that this cut will be focussed on such a small group of potential claimants.

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

The Council believes that support for council tax should be included within UC.

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

On balance there is no rationale for continuing with the local operation of a replacement for Council Tax Benefit in the context of overall Welfare Reform. It is always tempting to argue from the point of view of a Local Authority stakeholder that it makes sense to hold on to all the services that we can, but in this instance the arguments for letting go of Council Tax benefit are overwhelming. Universal Credit should include a notional element for Council Tax where appropriate and this amount should be credited directly to the claimant's council tax account.

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

Ideally yes but appeals would need to be considered within the local context of the relevant scheme being operated which could prove to be administratively cumbersome.

9i: What administrative changes could be made to the current system of council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

Given that pensioners form a relatively large section of the council tax benefit caseload which the government are seeking to protect and given that the assessment of support for pensioners will be centrally prescribed, it would be logical for support to be provided through UC.

Section 10

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

10b: Why would a local authority need any information beyond this “core”, and what would that be?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants' circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

Given the LAs financial stake in providing localised council tax support it would not be appropriate for counter fraud activity to be carried out solely by the Single Fraud Investigation Service (SFIS). However, to effectively undertake counter fraud activity LA fraud teams would need access to the raw data, either directly through its own core processing systems or indirectly by obtaining data from DWP or the relevant government department.

10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

In effect, LAs would need to retain the same statutory powers which they currently use to investigate housing and council tax benefit fraud. There would need to be legal gateways established to allow information exchange between LAs and central government in respect of UC and localised council tax support schemes. LAs should be free to use these same powers to investigate other council tax discounts such as single occupancy discounts.

10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?

There are opportunities for joint-working between LAs and SFIS in the same way that LAs and DWP currently jointly investigate cases involving LA administered benefits and DWP administered benefits. Effective joint-working arrangements already exist between LAs and DWP fraud teams. It is unclear at this stage what the impact of SFIS will be in terms of joint working between LAs and central government. Equally, the Council understands that our existing counter fraud officers would TUPE to the new SFIS from 2013 and that from that point LAs would relinquish the statutory capacity to investigate and prosecute benefit fraud. If the LA is to retain responsibility for the administration of a localised, means-tested form of council tax support then it appears to make little sense for the LAs existing fraud resources to be transferred to SFIS only for the LA to have to then recruit new officers.

This is symptomatic of the government's seemingly inconsistent approaches to welfare reform and localism.

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

LAs would need to retain the same powers and access to information as they currently have.

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

Council tax benefit overpayments are generally of lower value than other welfare benefit overpayments and a system of fines, or administrative penalties may be more appropriate.

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Yes and fines may be more severe depending on the number of offences committed.

Section 11:

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

By moving to fund Council Tax Benefit from a cash limited grant, the Government will be putting an unacceptable level of risk on Local Authorities in that it may be very difficult to administer schemes within cash-limited resources. The Paper is silent on how year to year increases in the level of grant will be planned and managed and the relationship between increases in Council Tax Benefit Grant and the overall regime of Council Tax capping. It is possible that Councils will be in the strange position of having to raise Council Tax simply to raise enough additional resources to pay for Council Tax Benefit.

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

Schemes need to be responsive to changes in need and to the wider economic climate but the cost and practicality of changing schemes annually would be significant.

Section 12:

12a: What can be done to help local authorities minimise administration costs?

Introducing the new Council Tax Benefit system from 1st April 2013 is a challenging and probably undeliverable target. Changing the arrangements for Council Tax Benefit in advance of the introduction of Universal Credit in October 2013 appears to be particularly challenging and no explanation is offered in the Paper. It would make sense to combine the two and have a common implementation date.

There will be significant complexities in disaggregating the numbers of staff working on Housing Benefits as opposed to Council Tax Benefit, agreeing TUPE arrangements with the DWP and handling the transition arrangements from the old system to the new. This will be significantly simplified if Council Tax Benefit is included in Universal Credit.

In practice, implementing a new system to replace Council Tax Benefit will involve the procurement of new IT systems or significant adaptations to existing systems. Given the timetable for decisions, with primary legislation and secondary legislation not due until 2012, it is obvious that there is insufficient time for the development and procurement of new systems in time for an April 2013 implementation. This is yet another reason why absorbing the replacement for Council Tax Benefit into Universal Credit as a whole would make much more sense.

12b: How could joint working be encouraged or incentivised?

Ultimately there would need to be funding implications and some clear financial incentives for LAs to work in partnership.

Section 13:

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

It is difficult to see how it is possible to take a phased approach to a new scheme and achieve a 10 per cent reduction in expenditure without significant financial loss to the LA. However, the viability of transferring every council tax benefit claim to a new scheme in one bulk exercise in 18 months time is alarming. It is unclear whether LAs are expected to meet the costs of this process – the IT costs alone are likely to be significant.

13b: What information would local authorities need to retain about current recipients/applicants of council tax benefit in order to determine their entitlement to council tax support?

It would make sense for LAs to replicate their current council tax benefit databases and transfer all of the data to a new or adapted system.

13c: What can Government do to help local authorities in the transition?

There needs to be clarity over funding for the implementation and transitional phases at the earliest opportunity but even then the timescales remain prohibitive. There also needs to be some stability in respect of council tax and housing benefit regulations to allow Revenues and Benefits services to focus primarily on the changes to council tax support.

13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

The local schemes would need to be formulated and agreed before design and procurement can be undertaken. Even with an expeditious design and procurement process the timescales remain prohibitive.

13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

13f: How should rights accrued under the previous system be treated?

It is difficult to comment on specific issues such as this when it is unclear what centrally-defined parameters such schemes will have to operate within.

Cabinet
Scrutiny Board 1
Council

4th October 2011
13th October 2011
18th October 2011

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) Councillor Duggins

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

All

Title:

Medium Term Financial Strategy 2012-15

Is this a key decision?

Yes

Cabinet and subsequently Council are being recommended to approve the Medium Term Financial Strategy for 2012-2015.

Executive Summary:

This report presents a Medium Term Financial Strategy (MTFS) for 2012-2015 for adoption by the City Council. The previous strategy was approved in December 2010. The Strategy underpins the medium term policy and financial planning process that is fundamental to setting our revenue and capital budgets.

The Strategy is the first following the Spending Review (SR) announced by the Government on 20th October 2010 which outlined headline cuts in local government resources from central government of around 27% over four years plus a dramatic decrease in the level and number of specific grants.

Massive uncertainty remains resulting from a very large number of areas of policy development including:

- The Dilnot Report on the future funding of social care and the transfer of significant areas of responsibility for Public Health to local government
- The Localism Bill and its implications for governance, housing and planning arrangements within local government

- Consultation on Council Tax Benefit Reform containing proposals for Councils to take responsibility for their own schemes.
- The Local Government Resource Review consultation proposals for business rates retention
- The James Review of capital spending on schools and a separate review of schools funding arrangements
- Proposals to overhaul radically national welfare services and in particular to take housing benefit services away from local government
- The Open Public Services White paper that considers, amongst other ideas, the concept that public services should not necessarily be delivered by the public sector.
- The development of Local Enterprise Partnerships and Enterprise Zones
- The move of schools towards Academy status and the impact of this on remaining local authority education services

These, and a wide range of other reviews, reports, proposals and initiatives, affect just about every service provided by local government. Individually and collectively they present a massive challenge to the future working of the sector, some significant financial threats and a smaller number of financial opportunities.

There is continued uncertainty in the world economy marked by a number of sovereign debt crises and low growth across most economic regions with no current signs of recovery. In this environment it is essential that this MTFS provides the financial framework to enable the Council to start to meet these financial challenges and the flexibility to continue to respond to the impacts of Government policy change over this period.

The Council's ABC Transformation Programme is now into its third year and it continues to be the single most fundamental element of the Council's response to the financial and policy environment. It is important, despite the difficulties that exist, to maintain the pace and extent of changes that can be delivered from such a programme as it moves into a more mature phase of its development because the scale of the external changes facing the Council means that further radical change will be required into the foreseeable future. This means that the Council must seek to continue to make changes across the whole range of activity including how it delivers its services, the organisational structures of these services, relationships with our key partners and our human resources policies. The Medium Term Financial Strategy provides the financial context to these changes and the financial frameworks to help enable them to be delivered.

The initial medium term financial position is shown in section 3.2. Initial work has begun identifying proposals to balance the position for 2012/13 and the results of this work will be brought forward shortly as part of the budget setting process. However, the anticipated future years' impact of the Spending Review, the massive turmoil anticipated from reforms in a number of areas affecting local government finance and underlying expenditure pressures indicate that the Council may face a massive 'cliff-edge' in excess of £30m in the gap between spending needs and resources moving into 2014/15. The overall medium term financial position will be kept under constant review during this time but it is already clear that there will be a need for significant transformation beyond that envisaged within the existing ABC programme.

Recommendations:

- (1) Cabinet is recommended to agree the report and to recommend that Council approve the Strategy.
- (2) The Resources, Communities and Sport Scrutiny Board (Scrutiny Board 1) is requested to consider whether there are any comments/recommendations that they wish to make prior to the report going to Council.
- (3) Council is recommended to approve the Strategy as the basis of its medium term financial planning process.

List of Appendices included:

The Medium Term Financial Strategy is appended to this report in full.

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

Due to tight consultation deadlines it has not been possible to allow Scrutiny Board 1 to consider the report prior to Cabinet. Scrutiny Board 1 will consider the report at its meeting on 13th October.

Has it been 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:

Medium Term Financial Strategy 2012-15

1 Context (or background)

- 1.1 Council previously approved the current MTFS on 7th December 2010. This year's revised Strategy is brought to Cabinet ahead of the Pre-Budget Report that begins the statutory budget consultation process for the 2012/13 budget. The final statutory Council Tax Setting and Budget Requirement reports will be considered by Council in February 2012.

The objectives of the Strategy are to provide the stable medium term financial base and sound financial planning framework required to enable the Council to:

- Meet the financial challenges posed by the Government's medium term spending plans.
- Deliver its priorities and the ABC transformation agenda.
- Move towards a more strategic longer-term approach to delivering its revenue and capital plans and deliver effective financial management across all services.

- 1.2 The Strategy attached to this report in full is set within the context of the Council's commitment to delivering its vision, the Coventry Sustainable Community Strategy and the Council Plan 2011/12–2013/14. This will be particularly challenging at a time when a much lower level of funding will be available to local authorities through government grant and income from charges is under pressure. In order to meet this challenge and to strive to deliver better services, the Council is continuing to implement its ABC Transformation Programme. The Programme is delivering fundamental improvements to the way we work and more efficient and flexible services. The approach is also resulting in greater collaboration with city and sub-regional partners, taking some difficult decisions and increasing focus on our core business and policy priorities.

2 Options considered and recommended proposal

- 2.1 The Budget Report and subsequent briefings have set out the challenging financial context that faces the City Council following the Spending Review and Government Settlement announcements in October 2010 and January 2011 respectively. This MTFS is based on the fundamental financial assumptions made at that time, the final decisions made for 2011/12 budget setting in February 2011 and further knowledge gained since then. Although the Government has talked about undertaking a full review of the local government finance system, to date this has been restricted to proposals and a consultation on the retention of business rates. The Council's response to this consultation will be considered at the same Council meeting as this report.
- 2.2 The MTFS is attached in full. Section 2 of the Strategy considers the wider financial and policy context within which the Council is operating, the local position and how the Council is responding to the circumstances that it finds itself in. Sections 3 and 4 include the Council's revenue and capital strategies.

3. Results of consultation undertaken

- 3.1 Consultation will be undertaken in response to the proposals in November's Pre-Budget Report to Cabinet that will contain the same key financial assumptions that are approved for this MTFS.

4. Timetable for implementing this decision

- 4.1 The assumptions and principles outlined in this Strategy will be applied to the Pre-Budget Report and in setting the 2012/13 budget proposals.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

The main body of this report is concerned wholly with financial matters. It is essential that the assumptions and principles detailed in the Strategy are adopted in order for the City Council to be able to deliver balanced budgets over the medium term.

5.2 Legal implications

The proposals in this report provide the foundations to allow the Council to meet its statutory obligations in relation to setting a balanced budget by mid-March each year in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The Medium Term Financial Strategy and subsequent budget setting process are focussed on delivering the Council Plan, approved by Council on 28th June 2011. In order to deliver the priorities and objectives set out in the plan, the Council will need to review its spending plans to ensure that its budgets are aligned with policy priorities.

In line with the ABC Programme, the Strategy is intended to minimise any adverse impact on the quality and level of services that are provided to Coventry citizens. Nevertheless, future significant resource constraints make it inevitable that our ability to deliver existing services will come under enormous pressure. The Council is faced with the need to consider and make some difficult choices about its policy priorities.

6.2 How is risk being managed?

Inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed at mitigating this risk by providing a robust platform from which to deliver balanced budgets. To address the Council's most significant financial risk in recent times, it has come to a negotiated settlement on Equal Pay funded via the Capitalisation Direction received from Government for this purpose, enabling the Council to manage the financial consequences of the settlement.

6.3 What is the impact on the organisation?

By the end of the MTFS period, the Council will be a smaller local authority with fewer employees delivering services from fewer locations. The Council will need to make some decisions about which are its core priorities and which services it considers that it can no longer afford. It will also need to become more flexible about the mechanisms through which it delivers its services.

6.4 Equalities / EIA

The equalities implications of any major budget decisions are addressed through specific measures within the Council's budget setting process but this area is one that has been subject to a number of developments over the past 12 months and it is important that the Council's approaches comply with current legislation. Successful judicial review challenges on decisions made by other Councils have heightened the need to ensure that there are robust consultation and impact assessment processes. In addition, the Best Value Statutory Guidance issued by Government in September 2011 has set out the expectations for councils considering changing funding to local voluntary and community groups and small businesses. This includes observing a duty to consult, making sure that disproportionate savings are not passed on to voluntary and community organisations, considering the wider 'social' value of procurement decisions and engaging with and giving adequate notice to any such organisations who's funding is to be reduced or ended. The Council will ensure that decisions made following this MTFs and within budget setting will take account of these developments.

6.5 Implications for (or impact on) the environment

No specific impact.

6.6 Implications for partner organisations?

The Council's financial plans will have a significant impact upon the way in which it works with its partners over the coming years. The implications of these changes will become clear as individual changes are identified.

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Coventry City Council Medium Term Financial Strategy 2012 - 2015

1 Introduction and Executive Summary

- 1.1 This strategy supports the Council's medium term policy and financial planning process. The Strategy is designed to help meet the challenges of the Government's 2010 Spending Review (SR), to provide a stable financial base from which to deliver the Council's priorities, to move the Council towards a more strategic longer-term planning approach and to set a sound financial planning framework for the Council.
- 1.2 National and international economic circumstances have placed local government under considerable financial strain, most noticeably through the impact of the SR and the subsequent final settlement for 2011/12. Indicative lower levels of government grant, downward expectations on the level of acceptable Council Tax increases and pressure on the generation of local income streams from fees and charges together pose considerable financial challenges. The Council's ambitions are to meet these financial challenges at the same time as achieving service improvements through the ABC Transformation Programme.
- 1.3 During the period of this MTFs, we know that:
- there will be significantly fewer resources received directly from central government and the city will have to work hard to counter the economic downturn,
 - demand for services will increase, particularly for the most vulnerable,
 - the City Council and its partners will have to focus on key priorities and core business activity and this will mean taking some difficult, yet necessary decisions,
 - well directed budget decisions will have to be made to respond flexibly to the rapidly changing external environment,
 - the vision within the Sustainable Community Strategy and the Council Plan provides the City Council's direction of travel in the medium and longer term.
 - the City Council will strive to achieve value for money in all of its operations through its ABC Transformation Programme,
 - this will enable the Council to make the best use of its resources to deliver the ambitions for the city and its people, and help to deliver high quality responsive public services by a smaller, more focussed and flexible local authority.
- 1.4 Section 2 outlines the very difficult national financial circumstances and severe resource constraints that have been imposed on the public sector and the local context to the issues that affect our medium term financial plans. The expectations for the Council to plan for a balanced medium term financial position have been severely hampered by these circumstances. At a local level, these expectations include relatively low levels of Council Tax increases and limits on our ability to support our revenue programme from one-off reserves or the Capital Programme through capital receipts.
- 1.5 The medium term revenue programme is outlined in Section 3, showing the estimated scale of financial savings required to balance the medium term programme. This shows the importance of savings identified through the ABC Transformation Programme and reflects the Council's commitment to achieving greater value for money across the spectrum of everything it does. It also shows a significant un-bridged gap between current planned resources and spending which will require further action to identify savings in the light of current funding challenges.

1.6 In terms of how we meet the expenditure expectations of the City Council, the revenue position in Section 3 uses the following financial planning assumptions and principles:

- The establishment of a balanced budget over the medium term.
- A stable and unchanged tax-base
- Future rises in Council Tax of 2.5% per annum
- Future Formula Grant figures indicated by SR 2010 and our Final Settlement figures from Central Government
- Limited availability of specific grants and continued pressure of some grant streams going forward.
- Significant changes to school funding the detail of which is still emerging.
- The achievement of savings arising principally through the ABC programme.
- 0% Pay Awards for 2012/13, 1% in 2013/14 and 2.5% in 2014/15
- A freeze on inflation for standard expenditure budgets for 2012/13 and increases in line with the RPIY index – the retail prices index excluding indirect taxes and mortgage interest - in 2013/14 and 2014/15 (assumed at 2% currently).
- Increases in income budgets in line with inflation using the RPIY index.
- Recognition of specific unavoidable service pressures on an exception basis.

1.7 The summary medium term capital position is outlined in Section 4. Apart from the significant investment being delivered within the Street Lighting PFI project, the projected programme will have limited scope in other areas of the City Council's activities. To meet the shortfall in funding for key areas of infrastructure the revenue programme continues to include some provision for infrastructure investment in highways, property and ICT (the ICT programme is resourced through prudential borrowing). The capital position in Section 4 uses the following financial planning assumptions and principles

- Spending levels will need to be contained within a restricted financial envelope in the immediate-term.
- The Council will need to borrow in the immediate-term to deliver existing commitments. This borrowing will be repaid as a first call on capital receipts in the medium-term if and when they are achieved.
- Other capital schemes that require funding by Prudential Borrowing will be looked at on a case by case basis and approved only where supported by a business case or aligned to a key strategic priority.
- We will seek to maximise any other resources (e.g. grants and external funding sources) wherever this is possible and appropriate.
- Other delivery mechanisms mean that we will continue to facilitate a significant programme of capital investment (e.g. Street Lighting) over the medium-term.

1.8 The economic downturn and the current conditions in which the public sector is working does provide an opportunity to innovate and do things differently, which includes working collaboratively with other public sector partners within the City and sub-regionally, achieving more leverage through the voluntary and community sectors and pursuing opportunities for new commercial strategic partnerships. For example, the Coventry and Warwickshire Local Enterprise Partnership has been established to promote local economic development in the sub-region through a partnership involving local authorities and local business.

2 **The Economy and the Comprehensive Spending Review**

Global and National Context

- 2.1 The UK's economic and fiscal position continues to provide the context for the Government's approach to public spending - the 2008 banking crisis, a collapse in world trade, patchy and uneven recovery from recession and extremely high levels of UK debt has led to an approach that has focussed on reducing the level of the deficit as an essential starting point for long-term economic stability.
- 2.2 However, the international financial context and the acceleration of some long-term global trends are providing some very difficult economic conditions within which to implement the Government's policy. Western economies are experiencing sustained low levels of economic growth whilst there is a marked trend towards economic power shifting towards faster growing eastern economies such as China and India that is becoming well-established ahead of the timescales envisaged until recently. Sovereign debt crises, especially within the Euro-zone and the perceived need to maintain very low interest rates are indications of the challenges facing western economies and the threat of further recession remains very real.
- 2.3 The 2010 Spending Review confirmed the Government's intention to reduce the level of debt quickly and aim to identify savings of £81bn by 2014-15. This represents a reduction of public spending on an unprecedented scale in recent years and confirmed that the primary strategy to reduce the deficit in public finances would be spending cuts rather than tax increases. This severe retraction of public sector spending will provide the context for the foreseeable future within which the Council has to plan its medium term financial strategy and set its budget.
- 2.4 Partly in response to these circumstances, the Council launched the ABC Programme - a radical programme of transformation projects - and set out to restructure several areas of senior management, the initial financial impacts of which have been included in the 2010/11 and 2011/12 budgets.
- 2.5 The final local government financial settlement announcement in January 2011 indicated that the City Council will suffer real-terms cuts in Formula Grant of over 8% per annum over a four year period. The settlement was accompanied by a significant amount of detail about specific grant regimes with cuts amounting to c£19m in 2011/12. Although there are firm settlement figures for 2012/13, the Council only has provisional figures for years 3 and 4 of the Spending Review. This combined with the lack of certainty regarding further changes to the Local Government finance system discussed below mean that the next few years could be ones of significant volatility in local government finances.
- 2.6 Although Spending Review has given us an initial indication of future funding levels, local authorities are faced with significant uncertainty surrounding Formula Grant in relation to proposals for a full review of the entire Local Government finance system announced by Government. The first stage of this has begun in the form of a consultation on the proposals for business rates retention to which the Council has made a response (October 2011). The consultation is proposing that authorities will be able to keep a proportion of any growth from a fixed point in business rate income over time but would equally lose out should business rate income decline from this fixed point. While many authorities in more prosperous parts of the country are in favour of this proposal, those in

less prosperous areas with lower prospects for growth have some significant concern that it will represent a significant threat to existing funding streams from Government.

- 2.7 Coventry's response to the consultation has identified the real threat that it poses to some authorities and the implications that it may have for fairness within the local government funding formula. Nevertheless, it is recognised that the proposals are very likely to become a reality. The Council and the wider sub-region are committed to make every effort to grow the local economy regardless of this fiscal impact taking advantage of existing methods and the newer vehicles that are being made available such as Local Enterprise Partnerships and Tax Increment Financing. However, it will take some time to identify the detailed implications for the Council's mainstream funding of the changes that are in the process of being developed currently and this continues to make it difficult for local government to present plans demonstrating a stable medium term financial position.
- 2.8 There are a range of fundamental national policy reviews, consultations, White papers and legislative changes in process that will have a massive impact on local authorities in the future.
- 2.9 Within the social care and health arena, the Dilnot Report has made conclusions of the future funding of social care costs with a mix of proposals to change the balance of cost sharing between individuals, local and national government, some self-insurance and a total increased bill to local government of £2bn with the prospect of much of this being funded by central government. There is a significant amount of further discussion due in this area before any final proposals are agreed by Government. However, it is clear that the underlying pressures of funding social care and the increased demographics faced at a national and local level and the increased emphasis on delivering high quality services mean that social care will continue to hold a place very high on the agenda of local government.
- 2.10 The health sector is undergoing massive changes at present and the responsibilities and relationships that fall between health and local government continue to be the subject of ongoing dialogue between the sectors. The Spending Review and local government settlement identified significant sums of money over the short term (c£4m locally) to be made available to local government for investment in social care at the point that these impact upon the health sector. The Council is in the process of identifying the best method of applying these resources. Looking further forward, local government is set to take on a large range of public health duties from the health sector along with funding for these duties. Uncertainty remains over the range of these duties and the level of funding that accompanies them but it is likely that the initial transfer could be in a range of between £10m and £20m. Alongside the financial impact this represents a very significant organisational and political change to the local authority.
- 2.11 Changes are planned to the way that schools revenue and capital funding is administered in the future whilst the new arrangements for Academy Schools have prompted a number of Coventry secondary schools to adopt Academy status and place themselves outside of the umbrella of services provided by the City Council. Again, the pace of these changes and their current state of play mean that the implications for local authorities are still far from clear. It is almost inevitable that the services provided within local authority education departments will be very different in size and scope in the future to where they are currently.

- 2.12 The Government has announced changes that will both re-centralise the administration of Housing Benefit (from local government to central government) and de-centralise responsibility for Council Tax Benefit to local government. The time-table and precise detail of the changes remain uncertain although it is clear that the scale and pace of change will be significant. Work to understand the impact on services and the financial implications is underway and the current view is that the extent of the change is likely to be very significant.
- 2.13 The Hutton Review on Public Sector Pensions has proposed that increased contributions averaging 3.2% are made by employees across the sector. The way that the Local Government Pension Scheme is funded means that this solution would not necessarily deliver the budget savings assumed by Central Government in its original proposals and local government has been given dispensation to manage its changes in a different way. Whilst changes to the local government scheme are inevitable to continue recent changes to improve the overall viability of the scheme, these changes are likely to be delivered in a less frenetic time-scale to those in the rest of the public sector.
- 2.14 The Government has opened a 'listening period' and invited comment upon the Open Public Services White paper issued in July 2011. The White Paper considers, amongst other ideas, the concept that public services should not necessarily be delivered by the public sector. It set out five principles for modernising public services: Where ever possible increase choice; decentralised services to the lowest appropriate level; ensure that public services should be open to a range of providers; ensure fair access to public services; make public services accountable to users and to taxpayers. The White Paper provides a broad policy framework but no detailed proposals so it is difficult to interpret what the outcome of any final proposals will be.
- 2.15 The June 2010 budget confirmed the government's intention to support the creation of Local Enterprise Partnerships - joint local authority-business bodies to promote local economic development to replace Regional Development Agencies. A Coventry & Warwickshire Local Enterprise Partnership proposal was developed gained approval in October 2010. There are opportunities for LEPs to shape the way they work in different areas and it is likely that they could have a significant impact upon local economies in terms of their success in areas such as influencing key aspects of government policy, supporting external funding bids, facilitating inward investment activity and identifying/meeting local business needs. The Coventry and Warwickshire LEP is still in the first year of its existence and the way that it develops in the future will have a significant impact on the City Council in some key areas of activity.

Local Context

Council Tax

- 2.16 Over 57% of funding for our net budget is provided through grant from Central Government. This Strategy's resource projections are framed by the expectations stated in the paragraphs above and it is now clear that this proportion of funding will fall in future years as cuts in Formula Grant occur and changes involving the retention of Business Rates may potentially accelerate this.

- 2.17 The remainder of the funding for our net budget (43%) comes from the Council Tax and each 1% rise in Council Tax raises about £1.2m in additional revenue to support the Council's budget. The setting of Council Tax levels is traditionally a local decision within certain capping limits. The Localism Bill which will become law shortly will give local residents the right to hold a referendum to veto any rise in Council Tax that they consider to be excessive although this is not expected to be a power that is widely used. For 2011/12 the Government has provided a grant to enable local authorities to freeze Council Tax levels for at least one year. It is not yet clear what steps will be taken to limit Council Tax increases for 2012/13 but it is very likely that the Government will seek to encourage or impose increases at or below the 2.5% mark. In the light of the reductions in Formula Grant, the City Council will need to seek to maintain to a reasonable degree the level of resources that can be generated locally through Council Tax. **For this reason, beyond year one, this MTFS assumes future increases in Council Tax levels of 2.5%.**
- 2.18 Previous strategies have contained an aspiration for Coventry to increase efficiency and reduce costs so that it can continue to set a Council Tax rise below the metropolitan district average. Current conditions and the Government's inclination to have a greater role in Council Tax setting at a national level make it far more difficult to maintain that aspiration. Our focus for the forthcoming medium term period will be on trying to provide good value for money and reasonable levels of service that reflect our policy priorities without reference to Council Tax comparisons.

Reserves

- 2.19 The current level of reserves (£48m as at 31st March 2011) is adequate for the current known liabilities and approved policy commitments facing the City Council and includes a working balance of £5.5m to cover unforeseen financial problems equivalent to 2% of the net revenue budget. Some £6m of reserves has been earmarked to fund potential early retirement and voluntary redundancy costs over the plan period and a further £5m has been set aside from the underspend at the end of financial year 2010/11 to help manage any further unforeseen issues, change management events or financial shocks. This reflects a current view that the Council needs to take a prudent approach to help get through what are likely to be several turbulent years from a financial perspective. On balance, it is likely that this set of circumstances will result in the total level of reserves falling towards £40m over the next year or so. This level of reserves is appropriate to sustain our current plans.
- 2.20 Reserve balances will be used to deliver the City Council's priorities, making decisions on a corporate basis and observing opportunities to maintain an appropriate balance between short term expenditure and long term investment. More specifically, our approach will be informed by:
- **An intention to hold reserves corporately with a clearly identifiable purpose designed to support the delivery of the council's objectives.**
 - **The need to maintain reserves as insurance against an overall level of risk or liability faced by an organisation of the City Council's size.**
 - **The requirement to hold some reserves to protect against specific known or potential liabilities, but kept to a minimum consistent with adequate coverage of those liabilities.**
 - **A local "golden rule" of not using one-off resources to support ongoing expenditure.**

- **Flexible use of reserves to manage one-off pressures and savings targets within the budget during periods of financial uncertainty subject to the financial demands of specific circumstances.**

2.21 Corporate Management Board will consider the application of budgeted amounts that are unspent at the year-end, consistent with the guiding principles above and ensure that the levels of reserves held are consistent with the financial risks faced by the City Council. Schools are required to detail how they plan to use reserves in the following year's budget as part of the formal financial reporting process to the Department for Education and schools balances will be managed in line with the Fair Funding Scheme of Delegation.

Value For Money

2.22 The current Government has moved away from the previous target setting culture and the focus of achieving efficiencies is now driven by the over-arching challenge of delivering balanced revenue programmes over the medium-term rather than meeting specific targets. In response to this the City Council has continued to pursue its transformation programme in partnership with PricewaterhouseCoopers to deliver a significant proportion of the necessary savings over the long-term.

2.23 The Council remains committed to meeting the standards of service that we are statutorily required to provide, and where it is possible and appropriate, to improve these standards. At the same time it will be necessary to challenge all areas to justify the continued provision of the discretionary elements of the services they deliver. This may mean reducing the amount of activity we undertake in some areas or even stopping some services altogether. For those services that we continue to deliver we intend to increase value for money and our effectiveness in delivering them. We will still seek to retain an overarching aspiration to minimise the impact on service outcomes for local people and all resource allocation decisions will be informed by our policy priorities and considered within a corporate decision-making process.

2.24 The ABC Transformation Programme involves the pursuit of service reviews at individual service level and across Directorates where services have a multi-Directorate basis. In line with the ABC principles senior managers will continue to analyse their services to seek more cost effective ways of delivering them. This will help to identify savings through a combination of genuine efficiency savings in operations or management structures, resource switching involving the transfer of resources from lower to higher priority services and identifying new sources of income. The intention is that savings will be identified increasingly through transformation programmes.

2.25 The scale of the financial challenges set out in section 3.2 will be subject to change over the current planning period as the impact of various Government policy developments becomes clear. It is clear that this challenge will be very significant. This is very likely to mean that the level of transformation achieved and envisaged within the existing ABC programme may not be sufficient to balance the City Council's budget. For this reason there is a strong likelihood that the Council will need to develop new transformation strategies beyond the ones being implemented currently.

2.26 The Council will seek to work with our external partners to explore the most efficient way of delivering services and identify how they can help us to work within increasingly challenging financial circumstances. This may mean reviewing the amount of support that

we provide by passing on an expectation of efficiency savings where the City Council provides financial support via a grant or on a more contractual basis even where we maintain a constant policy commitment to supporting these organisations. For other organisations, the impact of policy changes that the City Council may make, (for example within our social care services) may impact upon other major bodies within the City (e.g. our health partners). We will look increasingly towards the potential for any commercial strategic partnering arrangements to help us work more efficiently and effectively.

- 2.27 The past two years have seen a developing approach to financial management that has resulted in efforts to achieve savings against approved budget wherever possible as a 'business as usual' management responsibility. This has been a useful tool to help manage unforeseen budgetary problems, many of which are caused by factors occurring externally to the City Council. It is proposed that this approach is adopted as part of this MTFS.

Sustainable Community Strategy and Council Plan

- 2.28 The MTFS supports and should be considered alongside the Sustainable Communities Strategy (SCS) and Council Plan within the context of future growth and aspirations for the city, setting out the long-term vision and long-term strategic objectives and outcomes for Coventry. It builds on analysis of the current position in Coventry, expected future trends and the existing priorities and strategies agreed with central government, local partner organisations and local people and communities. A refreshed SCS was approved by Council in June 2011.

- 2.29 The Council has established and approved a new Council Plan 2011/12–2013/14 that establishes its strategic direction and corporate priorities. In particular the Plan set contained an updated vision for the city, ***'Coventry, proud to be a city that works for jobs and growth, better streets and pavements; to support and celebrate our young people and to protect our most vulnerable residents'***. This MTFS is intended to provide a firm financial foundation to allow the Council to allocate resources in a way that supports these policy priorities within the context of the overall financial restrictions faced by Coventry and all local authorities. This is likely to include a combination of targeted budget decisions to deliver specific policy commitments and ensuring adequate funding of services within these broader areas of policy.

- 2.30 The Council's existing Local Area Agreement came to an end in March 2011 and the Government had already announced that it no longer required local authorities to report to them on progress against the targets in the LAA. The National Indicator set, from which the LAA indicators are drawn, has been replaced with a single comprehensive list of data that central government expects from local government.

- 2.31 The City's population is currently undergoing some growth and our future financial plans will need to accommodate changes resulting from the impact of growth upon all the Council's services such as schools and leisure facilities, a need for social care and more households requiring refuse collections.

Fees and Charges

- 2.32 This Strategy proposes that we increase fees and charges increase in line with inflation. The financial pressures or other service requirements faced by the City Council may mean that we consider increasing the real financial contribution made from some fees and charges by increasing them beyond the rate of inflation after taking into account all

relevant circumstances. We will need to consider the range of other information that should be taken into account and these are set out in the corporate policy on fees and charges.

Treasury Management Strategy

- 2.33 The Council agrees a Treasury Management Strategy annually as part of its budget setting report. The Treasury Management Strategy details who we can invest with and the maximum amount that can be invested. These limits are based on credit ratings, supplied by independent credit rating agencies. In common with other local authorities we only invest with institutions that are rated as very strong.
- 2.34 Although financial markets have stabilised since the banking crisis of 2008 a significant degree of uncertainty remains. The previous MTFS referred to re-balancing our investment practice by relaxing the ultra cautious practices of investing for only very short periods and using the Government's Debt Management Office as a first resort. This has allowed us to maintain a prudent investment practice that nevertheless provides some slightly higher investment returns than some of those received previously.
- 2.35 More recent renewed turbulence and uncertainty in the international financial arena is likely to mean that we will need to remain very vigilant in terms of the financial institutions that we invest with and the duration of those investments. Our existing Treasury Strategy is clear that where we receive indications of greater risk then officers will exercise discretion in making investments in line with credit ratings and the advice of our Treasury advisors. We will continue to invest in UK owned banks or secure broadly based financial funds and limit the amounts we have invested in a single institution at any one time.

Approach to Financial Planning

- 2.36 The City Council's Medium Term Financial Strategy is underpinned by the following fundamental underlying approach:
- Resource allocation decisions driven by our policy priorities with revenue and capital programmes considered together and set within a corporate decision making process
 - A drive to identify efficiencies and achievable savings, implemented at the earliest opportunity.
 - Achieve savings against approved budget wherever possible, so long as this is not at the detriment of delivering policy priorities, as a 'business as usual' management responsibility
 - Optimised reserve balances within a corporate decision making process maintaining a minimum level to cover any risks that face the City Council and seeking to achieve a "golden rule" of not using one-off resources to support ongoing expenditure.
 - Balanced revenue and capital programmes over the medium term with medium term financial plans informed by assessment of the risks facing the City Council.
 - Clear frameworks of accountability and delegation with budgets managed by designated budget holder and reported through Directorate management teams, Corporate Management Board, Cabinet and the Audit Committee.
 - Operation of a Project Management approach for large schemes including a specific focus on cost control.

3 **Summary Revenue Strategy**

- 3.1 The Council is faced with a combination of significant upward pressure on costs in a number of areas. This results from trends such as demographic pressures in adult social care, service activity pressures in children's social care, changes in response to societal or Government expectations in areas such as waste disposal and recycling, changes in legislation or new government initiatives and our response to the need to improve upon the current level or quality of our service "offer" leading to local policy commitments. The Council is also faced with downward pressure on the resources at our disposal in terms of lower levels of Formula and specific grants from Government and challenges in maintaining the real level of fees, charges and Council Tax relative to inflation. This may be heightened in the future as a result of Government reform of Business Rates and Council Tax Benefit which may further reduce the level of resources available to the Council.
- 3.2 The following financial analysis incorporates the fundamental and over-arching financial expectations upon the Council within the medium term revenue position. It is important to remember that this financial model reflects the Council's best assessment of the indicative medium term impact of the Spending Review. It does not reflect a range of other potential changes that may result from what will be a dynamic financial environment that will be subject to significant change over a relatively short timescale. The revenue position is summarised below and is consistent with the February 2011 Budget Report to Council. The next stage will be to incorporate the financial impact of our most significant future plans insofar as their financial implications can be estimated at present and these details will be brought forward as part of the 2012/13 budget setting process and reported to the Council's Cabinet in November 2011.

| | 2012/13 | 2013/14 | 2014/15 |
|--|----------------|----------------|----------------|
| | £m | £m | £m |
| Base Budget | 276.6 | 280.1 | 286.9 |
| Pressures Highlighted in 2011/12 Budget Report | 8.4 | 8.4 | 8.4 |
| Formula Grant | (146.1) | (143.0) | (133.0) |
| Council Tax Revenue | (121.5) | (125.3) | (128.4) |
| Initial Bottom Line Gap | 17.4 | 20.2 | 33.9 |

- 3.3 This medium term financial position does not set a balanced revenue budget over the whole plan period, affected as it is by the massive Formula Grant reductions. The progress made in developing the ABC Transformation Programme and the identification of achievable savings through a robust overarching programme of transformation gives us the mechanism for achieving further savings to balance the position in the future. However, the scale of the challenge should not be underestimated, especially in the latter

part of the current planning period for which it may become increasingly challenging to identify new transformation savings.

- 3.4 We will need to implement the savings identified within the 2012/13 budget setting process and the ABC Programme. Alongside this we will continue to undertake good ongoing practice in terms of robust scrutiny of ongoing budgetary control reports to identify any underlying under-spending in City Council budgets, to seek to extract value from some of our external investments in a balanced and appropriate way and to explore any individual circumstances where budgetary provision and the existing level of service are no longer aligned.
- 3.5 The City Council will need to sustain and build upon the success that it has achieved previously to deliver its priorities through harnessing external funds and partnership working. A significant proportion of the City Council's activities are now partly or wholly delivered through partner organisations or with specific external funding streams in arrangements including joint commissioning arrangements with the PCT, our Section 31 agreements and our Waste Disposal partnership. Future funding pressures and requirements for us to continue to improve the value for money of our services will require us to transform further areas of service delivery. We will need to collaborate with other public sector partners within the city and at a sub-regional level, increase the degree to which we work with the voluntary and community sector to deliver services and explore commercial partnering arrangements where we think these offer the best way forward.
- 3.6 The Council has strengthened its working relationship with neighbouring authorities in Solihull and Warwickshire adding to the traditional ties that continue to be maintained with other West Midland authorities. This relationship has manifested itself in several ways including exploring the development of a small but growing number of shared service options. A significant amount of progress has also been achieved in developing the Coventry and Warwickshire Local Enterprise Partnership to promote local economic development. The LEP has agreed a 2011/12 Business Plan and five year strategy aimed at developing a strong private-public sector partnership arrangement, fostering economic growth and playing a national influencing role with central government to promote and support the growth of the low carbon mobility sector in particular.
- 3.7 These sub-national, regional and sub-regional developments are becoming increasingly important and are having a significant impact on policy development and resource allocation decisions. The City Council is committed to maximising the partnership, service and financial opportunities that rise out of these developments insofar as they accord with national and local priorities. This will encompass developments such as Community Based Budgeting that seeks to best utilise the totality of public sector expenditure within defined areas, with the impact of these being incorporated into our service and financial plans as they arise.
- 3.8 Following the 2010 Spending Review and subsequent Local Government Settlement, a large number of grant funding streams disappeared, were reduced or were subsumed within other funding streams from 2011/12. Some funding streams will continue to undergo further reductions in 2012/13 and planning for these changes is under way. We will continue to seek any existing external funding opportunities as they arise taking account of the need to manage the resulting outcomes and any matched funding or leverage requirements. Bids for attracting such resources must be supported by robust

exit strategies that pay regard to the ending of external funding. We will also seek to maximise partner contributions towards projects and services as appropriate within the context of the individual area under consideration.

- 3.9 The Council's ABC programme will continue to follow a guiding principle of seeking to deliver best value. This means that each Fundamental Service Review will contain an overall assessment of the best delivery mechanism and the most appropriate role for the Council within each service. Alongside this the Council will seek to ensure that it follows best practice in relation to its procurement and commissioning arrangements. This will be pursued through the established Procurement Strategy and through specific initiatives developed within individual ABC Programme reviews for which commissioning represents a major part.
- 3.10 In setting our revenue and capital budgets we have taken full account of the key financial and other risks facing the City Council through the use of our Risk Management Strategy. The financial impact on the Medium Term Financial Strategy of the key risks facing the Council have been summarised in Appendix 1. The most significant financial risks have already been explicitly provided for in our future budget plans (specifically in relation to Equal Pay) or are being built into future plans (notably City Centre regeneration).

4 **Summary Capital Strategy**

- 4.1 The final Local Government Settlement for 2011/12 confirmed that future central government capital allocations will be approximately 50% lower than previously and this was reflected in the lower level of the Council's Capital Programme approved in February 2011. The medium term capital position shown in the table below represents an indicative planning position for the size of the gap between capital resources and capital expenditure at this stage. This will be updated through the forthcoming budget process and the City Council will seek to set a medium-term Capital Programme that is balanced despite the challenges that it faces over this period.
- 4.2 The relatively low level of available resources includes a level of capital receipts that continues to be reflective of uncertain economic conditions, a low number of property transactions and relatively poor property prices. The best view available at present is that any sign of increased activity in the property market is unlikely to be particularly strong or sustained over the medium term. This continues to mean that there will be very little room for new capital expenditure plans in the next few years beyond that for which resources have already been earmarked and identified. The short to medium-term position continues to be very challenging and with the expenditure commitments that are already in train there will be a shortfall in the level of resources unless the Council undertakes some short-term borrowing. This will need to be repaid as a first call on capital receipts if when they are achieved over the medium-term. Following the £7.9m shortfall assumed within the starting capital budget for 2011/12, the base position for the next three years is as follows.

| | 2012/13 £m | 2013/14 £m | 2014/15 £m |
|---|-----------------------|-----------------------|-----------------------|
| Shortfall/(Surplus) Between Capital Expenditure and Capital Resources | 0.1 | 1.6 | (2.7) |

- 4.3 Following the cancellation of the Building Schools for the Future initiative in 2010 the Government has re-opened the prospect of a new school renovation/replacement programme financed through PFI. The Council is in the process of assessing its options in relation to this within a very tight time-scale for submitting funding bids in October 2011. The Government has also published the James Review of Schools Capital which is proposing some fundamental changes to this area which may mean that local authorities will not have a strong involvement in the schools capital programmes in future. The full implications of this proposal will be assessed and communicated when the final outcome of the report's recommendations is known.
- 4.4 Whilst there is a shortage of capital resources to fund our infrastructure investment and regeneration requirements, the Prudential Code provides some flexibility by relaxing controls on borrowing but at a significant revenue cost. Increasingly, large capital projects depend on specific external grant and/or complex partnership arrangements. The Government has also implemented changes in 2010 meaning that future long-term borrowing costs through the Public Works Loans Board will be c1% higher than previously.
- 4.5 Current resource constraints make it essential that our approach to capital planning incorporates appropriate attention to future spending needs and funding flows to enable us to develop future investment in the City's public infrastructure in a robust and sustainable manner. Government funding will not give us the resources needed to invest in some fundamental areas of service and infrastructure – our highways, operational property portfolio and information technology systems. As part of our revenue programme we will aim to continue to make these resources available for capital purposes.
- 4.6 We will continue to seek any other avenues that offer potential sources of capital funding. These will include Prudential Borrowing, the Private Finance Initiative and Public Private Partnerships. The choice of these options will be subject to transparent public decision-making processes. The circumstances in which such decisions may be made will include those where there is a strong supporting business case for investment and instances where there is a combination of strong policy commitment, lack of alternative funding sources and carefully considered analysis of long-term financial implications. Where we consider whether schemes should be funded by Prudential Borrowing this will be looked at on a case by case basis. Such funding will only be approved where it is supported by a business case or aligned to a key strategic priority. The Council will also explore the use of options such as Local Asset Backed Vehicles. This type of model can offer tax efficient means of regenerating the local economy by pooling Council assets that offer investment and development opportunities with private sector partners.
- 4.7 The Council's overarching Capital Strategy is outlined below:
- The Council will consider disposal of surplus land and operational property and use the receipts to help manage the Corporate Capital Programme, sensitive to the needs of school or project specific requirements within which disposal sites are identified.
 - All receipts should be considered corporately and should only be ring-fenced to specific schemes where this is viewed as being the optimum use of these resources.
 - The Council will seek to generate receipts from selling our least well performing commercial assets, balancing the implications of commercial rental income foregone against the amount and timing of the potential receipt to be generated. We will take account of the need to choose the best time to sell such assets in the light of market conditions and particularly the price that we can achieve on these sales.

- Revenue and capital bids for corporate resources are considered within the same broad planning process and capital investment decisions will be taken with full regard to the revenue spending consequences.
- Any decisions to continue to invest or to disinvest from City Council investments such as in Birmingham Airport will be based on regular reviews of the financial and strategic impact on the city of doing so.
- Faced with current circumstances, the Council may take some decisions designed to overcome some short-term difficulties such as significant curtailment of spending plans and the use of short-term borrowing in anticipation of future capital receipts in the medium- term.

5 **Partnership, Participation and Consultation**

- 5.1 The Council's approach will continue to be sufficiently flexible to allow for different funding arrangements such as combinations grant funding, forms of governance at local level, the increased use of partnership approaches and the promotion of joint commissioning arrangements. All of these developments affect the way in which we manage our finances and demand flexibility in the way we work. The expectation is that these approaches will continue to be highly relevant in the future although the pressure that will be placed on funding streams for local services will affect significantly the viability of some arrangements.
- 5.2 Where appropriate the Council will explore and take advantage of different approaches to service delivery in order to optimise the volume and quality of service that can be delivered. The coming medium-term period will therefore require us to increase our participation in more shared service approaches, commercial strategic partnering arrangements, greater involvement of community and voluntary sector partners within the City and collaboration on a sub-regional basis.
- 5.3 The Council's Inform, Consult and Involve Strategy sets out our approach to meeting the new legislative framework and provides the mechanisms to ensure that 'representatives of local people' are being appropriately informed, consulted or involved in services, policies or decisions that affect or interest them. In line with this, the Council's budget planning will continue to be open to a broadly based public consultation process to help it make fair and transparent decisions that reflect local needs and demonstrate its commitment to a process that improves trust between different community groups.
- 5.4 Although schools budgets (traditionally the biggest single item of spend) were taken out of councils' control in April 2006, Coventry schools have continued to wish to work in partnership with each other and with the City Council. This position is now in a state of considerable change in relation to the move of a number of the city's secondary schools to Academy status. The direct funding for these schools will no longer be channelled through the Council in future whilst an estimated share of general funding for services provided by the City Council to schools has also been removed from Formula Grant, the so-called Academy top-slice. There is a possibility that these schools may choose to withdraw from a number of the Council's services and were this to happen it could have a significant impact on these services. The Council is assessing the potential service and financial impact of such development. In the meantime the Council will continue to work closely with Schools through the Schools' Forum in budget decisions that have an impact on them.

6 **Conclusions**

- 6.1 Along with the rest of the public sector, the City Council is now in the midst of coping with the massive challenge of delivering public services with a much lower level of financial resources than previously. All indications are that the next few years will represent the most difficult period that local government has faced for at least several decades as we deal with a period of austerity. It is clear that we will need to refocus our services on core business activity and this will involve some tough decisions in those areas that fall outside of this definition.
- 6.2 Even with this background the City Council is committed to do all that it can to make our services even better and raise the quality of life in the City. To achieve this we will look to identify the best way that services can be delivered, some of which will undoubtedly move away from traditional models of service delivery. Our transformation agenda will ensure that we will look to review and transform all of the services that we deliver to ensure that whichever model we choose, we provide the best value for money that we can.
- 6.3 This Medium Term Financial Strategy reflects these developments and where appropriate defines our approach to them. It reflects the steps that we have taken to ensure that we are well placed to respond to the financial challenges being faced currently within public finances. The City Council's approach is embracing the opportunities that are arising to change the way in which local services can be delivered and this is serving as a springboard for achieving the City's aspirations and delivering A Better Coventry.

Coventry City Council

Appendix 1: Analysis of Financial Approach to Key Risks

| | Named Risk and Key Element of Risk | Existing Financial Treatment and Any Implications For MTFS |
|---|---|--|
| 1 | Key projects (see below) - Failure of one or more key corporate projects. | Financial requirements for key projects are identified as part of project management arrangements and incorporated within medium term revenue/capital programmes as appropriate. Revised savings profiles are reflected in medium term plans as they arise. |
| | ABC Programme - Failure to achieve target savings and improvements in service. | |
| | Admin and Business Support Services – Failure to be responsive to the business needs of the organisation and achieve target savings. | |
| | Money Matters – Failure to produce a fit for purpose operating model and achieve target savings. | |
| | Personalisation - Failure to produce a fit for purpose operating model and achieve target savings. | |
| | Olympics – Failure to co-ordinate individual projects and complete the programme on time. | |
| 2 | Health and safety - Failure to discharge health and safety responsibilities effectively. | The revenue programme contains ongoing budgets to support our core health and safety duties and additional resources are identified to fund additional programmes of spend where necessary. |
| 3 | Finance - The Council is unable to produce a balanced budget in the medium term. | This strategy incorporates the measures that will enable us to balance our medium term programmes, in particular the delivery of the ABC Transformation Programme. |
| 4 | Equal Pay Claims - Successful litigation against the Council over equal pay claims causes significant unbudgeted costs. | A significant proportion of claims has been settled from within a £30m provision established for this purpose. Further claims are being defended through due legal process and the remainder of the £30m provision set aside for any potentially successful future claims. |
| 5 | Safeguarding Children – Risk that action is not taken in a timely and effective way to safeguard and protect vulnerable children and young people. | These services have significant levels of core funding within existing budgets. Such areas are kept under review and where it is demonstrated that further financial support is required to mitigate such risks then this will be factored into our financial plans. |
| 6 | Safeguarding Adults – Risk that vulnerable adults come to significant harm or die when this could have been prevented by Council or other related services. | These services have significant levels of core funding within existing budgets. Such areas are kept under review and where it is demonstrated that further financial support is required to mitigate such risks then this will be factored into our financial plans. |
| 7 | Safeguarding Awareness – Failure to raise awareness of approaches to safeguarding | This is principally an organisational/procedural matter. Financial provision has been and will be provided to support mitigating actions as appropriate. |
| 8 | Organisational Change – Risk of | This is principally an organisational/management matter. |

| | | |
|----|---|---|
| | managerial non-cooperation with change requirements. | |
| 9 | Market Failure of the Independent Sector – Risk that the sector will not have the capacity to deliver services to required standards and that responsibility falling back onto the Council. | These services have significant levels of core funding within existing budgets and the issue is more about support to existing service structures and relationships with key provider partners. This area is one of significant change currently. |
| 10 | ICT - Failure to achieve financial savings from I-Cov review. | Revised staffing structures are now in place and contractual matters with SERCO have largely been finalised. Ongoing budgetary control and management scrutiny processes will be applied to monitor this area. |
| 11 | Major Incident – Failure to respond efficiently and effectively to a major incident. | This is principally an organisational/procedural issue. Financial provision has been and will be provided to support this area as appropriate. |

Cabinet
Council

4th October 2011
18th October 2011

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources), Councillor Duggins

Director Approving Submission of the report:

Director of Finance & Legal Services

Ward(s) affected:

All

Title:

Replacement of the Financial Information System

Is this a key decision?

Yes

This report seeks approval to resource the procurement of a new financial information system which is likely to exceed the £0.5m threshold.

Executive Summary:

The purpose of this report is to seek approval to spend up to £2.0m to replace the Council's Financial Information System.

The current system reaches the end of its extended support in 2013 and will require replacement. The abc Money Matters project has concluded that significant savings could be driven by an earlier replacement of the system through using the opportunity to streamline the chart of accounts and improving business processes with improved system functionality.

In addition to finance modules; HR and Payroll and other wider functionality will be considered. Following implementation of the finance elements, a further programme of change will then look at other operational systems, to consider opportunities for consolidation into the corporate system.

Recommendations:

Cabinet recommends to Council to

- (1) Authorise the Director of Finance and Legal Services to commence procurement for a replacement to the Financial Information system; and
- (2) Authorise the procurement funding and the contract award and implementation by the Director of Finance and Legal Services using the funding options outlined in section 5.

List of Appendices included:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been 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: Replacement of Financial Information System

1. Context (or background)

- 1.1 Coventry City Council implemented its current Financial Information System in 1997. The version currently in use is of such an age that it is no longer supported by the provider, Oracle Financials, and is in need of replacement.
- 1.2 An interim upgrade is planned to take place in September 2011 which will bring the system temporarily back into support. A full upgrade to the latest version of Oracle would then be required in 2013.
- 1.3 The Money Matters Project, a fundamental service review of financial management, has considered future ways of working to improve the way that the Council manages financial information. The findings of the review have concluded that existing systems are inefficient and inconsistent across the organisation. The lack of functionality within the current IT systems requires a significant level of manual intervention and 'work arounds' to ensure that financial information is recorded and reported accurately. In addition, the system is not user-friendly and managers and budget holders find it difficult to access the financial information that they need to deliver services effectively and efficiently.
- 1.4 The Money Matters review has also identified a significant level of savings that could be delivered in the short to medium term by transforming the way in which financial management activity is undertaken across the organisation. While some improvements in processes can be made using existing IT systems, more significant savings and benefits will require the re-implementation of the Financial Information System.
- 1.5 Analysis of ICT systems has shown that there are numerous operational systems which interact with the Financial Information System. These systems combine operational activity and financial data which can lead to duplication of effort. The specification for any replacement finance system, will also incorporate functionality for HR and Payroll and may also be evaluated on the criterion of any additional modules that may be available for use.
- 1.6 In the longer-term, additional modules will be considered in order to enable the retirement or consolidation of other operational systems in a phased approach. The retirement of other systems may be in full, or in part by replacing financial elements of existing systems to ensure that as much financial activity takes place in the finance system as possible.

2. Options considered and recommended proposal

- 2.1 As part of the Money Matters abc review, officers have considered a number of options for the replacement of the Financial Information System. These were:
 - To do nothing (which would mean the existing Oracle system would need to be upgraded in 2013 to remain supported);
 - To carry out the upgrade on the existing Oracle platform now;
 - To conduct a tender exercise for a new supplier; and
 - To implement a finance system hosted by another local government body.

- 2.2 High-level analysis was undertaken for each of these options to consider the potential benefits and costs. The costs used in the analysis were indicative costs from market research and final costs will not be known until a tender exercise has been conducted. It is anticipated that to procure and implement a new system would cost up to £2.0m as detailed in the financial implications section 5.1.
- 2.3 The 'do nothing' option is clearly the least expensive in the short term. However, to remain with the existing version of the Oracle system will not allow the full financial and operational benefits identified as part of the Money Matters review to be realised. In addition, the system will still require an upgrade in 2013 to ensure that it can remain supported by the system provider. The upgrade to the next version of the Oracle platform will be a significant undertaking to the extent that it is estimated that the cost of this upgrade will be of a similar magnitude to implementing a completely new financial system.
- 2.4 Each of the other options identified remain viable. The recommended approach, therefore, is to conduct a tender exercise for a completely new system. In this way, it will allow a full consideration of all system options that exist in the market currently and allow the City Council to select the option which best meets the requirements which will be defined in the system specification.
- 2.5 Conducting a full tender exercise does not preclude the existing provider from being the successful bidder and the outcome being an upgrade of the existing Oracle system. Neither would this process exclude the possibility of a shared hosting arrangement with another Local Authority, for example, which may enable the costs of the project to be reduced even further.
- 2.6 It is recommended, therefore, should Cabinet approve the proposed expenditure on replacing the Financial Information System, a full tender process will be commenced to ensure that the Council can procure the system that best meets its requirements within the resource envelope available.

3. Results of consultation undertaken

- 3.1 Internal consultation has been undertaken with users of the finance system and the financial management processes which are dependent upon it, including Budget Holders and employees in the Financial Management Division.
- 3.2 Further consultation has taken place as part of the Money Matters review and its governance procedures. The Money Matters Project Board, and the abc Transformation Programme Delivery Board have both endorsed Option 3 as the preferred option.
- 3.3 The Transformation Programme Delivery Board recommended that HR and Payroll functionality also be included. This is so that a future option is retained to run Finance and HR from a common platform should a decision be made in future to replace the HR and Payroll system.
- 3.4 A full member seminar was held on 18th July to provide a full update on the progress to date of the Money Matters review.

4. Timetable for implementing this decision

- 4.1 If approved the Project Team will conduct the tender exercise, with an Invitation To Tender (ITT) to be issued at the end of October 2011
- 4.2 Following assessment of the tender responses, a preferred supplier will be in place for the end of March 2012 and arrangements will commence for the implementation of the new system
- 4.3 An implementation timescale of 12 months is anticipated, and as such the system from the successful tenderer would be in place from April 2013.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

The first phase of the Money Matters project is anticipated to deliver £1.8m of revenue savings for the financial years 2011/12, and 2012/13. These savings are anticipated to increase to £2.05m in 2013/14 and £3.175m ongoing from 2014/15. However the increased benefit is dependent on some improvements in systems and processes which will require the replacement of the current finance system.

The costs of purchasing and implementing a new system will be finalised as part of the tender exercise outlined in section 4 and cannot be finalised until then. Approval to resource the system replacement is required in principle, in order to proceed with the procurement process although it is not anticipated that additional expenditure on the project will be incurred until the 2012/13 financial year.

The anticipated costs for the replacement of the finance system are broken down as follows:

| | |
|--------------------------------------|---------------|
| Product and Licensing | £0.70m |
| Hosting and Servers | £0.10m |
| Implementation – System | £0.35m |
| Implementation – Business Processes | £0.55m |
| Integration with operational systems | £0.30m |
| Total | £2.00m |

Initial project management and support capacity is available from within the existing ICT and Financial Management Divisions and through the ABC Programme Office. Further capacity and flexibility will need to be identified as the project progresses.

At this stage it is important to identify a level of funding up to the potential likely maximum indicated. Several funding options have been identified below from a combination of existing resources and proposals for an expanded ICT capital programme.

The two main funding options are as follows.

- a) **Money Matters Savings** - The Money Matters review is anticipated to deliver savings for 2011/12 and 2012/13 that exceed the budgeted savings for the project by between £0.7m and £1.0m for the two-year period. It is proposed that the whole of any excess saving achieved should be utilised to fund this project.
- b) **Capital Programme Flexibility** - Flexibility within the existing 3 year £15m Capital Programme will be assessed as part of current monitoring arrangements. In particular currently the purchase of new PCs is part funded from capital and if this is switched to revenue capacity can be freed up in the programme to fund the new Financial System. This option is actively being considered by ICT and finance managers.

Two further options may be available and will be assessed as part of the ongoing work to deliver the Council's overall ICT expenditure programme. The overall funding arrangements will be firmed up as part of 2012/13 budget setting.

- The 2012/13 budget setting process will include proposals for on-going revenue budget provision to ensure that the core systems will be maintained and developed so that they remain robust and fit for purpose.
- Any financial gap after the options outlined above would need to be funded from prudential borrowing with any financing costs being factored into future capital programme resource planning. It is very likely that this option will not be required.

5.2 Legal implications

The procurement will be conducted with in the Rules for Contract and undertaken in accordance with the Public Contracts Regulations 2006

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The replacement of the Financial Information System is an integral part of the Money Matters review, which aims to transform the way in which the Council undertakes financial management. The review is part of the abc Transformation Programme and as such has been conducted in line with the organisational blueprint and the council's key objectives. The review will improve the quality of financial support for budget holders, and improve the quality and timeliness of financial information required to assist officers and members in decision making.

6.2 How is risk being managed?

Project risks are being managed via a risk and issue register which is shared with the Project Board and Transformation Programme Office.

The initial cost assumptions built into this report are considered to be realistic, however, the potential for final costs being higher after quantification through the tender is being managed through the risk register. For the purpose of this report the higher-end of potential cost estimates have been used to minimise any impact from any subsequent variation.

6.3 What is the impact on the organisation?

By procuring a finance system with additional capabilities and functionality, such as HR and other modules, there is future potential for additional benefits by consolidating other ICT systems currently in use. Implementation will incorporate further business process design to improve the way that we work contributing to the transformational elements of the Money Matters review and the wider abc Programme.

6.4 Equalities / EIA

The procurement of a new system would not directly impact upon front line service delivery and hence its propensity for differential impact on citizens is very limited.

As with any major ICT implementation, requirements will be included into the specification to ensure the needs of the councils disabled employees will be fully met in their use of the system. Information sessions are planned with corporate consultative groups on disability to ensure that these are sufficiently covered.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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| Pete McDermott | Head of ICT Strategy & Architecture | Customer & Workforce Services | 13/9/11 | 13/9/11 |
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| Director: Chris West | Director of Finance & Legal Services | Finance % Legal | 13/9/11 | 13/9/11 |
| Members: Cllr Duggins | Cabinet Member (Strategic Finance and Resources) | | | |
| Kevin Malone | Assistant Director, ICT | Customer & Workforce Services | 13/9/11 | 13/9/11 |

This report is published on the council's website:

www.coventry.gov.uk/councilmeetings

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

Cabinet
Council

4th October 2011
18th October 2011

Name of Cabinet Member:

Cabinet Member (City Development) – Councillor Bigham

Director Approving Submission of the report:

City Services and Development

Ward(s) affected:

St Michaels

Title:

Lease negotiations and land transfer Bishop Street / Tower Street

Is this a key decision?

Yes as it will have a significant effect on communities living or working in the city centre.

Executive Summary:

Barberry Group Ltd a privately owned Property Company based in the West Midlands, acquired the freehold interest in the former Royal Mail sorting office on the corner of Bishop Street and Tower Street in January 2011.

Barberry had been keen to identify an investment opportunity in Coventry since they had been impressed by the Council's aspirations for the development of the City presented to them at MIPIM, the international property conference.

In April 2011 following initial discussions with the Council, Barberry submitted proposals for a £50M, 400,000sqft retail led mixed use development on both their site and adjoining Council owned land, which they received outline planning consent for in June 2011.

This significant investment would create a prominent new building in the city centre, providing improved retail, leisure and parking facilities along with substantial job opportunities. It will also

deliver significant public realm improvements (linking to the Council's investment in the city centre's public realm) and include a new, improved, pedestrian link connecting the Canal Basin and the wider area beyond with the city centre.

To deliver their proposed scheme, Barberry needs to acquire Council land including a surface car park and amend existing leasehold interests.

This report sets out the structure of the transaction discussed with Barberry and outlines, the benefits and safeguards to the Council of the proposed transaction, along with the indicative timescales for the delivery the scheme.

Recommendations:

Cabinet is requested to recommend that the Council:

- 1) Approve the terms presented in section 2 of this report and delegating authority to Cabinet Member City Development in consultation with Director of City Services and Development and Finance and Legal services to complete the disposal of the site based on these terms.
- 2) Approve the commencement of the formal car park closure procedures, outlined in paragraph 2.3 of this report.
- 3) Approve that pursuant to section 122 of the Local Government Act 1972 once the car park closure has been made that the site be appropriated and hereafter held for planning purposes
- 4) Approve the making of a Stopping Up Order for that section of Tower Street cross hatched on the attached plan.

Council is recommended to:

- 1) Approve the terms presented in section 2 of this report and delegating authority to Cabinet Member City Development in consultation with Director of City Services and Development and Finance and Legal services to complete the disposal of the site based on these terms.
- 2) Approve the commencement of the formal car park closure procedures, outlined in paragraph 2.3 of this report.
- 3) Approve that pursuant to section 122 of the Local Government Act 1972 once the car park closure has been made that the site be appropriated and hereafter held for planning purposes
- 4) Approve the making of a Stopping Up Order for that section of Tower Street cross hatched on the attached plan.

List of Appendices included:

Appendix A – Plan indicating the Council and Barberry land proposed to be included in the new lease.

Appendix B – Images of the proposed development presented at planning committee

Appendix C - Indicative scheme site plan

Other useful background papers:

Outline Planning decision notice dated 02/06/2011 application number OUT/2011/0326 which can be obtained from the Councils planning portal at www.coventry.gov.uk/planning or at the Planning Helpdesk, Civic Centre 4.

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes, 18th October 2011

Report title: Lease negotiations and land transfer Bishop Street / Tower Street

1. Context (or background)

- 1.1 The site of the proposed development is located within the ring road between Bishop Street, Silver Street, Tower Street and the Ring Road. The general area was identified in policy CC37 as a future, mixed use, development site within the 2001 Coventry Development Plan. This was supported by the plans for the wider city centre where this area was identified as a possible retail expansion area.
- 1.2 Following Royal Mail's decision to sell its Bishop Street sorting office in 2010 Barberrry Properties were selected as the preferred purchaser and completed the purchase of the sorting office site in January 2011.
- 1.3 Discussions were held between Barberrry and the Council as a precursor to Barberrry making a planning application. These discussions allowed Barberrry to address the Council's aspiration to see a comprehensive development of the area, improved public realm, linkage to the Council's 2012 investment, as well as improved connections between the city centre and the Canal Basin. In addition the Council would require Barberrry to fund any highway improvement works necessary to facilitate the scheme.
- 1.4 Barberrry also acquired, at risk, the leasehold interest in 50 Bishop Street, the former Kingston furniture store, to assist with facilitating the proposed scheme.
- 1.5 On the 2nd June 2011 Planning committee approved Barberrry's outline planning application for the development of:-

| | | |
|-----------------------------------|---------------------|---------------------|
| A1 Food Retail (Supermarket) | 8,310 sqm / | 89,450 sqft |
| A1 potential additional mezzanine | 2,847 sqm / | 30,646 sqft |
| Ancillary Café | 902 sqm / | 9,709 sqft |
| Leisure (Health & Fitness Club) | 1,865 sqm / | 20,075 sqft |
| Sub Total: | 13,924 sqm / | 149,881 sqft |

Plus 585 car parking spaces
(Inc plant areas/shared access)

2. Options considered and recommended proposal

- 2.1 The land required to be included within the development scheme is shown in Appendix A.
- 2.1.1 Site 1 - Barberrry Group own the Freehold of the site.
- 2.1.2 Site 2 - Barberrry Group have the benefit of a lease over the land until 2058. Coventry City Council owns the Freehold.
- 2.1.3 Site 3 - Coventry City Council own the Freehold of the 110 space surface car park.
- 2.1.4 Site 4 - Barberrry Group have the benefit of a lease over the land until 2070. Coventry City Council owns the Freehold.
- 2.2 In order to create a development that is financially viable Barberrry require a new long term leasehold interest over the development site.
- 2.3 It is therefore proposed that the existing ground leases' over site 2 and 4, be surrendered and a new 150 year lease be granted across the Council owned sites including the land currently comprising the Tower Street public surface car park. To enable this car park to form part of the development scheme this report is also seeking approval to commence the process for closing the car park.

- 2.4 Barberry have agreed to pay a premium for the new leases, the commercially sensitive financial detail and structure of the proposed transactions are contained within the private report.
- 2.5 In addition to the premium Barberry are obligated to undertake offsite improvement works at their expense.
- 2.6 Tower Street car park is currently designated as a long stay car park and had until the Royal Mail vacated the Bishop Street sorting office, had been an important car park for those working there. Income from this car park has fallen year on year from 09/10 to 10/11. Although adjacent to the Coventry Transport Museum, the museum directs its patrons to park in the Belgrade Plaza multi story car park, giving visitors to the city a better first impression of Coventry. The Bishop Gate scheme is proposing to provide a public car park of 585 spaces and although it is recognised that these spaces will in the main be used by the development they will, through agreement with the developer, also be made available to the general public at the prevailing parking rate across the city centre. The supermarket operator will have the flexibility to incentivise its customers parking if it so chooses to do so.
- 2.7 The proposal also would require the stopping up of part of Tower Street. The Council as highway authority would undertake the stopping up. Any costs attributable to this will be underwritten by the developer, Barberry.
- 2.8 The alternative option would be not to include the Council land within the development area which would result in a smaller less comprehensive development of the area. Barberry would redesign a scheme which would revert back to the land which they currently own and control.

3. Results of consultation undertaken

- 3.1 Barberry to date has consulted the public about the proposed development in two ways. Firstly as part of their formal outline planning application, they presented their development proposals at Development forum on the 17th February 2011 as well as holding a public exhibition for a week at the Central Library between the 21st and the 25th February 2011.
- 3.2 Further public consultation will be undertaken as part of any detailed planning application submitted in the future.

4. Timetable for implementing this decision

- 4.1 If this report is approved Barberry will look to secure an occupier for the food retail element of the scheme. Once achieved Barberry will work together with the supermarket operator to design a store specifically suited to their specific needs, following which a detailed planning application would be submitted. It is currently anticipated that a detailed application would be submitted by March 2012.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Due to the confidential nature of the contract negotiations, the financial implications are dealt with in private.

5.2 Legal implications

The premium for the site represents best consideration under section 123 of the Local Government Act 1972. The car park closure will be made under sections 32 to 35 of the

Road Traffic Regulation Act 1984. This involves placing a public advertisement and Cabinet Member (City Development) considering any objections received.

The site can be appropriated under section 122 of the Local Government Act 1972 so that any right to light claim is restricted to damages rather than an injunction to prevent development

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The proposed land transactions will provide the ability for the regeneration of part of the city centre which will help to provide a more active and vibrant city centre improving the physical environment and public realm. It will also help to improve the links between the city centre and the residential and commercial areas to the north of the site across the ring road. It will also provide a wide range of job opportunities for the local community.

6.2 How is risk being managed?

The main project risks are initially that the conditions of the agreement aren't met and the project does not proceed. During these initial phases of the project City Centre and Development Services will meet regularly with Barberry's project development team to understand and monitor progress, facilitating where required assisting with the project's progress.

6.3 What is the impact on the organisation?

There will be no impact on the organisation.

6.4 Equalities / EIA

No formal equality impact assessment has been undertaken for this land disposal but an appraisal by officers of the impact of the development has been undertaken and concluded that there is no significant impact

6.5 Implications for (or impact on) the environment

The principle of the development will look to embrace the seven key themes for sustainable design and construction outlined in the supplementary planning document 'Delivering a More Sustainable City' around energy, materials, contaminated land, travel, waste and recycling, water, and air quality, paying high regard to energy efficiency and sustainability

6.6 Implications for partner organisations?

There are no implications on partner organisations

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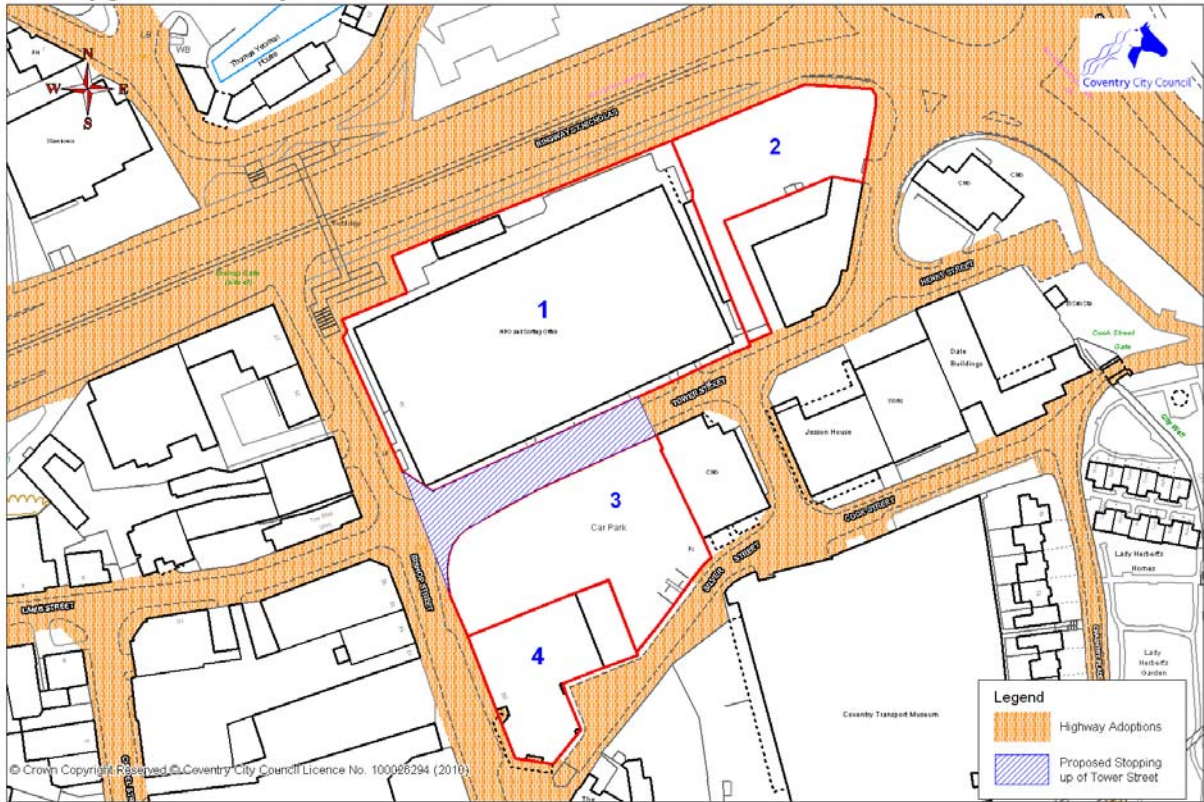
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Appendices

Appendix A – Site plan identifying the specific land parcels within the proposed development

Bishopgate, Coventry.

Scale 1: 1250 at A4



Appendix B – Images of the proposed development presented at planning committee



View up Bishop Street



View across Ring Road

Appendix C – Indicative scheme site plan

