Coventry City Council

7.1.2

Public report
Cabinet Report

Cabinet	14th February 2012
Council	21st February 2012

Name of Cabinet Member:
Cabinet Member (Strategic Finance and Resources) - Councillor Duggins,

Director Approving Submission of the report:
Corporate Management Board

Ward(s) affected:
All

Title:
Budget Report 2012/13

Is this a key decision?
Yes
Cabinet and Council are being recommended to approve the **Council's Budget** for 2012/13 incorporating revenue spending and savings decisions for 2012/13 and future financial years and the **Capital Programme** for 2012/13 to 2016/17.

Executive Summary:

This report follows on from the Pre-Budget Report approved by Cabinet on 29th November 2011 that proposed a range of budget options which have since been subject to a period of public consultation. It is intended that these proposals will now form the basis of the Council's final revenue budget for 2012/13.

2012/13 is the second year of four covered by the current Spending Review which set out the Government's spending plans incorporating significant reductions in the real level of resources available to local government. The City Council faces financial pressures of an unprecedented level over the next few years and the final settlement for 2012/13 has confirmed a further reduction in Formula Grant of £12m.

The Council has responded to the anticipated reduction in resource levels through its abc programme of transformation projects and other approaches designed to meet the financial challenge. This report sets out a range of recommended saving and spending proposals that together produce a balanced budget whilst allowing the Council to continue to deliver its key policies. The abc Programme involves a number of projects which are reviewing fundamentally the Council's current service provision with the objectives of achieving improved services to customers as well as significant cost reductions. The medium term financial plan anticipates significant further future savings from the Abc Programme to help balance the Council's budget.

These proposals will enable the Council to set a balanced budget for 2012/13. The medium term financial position still shows revenue budget gaps of £14m and £27m in 2013/14 and 2014/15 respectively.

Legislative changes to the way the Council is required to show its budget mean that the Council Tax Setting Report that accompanies this one recommends a 'Council Tax Requirement' for 2012/13 rather than the 'Budget Requirement' that has been recommended in previous years. The implications of this change are explained in **Section 3**. The Council Tax Requirement for 2012/13 is £118.3m. On the previously reported Budget Requirement basis, the Council's net revenue budget funded by Formula Grant and Council Tax will decrease by £9.7m from £277.1m in 2011/12 to £267.4m in 2012/13. The total or gross revenue budget which also includes spending funded by specific grants and fees and charges will be £740.2m.

The budget recommended within the report is based on no increase in the city Council Tax above 2011/12 levels. On this basis the Government has agreed to fund, on a one-off basis, a Council Tax Freeze Compensation Grant equivalent to a 2.5% increase in Council Tax or £2.96m. When the grant falls out after 2012/13 this will represent a loss of resources to the City Council.

This report includes a proposed Capital Programme of £57m for 2012/13 and £111m for the period 2013/14 to 2016/17. In the main, this consists of schemes and programmes that have already been approved plus programmes of essential expenditure in the areas of property, highways maintenance and ICT infrastructure plus a new £1m programme of pavement maintenance and provision for new cemetery facilities at the Lenton's Lane site. The 2012/13 programme requires a level of prudential borrowing of £9m to support investment in specific schemes. The revenue impact of repaying this borrowing is taken into account in the revenue budget.

The Council is also required to approve its Treasury Management Strategy and Prudential Indicators on an annual basis and these are incorporated within this report.

Recommendations:

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

Council are recommended to:

(1) Approve the final spending and savings proposals in **Appendix 4**.

(2) Approve the total 2012/13 revenue budget of **£740.2m in Table 2 and Appendix 3,** established in line with a zero city Council Tax increase, acceptance of the Council Tax Freeze Compensation Grant and the Council Tax Requirement recommended in the Council Tax Setting Report considered on today's agenda.

(3) Note the Director of Finance and Legal Services' comments confirming the robustness of the budget and adequacy of reserves in **Section 9.**

(4) Approve the Capital Programme of £57m for 2012/13 and the future years' commitments arising from this programme of £111m in 2013/14 to 2016/17 (**Section 6** and **Appendix 5**).

(5) Approve the proposed Treasury Management Strategy for 2012/13 (**Section 7)**, the revised Investment Policy (**Appendix 6)** for immediate implementation**,** the revised Treasury Management Policy Statement **(Appendix 7)** and adopt the prudential indicators and limits described in **Section 7** and summarised in **Appendix 8.**

List of Appendices included:

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 21st February 2012

Report title: Budget Report 2012/13

1. Context (or background)

1.1 The purpose of this report is to seek approval for the 2012/13 Revenue Budget and corresponding zero Council Tax increase, the Capital Programme, Treasury Management Strategy and Prudential Indicators. The report also informs members of the Government's Formula Grant allocation for 2012/13 and the implications for future years' financial plans of the information contained within the report.

1.2 On November 29th, Cabinet received the Pre-Budget Report that formed the basis of the statutory budget consultation process. Council approved the Medium Term Financial Strategy on 18th October which provides the basis of the Council's medium term revenue and capital financial position for the next three years.

1.3 The proposals outlined in this report have been arrived at within the context of the Council's commitment to delivering the Coventry Sustainable Community Strategy and the Council Plan 2011-12 to 2013/14. This is increasingly challenging at a time of lower funding levels. The Council is fully committed to tackling the challenge of further improving the quality of its services and this will be achieved in-part through successful delivery of its abc Programme of transformation reviews. The Programme is reviewing current service provision with the objective of achieving improved services to customers and cost reduction. The medium term financial plan anticipates significant savings going forward to help the Council balance its budget and the estimated impacts of these abc projects form a fundamental part of the revenue spending and saving proposals within the report.

1.4 The Medium Term Financial Strategy and Pre-Budget reports set out the massive national changes affecting the financial and policy landscape for local authorities. At a local level the Council continues to face challenges that include providing robust services for vulnerable children and adults, exploring regeneration opportunities to maintain local and sub-regional economic growth, delivering vital local services to Coventry citizens and taking forward exciting new developments including preparations for the 2012 Olympics.

1.5 Large urban authorities like Coventry which contain relatively high levels of deprivation are more dependent on Government grant settlements and are therefore impacted more as grants are cut. However, the Council is committed to working closely with its partners, local people and communities to develop positive and successful strategies to address this challenge.

1.6 In addition to headline cash reductions in resources of 6.4% over the next three years the Chancellor's 2011 Autumn Statement made it clear that Public Sector cuts will be expected beyond the medium term planning horizon. Forecasts for economic growth are now less optimistic than previously and the prospects of very challenging conditions for a sustained period are looking increasingly likely. In view of this it is essential that the Council takes steps to establish robust budgets and secure financial foundations to prepare itself for the very testing times ahead.

2. Options considered and recommended proposal

2.1 The sections below outline the City Council's overall financial position including the resources available to support net budget (**Section 3**), the savings and cost pressures reflected in the proposed budget (**Section 4**) and the current position facing the Council over the medium term (**Section 5**). Approval is being sought for the saving and spending proposals and the overall budget incorporating a zero city Council Tax increase and use of the Council Tax Freeze Grant.

2.2 The proposals within this report will result in the following movements between 2011/12 and 2012/13 (explained further in **Section 3**).

- A decrease of £9.7m (3.5%) in the Council's net revenue budget (spending funded from Council Tax plus Formula Grant) from £277.1m to £267.4m.
- A decrease of £53.4m (6.7%) in the Council's gross revenue budget (spending funded from Council Tax, Formula Grant, specific grants and fees & charges) from £793.6m to £740.2m.

2.3 The report seeks approval for a 2012/13 Capital Programme of £57m compared with an initial 2011/12 programme of £65m. This represents a decrease of 12%. The Programme is considered in detail in **Section 6** and **Appendix 5**.

2.4 The report is also required formally to seek Council approval for the Treasury Management Strategy (**Section 7 and Appendix 6**), the Treasury Management Policy Statement (**Appendix 7**), the Prudential Indicators (**Section 7 and Appendix 8**) and the Chief Financial Officer's assessment of the adequacy of reserves and robustness of the Budget (**Section 9**).

3. Resources – Council Tax, Formula Grant, Specific Grants and Fees and Charges

3.1 The Council's total revenue budget is funded from a combination of Council Tax resources, Formula Grant from central government, specific grants from Government and other bodies and fees and charges for Council services. The key elements that determine the size of budget that the Council can afford are explained below.

Table 1: Factors Affecting Total Resources

Item	Description	Basis For This Report
Council Tax Resources – Tax-base	Measure of the taxable capacity - the estimated number of Band D equivalent chargeable dwellings for the year	Finalised in the 3rd January 2012 report to Cabinet.
Council Tax Resources - Surplus/Deficit for Previous Year	Collection performance against original estimate	Final estimate of £0.4m surplus made by the Director of Finance and Legal Services under delegated powers. Under new regulations this figure is no longer reported as part of the Council Tax Requirement and has been shown instead as part of fees and charges.
Council Tax Resources - Increase in City Council Tax rate	Member decision on how much the City's Council Tax should increase. Influenced this year by a Government commitment to provide a Council Tax Grant equivalent to a 2.5% tax increase for all authorities who freeze their Council tax	Council Tax freeze proposed within the report considered alongside this one in line with national government policies and grant system.

Formula Grant*	Final Government allocation of resources	Government announced figure in Final Settlement on 31st January
Specific Grants	Grants provided by the Government, quasi-Government organisations and by the European Government. Such grants usually have a specific stated purpose although the Council can apply discretion over how many of these are applied in practice.	All known grants have been included. The nature of such funding means that some grants will not be known until after the budget has been set.
Fees and Charges	A combination of fees, charges for Council services, fines levied and rents charged on Council owned property. Determined by the range of services included, the volume of services consumed and the level of charging.	The Medium Term Financial Strategy dictates that standard fees and charges should be inflated in line with September inflation (4%). Property rents and some charging areas will vary from this rate of increase based on economic and business decisions.

*The Council will be in receipt of one-off 'Council Tax Freeze Compensation' for 2012/13 equivalent in value to 2.5% of 2012/13 Council Tax revenue if it agrees a zero increase in Council Tax levels. These resources will be paid via a specific grant and excluded from the 2012/13 Formula Grant Settlement. The equivalent resources agreed in 2011/12 will be paid for four years, equivalent in value to 2.5% of 2011/12 Council Tax revenue and included within the 2012/13 Formula Grant.

Taking all of these factors into account the final resource position for 2012/13 is reflected in the table below.

Table 2: Resources to Fund the Budget

2011/12 £000s	**2012/1**	**3 £000s**	**(Increase)/ Decrease £000s**	**(Increase)/ Decrease %**
(117,859)	In-Year Council Tax Revenue	(118,345)	(486)	(0.4%)
(926)	Collection Fund (Surplus)/Deficit*	-	926	-
(118,785)	**A: Council Tax Requirement***	**(118,345)**	**440**	**-**
(158,284)	**B: Formula Grant****	**(149,074)**	**9,210**	**5.8 %**
(440,057)	**C: Specific Grants (see section 3.3)**	**(395,651)**	**44,406**	**10.1 %**
(76,494)	**D: Fees and Charges**	**(77,092)**	**(598)**	**0.7%**
(277,069)	**Funding of Net Budget (A + B)**	**(267,419)**	**9,651**	**3.5%**
(793,620)	**Funding of Gross Budget (A + B + C + D)**	**(740,162)**	**53,458**	**6.7 %**

* The 2011/12 equivalent Council Tax Requirement figure included a £0.9m surplus from the Council Tax Collection Fund. New reporting arrangements for 2012/13 now require such Collection Fund balances to be shown as part of the Council's general income and the projected surplus available has been included within line D: Fees and Charges above for 2012/13. On a like for like basis the Council Tax Requirement has increased from £117.9 to £118.3m. It is assumed that individual Council Tax bills will be subject to a zero increase and this increase in revenue is due to an increase in the number of properties.
**The 2012/13 Formula Grant includes 2011/12 Council Tax Freeze Compensation of £2.9m paid on the basis of freezing Council Tax bills last year. Compared to 2011/12, the like for like level of Formula Grant would have been £146.1m, a reduction of £12.2m or 7.7%.

3.2 Formula Grant - The level of Formula Grant that an authority receives is dependent on its spending needs relative to other authorities, as determined by the Government. It also takes into account each authority's tax-base, which determines the amount of money it can raise through Council Tax. The Formula Grant figures in this report use the Final Settlement position for 2012/13 and an indicative position from the 2010 Spending Review for 2013/14 and 2014/15. It is important to recognise that the projections made for the years beyond 2012/13 are likely to be the subject to change as a result of proposed changes to the overall local government resource allocation methodology including the retention of Business Rates. It is not possible to predict with any accuracy the impact of these changes and one of the proposals within this report (item 27, Appendix 4) mitigates against the risk that Coventry is adversely affected by the net result of the changes. The best current estimate of Coventry's Formula Grant figures over the medium term is shown below.

Table 3: Coventry's Formula Grant

		2012/13 (Final)	2013/14 (Indicative Estimate)	2014/15 (Indicative Estimate)
Coventry's Formula Grant £m	£m	**(149.1)**	(143.0)	(135.4)
Change on Previous Year*	£m	**9.2 Decrease**	6.1 Decrease	7.6 Decrease
	%	**5.8% Decrease**	4.1% Decrease	5.3% Decrease

Coventry has lost £4.7m of Formula Grant in the 2012/13 settlement as a result of "damping" that is built into the allocation methodology. Damping is a financial mechanism to protect those authorities which the Government assesses have fared worst from the settlement by taking money away from other authorities. The Council's view is that the damping methodology is flawed and that it has taken money away from Coventry in our final grant settlement in a way that is unfair and which will also establish an unfair baseline for future changes in Business Rate reform. The Council has made representations previously to Government on this matter but the Council's arguments have not been reflected in the final settlement position shown.

3.3 Specific Grants – An overall reduction in known grant funding is expected amounting to £44m within 2012/13. In 2011/12 local government suffered very large decreases in the level of grant funding and other changes to the way that this funding was organised. Moving into 2012/13 there were expectations of a much less volatile impact on specific grants overall. However, some significant fall-out of grant funding was anticipated and has occurred in relation to the element of Dedicated Schools Grant that has transferred to Academy Schools and is no longer reflected within the Council's gross spending and income analysis. The loss of grant funding has resulted in an estimated overall reduction in Dedicated Schools Grant of £38m from £234m in 2011/12 to £196m in 2012/13, the relevant proportion of which will now be paid direct to Academy Schools. Further grant loss relating to Academy School sixth form funding provides the headline reason for the net £6 loss of non-DSG grant between 2011/12 and 2012/13.

4. General Fund Revenue Budget

4.1 The General Fund Budget recommended in this report reflects the likely Formula Grant settlement, the Council's spending priorities, the approaches outlined in the Medium Term Financial Strategy and an expected Council Tax freeze. The Pre-Budget Report taken to Cabinet on 29th November 2011 showed a budget gap of £1.0m. The principal movements that have happened since then are shown in **Section 4.2** below. The Council's Revenue Budget is detailed in **Appendix 3**, which sets out the Cabinet Portfolio revenue budgets and sources of revenue funding.

4.2 Changes to Spending and Saving Proposals
This budget includes a number of saving and expenditure proposals. A description of these was included within the November 29th Pre-Budget Report. A line by line impact of how these proposals affect the base budget is given in **Appendix 4** with an indication of where there have been changes to the figures included within the Pre-Budget Report. The principal changes are shown in the table below. These changes enable the Council to deliver a balanced budget for 2012/13.

Table 4: Principal Changes to Pre-Budget Report

	Appx 4 Line Ref	2012/13 £m	2013/14 £m	2014/15 £m
Pre-Budget Report Position		**1.02**	**15.25**	**30.16**
Children, Learning and Young People Fundamental Service Review - Saving Re-Profile	5	1.0	0.5	(1.5)
Daycare Review (Early Years and Childcare) – Final adjustment reflecting savings profile within the review	12	(0.04)	0.0	0.0
Waste Disposal Shared Service – saving now considered not deliverable in the short-term	16	0.25	0.25	0.25
Additional Potential CCTV FSR - Potential additional saving in future years	24a	0.00	(0.05)	(0.05)
Print Function Delivery Options – saving delayed and subject to review	25	0.25	0.25	0.25
Pavements Capital Spend – new proposed spending within the Capital Programme to be funded from revenue contributions	26a	1.0	0.0	0.0
Vision for Leisure – revised increased assessment of need to spend in 2012/13	47	0.15	0.0	0.0

Asset Management Revenue Account – Lower Borrowing and Debt Repayment Costs caused principally by delays in incurring capital expenditure	49	(1.43)	0.0	0.0
Council Tax-Base and Collection Fund – Combined effect of more properties from which to collect Council Tax and a surplus available from 2010/11.	50	(0.4)	0.0	0.0
New Homes Bonus – A non ring-fenced grant confirmed in the Government Settlement at a higher level than assumed previously	51	(1.8)	(1.8)	(1.8)
Budget (Surplus)/Deficit		**0.0**	**14.40**	**27.31**

4.3 Reserves

The level of City Council reserves as at 31st March 2011 is reflected in the table below.

Table 5: Reserves as at 31st March 2010

	Balance as at 31st March 2011 £m
Directorate Reserves	(4.8)
Corporate Reserves	(20.2)
Capital Reserves	(5.0)
Insurance Fund	(4.1)
Schools Reserves	(14.1)
Total Reserves	**(48.2)**

This level of reserves is adequate for the current known liabilities and approved policy commitments facing the City Council and is appropriate to sustain current plans, including the following commitments:

- £14m of schools specific reserves
- £6m for redundancy and pension strain costs over the medium term
- £5.5m to cover unforeseen financial problems in line with the Medium Term Financial Strategy.
- £5m to fund the Capital Programme
- £4m to cover the risk of potential insurance claims against the Council
- £4m for planned future costs of the Council's Private Finance Initiative schemes

The overall level of reserves is expected to fall a little below this current level over the medium term and the view of the Director of Finance and Legal Services is that this is at or approaching the minimum acceptable level for a Council of this size in the current financial climate. The 2012/13 budget does not include any contributions from these reserves to support ongoing general fund expenditure in line with the Medium Term Financial Strategy.

5. Medium Term Financial Position

5.1 Whilst this budget produces a balanced position for 2012/13, the resourcing of local government indicated by the 2010 Spending Review represents a significant reduction in funding in future years. In addition, the new model for funding local government resulting from Business Rate retention introduces a degree of uncertainty in the funding picture that has not been present for many years. Officers will work towards identifying greater clarity on this position over the next 12 months. The best estimate of the overall resource position plus what we know about the Council's current spending plans and the decisions within this report is shown in the Table below.

Table 6: Medium Term Financial Position

	2013/14 £m	**2014/15 £m**
Spending to be funded from Council Tax and Business Rates after applying fees, charges and specific grants	282.7	288.7
Resources – Broad planning estimate of projected Council Tax at assumed 2.5% increase plus locally retained Business Rates	(268.3)	(261.4)
Anticipated Budget Gap	**14.4**	**27.3**

5.2 The Council's approach to reducing spending and delivering efficiencies through the abc Programme has recently been reaffirmed within our Medium Term Financial Strategy. The anticipated outcomes from this are built into the position shown above. This approach, together with ongoing monitoring of existing budgets, is the starting point for the Council in seeking to produce a balanced medium term financial position. However, the size of the gap is such that the Council will continue to be faced with a range of difficult budget decisions over this period.

6. Capital Programme

6.1 In **Appendix 5** there are proposals for a Capital Programme of £57m. This compares with the current projected 2011/12 programme of £68m. As with revenue, the reduction in the size of the Programme reflects restrictions on capital grant funding announced by Government in the 2010 Spending Review. It also reflects current low level of capital receipts which have been and continue to be depressed as a result of current and forecast economic conditions. Nevertheless, the proposals include significant largely grant funded investment in the City's schools, a highways maintenance repair programme consistent with recent expenditure levels, increased investment in pavements and continued essential infrastructure spending in relation to property and ICT requirements.

6.2 The 2012/13 programme has been balanced without the need for non-scheme specific prudential borrowing in 2012/13 although it should be noted that such borrowing is expected at a level of £7.1m for 2011/12 and £14.2m in 2013/14. The Council's Medium Term Financial Strategy dictates that this borrowing (£21m in total) should be repaid from capital receipts as they are generated in future years. However, the low level of anticipated receipts indicated above suggests that it will be very difficult to repay this borrowing in the foreseeable future. In these circumstances it is imperative that the Council maintains very tight close control on the approval of any new capital spending commitments in the coming years.

6.3 This year's programme includes the following:

- A £15m programme in 2012/13 for Children, Learning and Young People's Services, the majority of which will be invested in schools across the City including continuation of a significant programme of expenditure on the City's Primary schools. Applications for Priority School Building Programme funding (privately financed – PFI) have been submitted on behalf of seven schools. The government are expected to announce the outcomes of the bidding process some time in February 2012 and they have not been included within the Programme shown in this report..
- A total investment of £12m in the City's highways programme incorporating the Local Transport Plan plus a £5m highways maintenance programme and £1m pavements programme both funded from revenue resources.
- Implementation of the self-financing £1.7m Heatline Project to use energy from the Waste to Energy Plant at Whitley to heat city centre buildings and funded by Government grant;
- A £2m programme of Disabled Facilities Grants;
- The second year of a 3 year £15m ICT infrastructure project funded from Prudential Borrowing;
- A £2.25m programme of property maintenance funded by revenue resources;
- A programme of externally funded parks and play schemes (£1.6m);
- The start of the £22m Nuckle scheme improving the railway links between Nuneaton and Coventry in the first instance and incorporating a new station at the Ricoh Arena.
- Works to extend and improve cemetery facilities at Lenton's Lane at a total cost of £2m.

Coventry and Warwickshire have jointly been awarded £8.5m resources from the "Growing Places Fund" which will be formally allocated to specific infrastructure projects by the Local Enterprise Partnership early in 2012. Resources are in theory on a loan basis and will be awarded to stalled projects that stimulate private sector involvement. The spending for these projects is not reflected within this report.

6.4 The main sources of funding for capital expenditure are listed below:

- Capital grants from government bodies and the private sector (£35m). The Government grants support spending within the Children's, Housing and Highways' programmes plus Nuckle funding.
- Unsupported or prudential borrowing (£9m) – this borrowing will support £5m of new ICT infrastructure spending (part of which has been rescheduled from 2011/12), Lenton's Lane Cemetery (£1m) and vehicle acquisition (£2.5m). This borrowing attracts no revenue support from Government and the additional cost of the borrowing has been reflected in the revenue budget.
- Capital receipts arising mainly from selling Council assets (£4m).
- Revenue funding of highways maintenance investment (£5m), pavements (£1m) and property maintenance (£2.25m).
- Leasing to finance the acquisition of vehicles and equipment (£1.1m).

6.5 **Forecast Capital Programme**

All areas of the Programme included have been evaluated to identify the likely realistic profile of spend, to maximise the amount of expenditure against which we can apply grant resources and to maximise the resources available corporately to the Council to fund the Capital Programme.

A summary of the proposed programme including existing commitments and funding sources is outlined below. This includes expenditure rescheduled into 2012/13 as a result of the 2011/12 budgetary control process. Full details of the proposed programme are included at **Appendix 5.**

Table 7: 2012/13 – 2016/17 Capital Programme (Expenditure & Funding)

Expenditure	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Education/Children and Young People	14,658	16,093	12,273	2,820	2,630
City Development	17,346	16,698	3,462	2,750	2,750
City Services	17,573	14,693	8,509	8,459	3,000
Neighbourhood Action, Housing, Leisure and Culture	4,583	2,098	2,098	2,098	0
Sustainability and Local Infrastructure	6,028	5,017	1,217	1,000	1,000
Total Approved Programme	60,188	54,599	27,559	17,127	9,380
Allowance for Rescheduling	(3,009)	129	1,358	590	417
Programme after Rescheduling	57,179	54,728	28,917	17,717	9,797

Funding	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Prudential Borrowing	9,428	20,593	1,859	0	0
Grants & Contributions	34,508	23,780	20,037	9,987	2,430
Capital Receipts	3,850	1,600	1,100	1,100	1,100
Revenue Contributions*	8,317	8,199	5,721	6,430	7,098
Leasing	1,076	556	200	200	200
Total	57,179	54,728	28,917	17,717	10,828
Resources Available	0	0	0	0	1,031

* The revenue contributions total has been reduced (2012/13 – 2014/15) to recognise repayment of reserve balances used to cash-flow previous spending commitments (e.g. Stivichall School).

The programme includes an ongoing 5% allowance for the rescheduling of expenditure between years with an adjustment shown at a corporate programme level. This recognises the potential benefits of maintaining a degree of flexibility through the year and the fact that the Council is often faced with rescheduling due to factors outside its control.

Any potential new demands that arise over time as new initiatives are identified will need to be subject to rigorous review to balance their priority and affordability. The Council will continue to re-evaluate the future Capital Programme taking into account economic circumstances, its ability to generate capital receipts and the profile of other areas of significant investment that it manages.

7. Treasury Management

7.1 Treasury management entails the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Local authorities are required to maintain an overarching annual Treasury Management Strategy which is the subject of this section of the report.

7.2 Authorities are also required to set out an Investment Strategy and Policy (**Appendix 6**) setting out how investment risk is managed and a formal Treasury Management Policy Statement (**Appendix 7**). The current statement has been amended to reflect recent revisions to the CIPFA Code, which focus on the need for borrowing to be affordable, sustainable and prudent, as well as the primacy of security when managing investments. One further key component of the Treasury Management Strategy is the suite of prudential indicators for treasury and capital programme management and these are included at (**Appendix 8**).

7.3 Within the context of the overall approach to treasury management, the detailed objectives are:

Borrowing

- To maintain adequate liquidity so that cash requirements are met;
- To minimise the cost of debt;
- To manage the total debt maturity profile, having no one future year with a disproportionate level of debt repayments;
- To undertake the restructuring of debt, in order to minimise the costs through actively reviewing opportunities for rescheduling

Investment

- To maintain the capital security of sums invested,
- To maintain adequate liquidity;
- To maximise the revenue benefit by retaining external investments, repaying existing loans and avoiding new borrowing as appropriate given prevailing and forecast interest rates:

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk and the successful identification and control of risk are integral to the treasury activities and include the following: credit risk; liquidity risk; market or interest rate risk; refinancing risk and legal or regulatory risk.

7.4 Interest Rate Forecasts

In the current economic conditions it is expected that base rate will remain at the current level of 0.5% for some time. The impact of a low base rate is that shorter term borrowing costs and investment returns remain low. Longer term interest rates for capital programme borrowing are influenced by other factors and forecasts suggest that longer term PWLB (Public Works Loans Board) borrowing rates could rise to over 5% over the coming years, although these rates are likely to remain volatile.

7.5 Borrowing

Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2012 is as follows:

Table 8: Estimated Long Term Borrowing at 31st March 2012

Type of Debt	Total £m
PWLB	239.8
Money Market	60.0
Stock Issue	12.0
Transferred Debt	19.7
Total borrowing	**331.5**
PFI Liabilities	43.1
Total Long Term Liabilities	**374,6**

The main funding sources used by Coventry are:

- The Public Works Loans Board (PWLB) - this is, in effect, the Government. Loans may be obtained at variable or fixed rates of interest.
- Money Market - these are loans obtained from financial institutions and include LOBO (lender's option, borrower's option) loans typically with an initial fixed rate for 3-4 years, then variable thereafter. Should the lender exercise the option and seek to increase the rate beyond a certain level the borrower can choose to repay the loan refinancing it at that point in time. Coventry has £58m of such loans.
- Stock Issue - this is loan stock issued by the City Council in 1996. In 2003/04 approximately £88m of the total of £100m was redeemed as part of a debt restructuring.

Under accounting rules, liabilities to make payments under PFI schemes and finance leases are now included within the City Council's balance sheet alongside borrowings within long term liabilities.

Given the revenue budget and associated capital programme outlined above, the estimated funding requirement for the City Council for 2012/13 is summarised below:

Table 9: 2012/13 Funding Requirement (excluding PFI & finance leases)

	£m
New funds to finance the Capital Programme	9.4
Minimum Revenue Provision (debt repayment provision)	(14.3)
Forecast reduction in borrowing requirement	(4.9)

Local authorities have scope to borrow in advance of need, essentially borrowing on the basis of future planned capital spend. However, to avoid potential interest rate and credit risk it is proposed that the City Council's current practice of not borrowing in advance of need continues.

In the light of the interest rate forecast, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2012/13, the Director of Finance and Legal Services will, under delegated powers, undertake the most appropriate form of borrowing depending on prevailing interest rates at the time. In addition the Director of Finance and Legal Services will monitor the opportunities for rescheduling debt through redeeming existing debt early when long term rates are low and replacing current higher interest debt with new lower interest debt. This will only be done if revenue benefits justify it. The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has tended to reduce the opportunities for local authorities to benefit through debt restructuring.

7.6 Minimum Revenue Provision

Local authorities are required to make prudent provision for the repayment of long term capital programme borrowing through a revenue charge (the Minimum Revenue Provision or MRP). Capital Finance Regulations (SI 2008/414) require the approval of an MRP Statement setting out the authority's approach. It is proposed that the existing policy continues:-

- For capital expenditure incurred before 1st April 2008 or which in future will be Supported Capital Expenditure, the Council will follow existing practice, the so called "Regulatory Method", with MRP broadly based on 4% of the underlying Capital Financing Requirement adjusted for the A Factor;
- From 1st April 2008 for all capital expenditure met from unsupported or prudential borrowing MRP will be based on the estimated asset life of the assets or a depreciation calculation.
- MRP for leases brought onto the balances sheet under accounting rules will match the annual principal repayment for the associated deferred liability.

7.7 Investments

The City Council manages its investments currently by making deposits with banks and building societies, largely for fixed durations and rates of interest. A central part of the Investment Policy (**Appendix 6**) deals with the management of counterparty or "credit risk" by determining how City Council lending or depositing limits are set. Although credit ratings are key components in the management of credit risk, in line with best practice, other sources of information are used, as detailed in **Appendix 6**. In addition, the City Council also draws on advice from Arlingclose, the Council's Treasury Management advisors.

Recent sovereign debt considerations and a general downward pressure on credit ratings has impacted on many institutions, including those that are deemed systemically important and has had the effect of reducing the number of institutions available to local authorities. In the light of the above it is proposed to amend the credit rating criteria:-

- A reduction in the minimum Long Term credit rating from A to A- (effectively a reduction from level 6 out of 26 to 7 out of 26). This marginal reduction will help maintain scope to use institutions, without extending investments to "non investment" grade financial institutions;
- The replacement of the "Support" rating with the Sovereign debt rating of the country in which the institution is registered. The support rating is a subsidiary indicator, used by only one of the agencies, to indicate the likelihood that an individual institution will receive external support. The headline sovereign rating is a

more relevant indicator in the current climate, focusing on an assessment of the underlying credit strength of the nation in which an institution is based. The minimum rating for non UK sovereigns is set at AA+. No minimum is proposed to be set in respect of the UK;
- An increase in the limit on amounts that can be placed with other local authorities from £8m to £10m. This brings consistency to the limits.

The City Council's use of external fund managers to place investments with individual financial institutions is ending in 2011/12. Sums previously managed through fund managers will be managed alongside others made directly by the City Council and will involve the Council making use of pooled or collective investments, such as money market funds. These are widely used by local authorities, and the use of such funds has been within the council investment policy for some years. They effectively spread the investment across a number of institutions and are deemed to offer a greater potential return in a low interest rate environment, than would traditional fund manager investments.

Due to uncertainty over Councils' legal powers to use financial derivative instruments and the risks associated with their use the City Council does not intend to use investment derivatives.

The impact of the proposed revisions to the policy is reflected in **Appendix 6**.

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

7.8 The Prudential Code

The current capital finance framework rests on the principle that local authorities can borrow whatever sums they see fit to support their capital programmes, as long as they are affordable in revenue terms. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. The indicators are explained below:

Revenue Related Prudential Indicators

Within **Appendix 8** indicators 1 and 2 highlight the revenue impact of the proposed capital programme. These show that the revenue costs of financing our capital expenditure as a proportion of our income from Council Tax is forecast to increase from 29.84% in 2011/12 to 32.72% in 2014/15. This increase reflects the combined effect of investment under PFI contracts and increased levels of prudential borrowing funded spend. The required format of this indicator has changed with the exclusion of formula grant from the "net revenue stream". The 2011/12 indicator has been restated to reflect this change. In addition, the impact on a Band D Council Tax of the current proposed programme compared to the programme approved last year is set out in indicator 2. This also shows an increase to 2014/15 for broadly the same reasons.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in **Appendix 8**, include:
- Authorised Limit (Indictor 7) - This statutory limit reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need with some headroom for unexpected movements.
- Operational Boundary (Indictor 8) - This is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around

this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

- Net Borrowing less than "Year 3" Capital Financing Requirement (Indictor 3) - The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for 2012/13 and the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose.
- Gross and Net Debt (Indicator 6) ~ this new indicator is designed to highlight where a council is planning to borrow in advance of need.
- Debt Maturity Structure, Interest Rate Exposures and Investments Longer than 364 Days (Indictors 11, 12 & 13) - The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.
- Other indicators highlight Planned Capital Spend (Indictor 4), Actual Debt at 31st March 2011 (Indictor 9) and the adoption of the Treasury Management Code (Indictor 10).

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

7.9 Leasing
The City Council uses operating leases for non-fixed plant and equipment and the Capital Programme includes £1.1m of spend to be resourced from leasing in 2012/13. Leasing will only be used where this is value for money compared with other forms of funding, such as unsupported borrowing.

8. Budget Risks

8.1 In making budget recommendations to members, officers have challenged budgets with a view to ensuring maximum benefit from the resources available. This has included considering the risks with a view to ensuring that budgets and reserves are set at appropriate levels. Inevitably, the Authority carries some risks in agreeing the budget, and the major financial ones for the coming year are set out in summary below. Where appropriate these risks are included within either the corporate or directorate based risk registers and will therefore be monitored through our existing processes for managing risk or where more appropriate through our ongoing budgetary control processes. However it needs to be noted that the pressure on budgets and the risk of overspending in individual areas continues to be very high and will require constant vigilance in 2012/13. A range of issues will be kept under review during the year to help deal flexibly with any problems that may arise, such as efforts to reduce the Council's debt management and cash flow costs.

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

a) That new resources are used effectively to deliver corporate objectives. Operational plans and quarterly monitoring reports will address this issue specifically,
b) That ongoing spending and income are controlled to budgets. This pressure is certain to increase due to the recession and compliance with the Council's budgetary control rules remains essential,
c) That treasury management procedures provide for cash to be available, at minimal cost, when required. The strategy and regular monitoring, provide adequate safeguards. Significant turmoil in treasury markets continues to be a factor here and this area will continue to be managed at appropriate levels of detail and regularity in 2012/13.

8.3 **Impact of the Govern ment Settlement –** Developments within the arrangements for funding local government arising from Business Rates reform and Council Tax Benefit reform represent a significant degree of threat to future levels of resources. Beyond the current year there will be an increasing level of volatility at individual local authority level depending on the overall level of business rates, the safety nets available within the national model and the ability locally to collect a high proportion of rates. This uncertainty is on top of the underlying assumed reductions in the level of Formula Grant into the medium term. Taken together, the Council will be faced with significant **cuts** in the amount of resources available and additional **uncertainty** about what the size of these cuts might be.

In response, the Council is now well down the road of redesigning many of its services. In doing this there is a risk that abc reviews do not deliver the level of savings required or do not deliver them quickly enough. Beyond this it will become increasingly difficult to find new areas review that continue to deliver the savings delivered into the future.

8.4 **Impact of External Economic Factors –** A variety of factors continues to cause additional service/cost pressures or reduced income for Council services. These include increases, for instance, in housing benefit caseloads and reduced income from fees charged to customers for building control, land charges, planning, building and consultancy services, catering, commercial waste, commercial property and car parking. The impact of the recession and the reduction in some internal budgets (in repair and maintenance spend for example) have affected many of these services and prevented them from achieving their income targets. Management actions are being taken in the majority of these service areas to help address these material financial risks, however downward revisions to medium term economic growth forecasts mean that these pressures are likely to have a more sustained impact than first anticipated.

8.5 **New Exter nal Fundin g Arrange ments –** The council is involved in major investment projects that involve significant reliance upon external partners and external sources of finance (e.g. Street Lighting PFI, Heatline, Nuckle). These schemes carry some degree of financial risk and it is important to recognise that the financial implications of such schemes can change significantly as the schemes progress. Council officers in each of the schemes are vigilant to ensure that the financial implications for the Council are minimised and that we achieve the best possible value for money through close monitoring and regular reporting to members as schemes progress. Each of the schemes has a detailed risk register that is reviewed regularly.

8.6 **Children's Services -** Substantial pressures in relation to the high numbers of looked after children continue to cause a very large budget pressure (in excess of £6m in 2011/12). Other pressures stem from a continuing requirement to employ agency social workers and the costs of care proceedings to ensure children and young people who cannot live safely with their families are safeguarded. This budget incorporates the financial implications of the strategies to ensure that, in future, the number of children looked after and the cost of placements come down. In particular **line 5** of **Appendix 4** reflects the projected financial impact of the Fundamental Service Review in the Children, Learning and Young People's Directorate. The review's case for change is being reported to Cabinet on 14th February 2012. It incorporates a programme of radical change for the service in order to deliver a very different response to the needs of children, young people and their families in Coventry and in doing so reduce the numbers who need care or who if they do enter care stay in care. The recommendations also address how we meet more of the needs of the children in care locally and at lower cost through increasing the numbers and capability of our own foster carers. The report's strategies aim to improve outcomes for vulnerable children through more effectively meeting the children's needs.

8.7 **Health and Adult Social Care -** Social care services for vulnerable adults continue to be the subject of significant cost pressure both locally and nationally. At a local level, the Council has so far been able to manage these pressures through implementation of its personalisation programme and flexible management of the overall budgets available. Future risk will be faced through pressure caused by:

- Demographic factors including supporting higher numbers of adults and older people with increasingly complex needs to live independently at home;
- Ongoing interaction and service delineation with the health sector, which is undergoing fundamental reform.
- The transfer of responsibility for public health to the Council in 2013/14
- The rising cost of quality care provision and the social care and health workforce
- The impact of Welfare Benefit Reform

8.8 **Equal Pay Claims –** There is now a high likelihood that the Council is entering the latter stages of the process to settle the majority of outstanding Equal Pay claims against it within the £7.5m financial budget already planned for. The possibility of further legal action occurring could nevertheless result in a significant financial cost to the Council and is included here for that reason. The Council's existing Equal Pay Capitalisation Direction from Central Government remains in place in mitigation against this risk.

8.9 **Welfare and Benefits Reform –** The Government is proposing a complete overhaul of the welfare system at a national level from 2013/14. These reforms will have a significant impact on the income of some people and incorporate changes including the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits, new Personal Independence Payments to replace the current Disability Living Allowance and the restriction of Housing Benefit entitlement for some social housing tenants. The reforms will also mark the transfer of housing benefit services from councils to the Government Department for Work and Pensions. This will affect a significant number of current employees within the Council's Revenues and Benefits Division. In addition, the Government will inevitably reduce local government resources to reflect this transfer of responsibility and there is a risk that this transfer will take a disproportionate amount of funding from the Council. At the same time, the Government is also transferring funding and responsibility for setting Council Tax Benefit to local government in 2013/14. However, this transfer is to be marked by a 10% reduction in benefits funding and this cut will need to be passed on to benefit recipients or funded from other budget savings. There will be significant system and implementation challenges in developing such a scheme in a short space of time.

8.10 There are always risk elements in setting a budget. The authority's financial position is underpinned by the holding of general reserves including the Council's Working Balance which stands at £5.5m currently and which is an essential safeguard against unforeseen risk. The level of reserves available to us as set out in **Section 4.3** provides sufficient financial protection against the risks outlined above within reasonable levels of assessed risk for 2012/13. However, the number and potential impact of the risks outlined above mean that the whole of local government is facing an era of increasing uncertainty and risk for the foreseeable future. For this reason, it is imperative for the Council's future financial robustness that opportunities are considered when they arise to strengthen the Council's balance sheet position. This might take the form of maintaining the level of reserves, increasing the level of provisions for bad and doubtful debt where appropriate and capping the level of prudential borrowing at manageable levels.

9. Comments from the Director of Finance and Legal Services

9.1 Financial implications

This report is concerned wholly with financial matters. The proposals within this report represent the basis of the Council's 2012/13 revenue and capital budget supported by the Council Tax Report that will be considered alongside this one.

Under the terms of the Local Government Act 2003, the Chief Financial Officer (the Director of Finance and Legal Services) is required to give assurance on the robustness of the estimates included in the forthcoming budget. In the view of the Director of Finance and Legal Services the budget being recommended to the City Council is supported by robust estimates of income and expenditure. This judgement is based on the following:

i) The budget has been set within the guidelines of the authority's Medium Term Financial Strategy, approved by members, that sets out the broad policies and assumptions that lie behind the Council's medium term financial planning process.
ii) There is a medium term financial plan in place that sets out the known changes to the current budget over three years incorporating the concept of strictly controlled Directorate budgets, known policy changes and best estimates of the impact of inflationary pressures and expectations of resources.
iii) The authority operates an integrated medium term policy and financial planning process that incorporates a comprehensive and detailed assessment of the new policy and technical changes that will affect the proposed budget and the medium term budgetary position of the authority.
iv) Individual Directorates, working to strict budgets, prepare detailed service budgets that are the financial representation of the authority's statutory duties and corporate service objectives for the coming year.
v) The authority's individual Directorate Management Teams and its Corporate Management Board have been fully involved in the detailed make-up of the information included in the policy and financial planning process.
vi) As discussed further below, the Authority's level of reserve balances is sufficient to meet other unforeseen eventualities, within reasonable limits of assessed risk that may potentially need to be met by the authority.

Both of the authority's political groups were provided with information on the policy and financial planning process and were consulted on the options available to enable them to take a full part in the final budget setting decisions.

The Local Government Act 2003 also requires the Chief Financial Officer to give assurance on the adequacy of reserves of the Authority for which the budget provides. The final position of reserve balances carried forward into 2012/13 will not be known until finalisation of the 2011/12 accounts. It is likely that the total level of reserves will fall somewhat below the current level of be above £48m as detailed in **Section 4.3**. It is the view of the Director of Finance and Legal Services that the City Council holds an adequate level of reserves to support the recommended budget for 2012/13. This judgement is based on the following:

i) The Council is adequately provided for in terms of its reserves compared to its overall level of budget and better provided for than many other authorities.
ii) The level of insurance reserves is sufficient to meet any likely calls on them (within reasonable limits of assessed risk).
iii) The level of reserves is sufficient to support contributions to 2012/13 directorate-based budgets (including schools) and Corporate commitments both for capital and revenue purposes.
iv) The level of uncommitted Working Balances (2% of net revenue spend) provides a sufficient level of short-term resource to meet any other unforeseen eventualities (within reasonable limits of assessed risk) balanced against pressures to not hold an excessive level of reserve balances.

The Council's policy on reserve usage is set out in the Medium Term Financial Strategy. The overriding aim is to ensure that reserve usage is focused on delivery of the Council's corporate priorities, recognising that reserves can only be used once and that they should not be used to support ongoing expenditure. A number of these reserves are dedicated to specific purposes, such as schools and insurance, and the remainder have been brought together and are scrutinised by the Corporate Management Board in order to ensure the best use possible for the corporate objectives of the authority.

Despite these statements about robustness of estimates and reserves, the scale of financial cutbacks incorporated in the 2012/13 budget and the challenges facing the Council in the next few years is unprecedented and will require increased monitoring and potentially corrective action.

9.2 Legal implications
This report reflects the Council's new statutory obligations in relation to setting a Council Tax Requirement in line with Section 31A of the Local Government Act 1992 (as amended by Section 74 of the Localism Act 2011). The report also meets the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place in line with Section 25 of the Local Government Act 2003.

10. Results of consultation undertaken

10.1 The proposals in this report have been subject to eight weeks public consultation ending on the 26th January 2012 including separate meetings with the Trades Unions. The details arising out of this consultation period are reported in **Appendix 1**. The changes that have been made between the Pre-Budget Report and this report are detailed in **Section 4.2**.

11. Other Implications

11.1 **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 Council will be faced with very tight resource constraints over the remainder of the 2010 Spending Review. Despite this, the approach taken has been to identify savings options that are intended to have as little adverse impact as possible on the quality and level of service provided to the citizens of Coventry or the key priorities of the Sustainable Community Strategy. It is inevitable that this approach will come under great pressure within and beyond the current planning horizon and the Council will have to be very clear about its priorities. The forthcoming budget will be shaped very much by the existing key

policy priorities: jobs and growth, better streets and pavements, to support and celebrate young people and to protect the most vulnerable residents

11.2 **How is risk being managed?**
The inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. Delivery of the budget and any corrective action required will be achieved through our ongoing monitoring processes.

11.3 **What is the impact on the organisation?**
The 2010/11 Revenue and Capital Outturn Report to Cabinet on 21st June 2011 stated that 460 individuals had left the City Council on early retirement and/or voluntary redundancy terms within the year ending 31st March 2011. Many of the decisions that led to these cases were as a result of 2011/12 budget setting and the Council's forward planning ahead of this. The number of further retirement and redundancy decisions within 2011/12 now totals approximately 120 and it is anticipated that further cases will continue towards the end of the year. It is likely that the abc programme and the need to identify further savings in the future means that the Council will employ a reducing number of employees although the rate of reduction in numbers is unlikely to match that experienced in 2010/11. Whilst this reduction in employment levels is inevitable as a result of funding reductions, the Council is continuing to manage the staffing impact with a focus on redeploying displaced staff, avoiding compulsory redundancies where possible and minimising overall redundancy and early retirement costs. All deletions or changes to jobs arising from the implementation of budget decisions are being managed through the appropriate City Council Human Resources policies and procedures.

11.4 **Equalities / EIA**
The majority of savings identified in the Pre-Budget Report were largely technical in nature or related to abc Fundamental Service Reviews for which equality impacts will be assessed prior to the relevant decisions being taken. The Council has started to identify potential equality impact issues and **Appendix 2** provides further details on the equality issues for each proposal and the process for analysing and addressing them.

11.5 **Implications for (or impact on) the environment**
The district heating system proposed under the Heatline plans within the Capital Programme will enable buildings to be heated using a low carbon source of energy thus reducing the total carbon dioxide emissions.

11.6 **Implications for partner organisations**
One previous decision to reduce funding by 3% from some grant funded partner organisations has been reversed within these budget proposals. However, in order to ensure that the best possible value for money is achieved the Council is committed to reviewing or renegotiating arrangements with our external partners. Some of this activity is already well advanced and is anticipated to result in the Council obtaining higher contributions from partners in the commercial sector (Birmingham Airport and the Coventry and Solihull Waste Disposal Company). It is likely that other targeted areas of review will affect a range of other partner organisations in due course, in particular in relation to **item 18 in A ppendix 4**. The Council will seek to ensure that it continues to communicate with the partners affected by this process at an appropriate time to ensure that any changes are implemented in as well managed a way as possible.

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This report is published on the council's website:
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Appendix 1

CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS JANUARY 2012

1. Introduction

1.1. Between November 2011 and January 2012 the Council undertook an extensive round of consultation on its budget proposals for 2012/13, prior to making the final decision on its budget.

1.2. The Council reported on its priorities, the pressures on its services and how the reduction in public sector spending was impacting Coventry, before going on to outline its proposals for the next financial year. The Council asked for consultees' views on the Council's priorities and on the budget proposals.

2. Consultation process

2.1. A series of meetings were held between November and January, led by the Deputy Leader of the Council and supported by members of Management Board. Wherever possible, the opportunity was taken to attend existing meetings held by local organisations and groups to maximise participation in the consultation process.

2.2. The consultation involved the following:

- Coventry Youth Council
- Coventry and Warwickshire Chamber of Commerce
- Public and Private Partner organisations
- Voluntary and Community Groups including Faith groups
- Local Business Community
- The Council's Trade Unions.

2.3. Representatives from organisations who were unable to attend the meetings were given the opportunity to receive the related reports and to send their comments directly to the Council. In addition to the public meetings the Council hosted a survey on its website asking for residents' views of its budget proposals. The results of the survey have been incorporated into these findings.

2.4. The Council consults with the trade unions on an ongoing basis on the implications of the specific reviews under the ABC Programme. Comments and issues raised by the trade unions on the individual reviews are addressed at project level. The trade unions were also consulted on the draft budget proposals at a series of meetings held between November 2011 and January 2012. The Council continues to consult with the trade unions on the impact and implementation of the Council's budget.

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

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

4. Revenue Budget

4.1. Throughout the public meetings, respondents expressed a general understanding of the financial challenges facing the local authority, and accepted that this would inevitably lead to significant reductions in the real level of resources available to the Council over the coming years. Across all sectors there was a desire to build on the productive relationships that exist with the Council to work through the difficult times ahead.

4.2. Whilst understanding the context and scale of the financial challenges ahead, respondents raised concerns over the level of resources available to the Council over the next two years and the Council's ability to continue to protect frontline services. The Council recognised the scale and the pace of change to come over the next few years, which is likely to increase demand for services in a context of shrinking resources. The Council is already working on its 2013/14 budget and will look at how vital services can continue to be protected, although there is a recognition that there will be difficult decisions to be made in future.

4.3. Consultees across all groups welcomed the Council's priority of protecting the most vulnerable residents of the city whilst dealing with the changes in the level of funding. Respondents stressed the importance of continuing to provide services to those who need them the most. The importance of providing welfare advice services was highlighted and the Council's continued support of such services was welcomed.

4.4. A number of organisations highlighted the need to fully understand the impact of the public sector reforms that will affect both local authorities and citizens and will have a direct impact on the Council's services and its budget. Concern was raised over how policy changes, in particular, changes to housing benefit and the expected impacts of the Welfare Reform proposals and the introduction of universal credit, would impact on certain groups of the population disproportionately, in particular women, children and young people, and elderly people, and what the cumulative impact of the changes would be. In particular, the Youth Council raised queries about how the Council would support young people in education who are being affected by education reforms such as increases in university fees and the ceasing of the Educational Maintenance Allowance scheme.

4.5. Questions were raised about the Council's equality impact assessment process. Attendees at two of the consultation meetings were keen to understand how the Council is attempting to understand the cumulative impacts of its budget proposals on key groups in the city, how any negative impacts would be mitigated and how equality analysis would be fed into the decision making process when deciding the final Budget. The Council conducts equality impact analysis on all its budget proposals and monitors these on an ongoing basis. The Council will, where appropriate, take any remedial action to address any equalities issues. The Council has already undertaken some initial work to understand the cumulative impacts of both its own budget proposals as well as the impacts of national policy changes on the city's residents. The Council also welcomed ideas for improving its EIA process put forward by respondents.

4.6. The Chamber of Commerce felt that it was important for the Council to continue investing in the future of Coventry and stimulate the city's economy by creating jobs and supporting businesses. In particular, they highlighted the need for Council support for providing training for employees. The Chamber also welcomed the proposed apprenticeship scheme but felt that this should be expanded further, and asked for support to reduce the barriers that businesses face in creating apprenticeships.

4.7. The Youth Council expressed mixed views on the Council's proposed apprenticeship strategy. Although it was recognised that apprenticeships are a means for supporting people into work and education, it was felt that consideration needs to be given in order to make the apprenticeship scheme successful from a young person's perspective and to remove the barriers that some young people face in successfully completing apprenticeships, e.g. support with transport costs. The Youth Council also felt that the Council should invest in creating more job opportunities for young people and that, on the successful completion of apprenticeships, young people should be guaranteed jobs.

4.8. As part of the consultation with the Youth Council, a role play scenario was used to identify priority areas for young people. The Youth Council's priorities were investing more in providing youth services for children and young people of all ages, street lighting, maintaining waste collections and improving roads and pavements.

4.9. A number of voluntary organisations welcomed the Council's continued support for the sector despite the financial challenges and the Council's commitment to work with partners to deliver services for vulnerable residents.

4.10. A number of queries were raised regarding the Council's review of the Voluntary Sector. Concern centred on how the review would impact the sector in general and how the Council would work with the sector going forward. It was explained that the review would establish how the Council currently provides grants and commissions services through the sector, it will explore how the Council should work with the sector in the light of proposed national policy and legislative changes and identify how both the Council and the sector could improve joint working whilst delivering efficiencies. Here 2 Help was given as an example of how the Council has sought to work with the sector, whilst trying to deliver a more efficient and effective service. Respondents welcomed the Council's willingness to 'do things differently' and expressed support for these approaches.

4.11. Respondents suggested areas that the Council could explore in order to deliver further efficiencies. It was suggested that the Council look at how it is organised and deliver savings through streamlining its structures. A number of respondents also stressed the need for the Council to continue to procure local goods and services and ensure that it realises value for money from all its contracts by commissioning and procuring goods and services in a smarter way.

4.12. There was a discussion about whether the Council could secure efficiencies through either delivering shared services with neighbouring authorities, thereby reducing the cost to the Council, or providing services on behalf of other local authorities thereby generating income for the Council.

4.13. Views were received on the Council's proposed income generation proposals. Specific individual responses from members of the public on the Blue Badge charging proposals have been fed into the formal Blue Badge Consultation exercise which is running until 12 March. The Trades Unions' response stated that it would be unacceptable to make a profit from charging for Blue Badges. In addition, concern was expressed about income generation proposals that would affect small businesses in the city and the Council was asked to minimise the impact of its proposals on businesses.

4.14. Meanwhile, some attendees recognised the need for income generation schemes, and suggested selling some of the Council's assets in order to raise revenue. It was explained that this was not a viable option in the current climate, as it would not represent sound financial management for the Council to sell it assets at a time of falling land values.

5. Capital Programme

5.1. Respondents discussed the redevelopment of the city centre, particularly Broadgate, and infrastructure works on the city's roads and pavements. Respondents felt that investing in the city was important in order to create a positive image of the city and to take advantage of the opportunities that would arise from Coventry's involvement in the Olympics.

5.2. The importance of Coventry as an Olympic city was recognised by organisations from the voluntary, community and business sectors. Discussion focused on ensuring that the city avails itself of the business opportunities that this will bring. Respondents highlighted the importance of investing in the city centre to help boost the city's economy, attract inward investment, create jobs and enhance the reputation of the city. The Council was asked to bring forward its plans to redevelop the city centre.

5.3. Queries were made about any other public realm/infrastructure works that would also support the growth of the city's economy. The NUCKLE rail link was given as an example of an infrastructure project which will bring positive impacts and development to Coventry and North Warwickshire.

6. Tackling the Recession & Delivering Efficiencies

6.1. Discussion took place on the proposed High Speed 2 rail link. There were concerns that Coventry would be missed out by the development and subsequently suffer from it. Respondents wanted to be reassured that the Council would work to ensure that the benefits to the city from High Speed 2 would be realised.

6.2. Whilst recognising the austere financial climate, respondents felt that it was vital for the Council to continue investing in the city, in order to support the city's economy and stimulate growth.

Summary of Responses from the Council's Public Budget Consultation – January 2012

Revenue Budget	Comments	Sector
Protecting vulnerable groups	Partners were reassured that the Council will be working to minimise the impact of funding cuts on vulnerable residents of the city and welcomed this approach. Partners also wanted to work closely with the Council in order to protect services to these groups. A number of respondents stressed the importance of understanding what the cumulative impact of the public sector reforms would be on different groups of the population.	Voluntary and Community organisations
Equality impact assessment processes	Attendees were keen to understand how the Council is identifying what the cumulative impacts of it budget proposals are on key groups in the city. They also suggested ideas for improving how equality impact assessments are undertaken.	Voluntary and Community organisations
Jobs and growth	The Council should do more to create jobs and invest in the future of the city. Businesses should be supported to create more apprenticeship places. The Council should do more to make apprenticeships more successful and create more job opportunities for young people.	Chamber of Commerce/Youth Council/trade unions
Efficiency Savings	Respondents suggested that the Council look at how it is organised and deliver efficiencies through streamlining its structures	Trade unions
Improve the way we work and deliver value for money	It was recognised that the way in which traditional City Council services were delivered would need to change in order to respond to the challenging financial climate, and that there would be opportunities for the voluntary, community and private sectors to be engaged in looking at how services could be delivered differently in future. The Council was encouraged to look at sharing services with other local authorities or delivering services on behalf of other agencies. Respondents also expressed the need to ensure that the Council achieve value for money from each contract and procure goods and services smarter.	Chamber of Commerce/ trade unions/voluntary and community sector organisations
Income generation	The Council should consider selling its assets to generate income.	Chamber of

Revenue Budget	Comments	Sector
	The Council should not make a profit from charging for Blue Badges.	Commerce/trade unions/public

Capital Programme	Comments	Sector
City Centre Redevelopment and public realm works	The city needs to make sure that it takes advantage of the opportunities that the Olympics will bring and use this to support the regeneration of the city. Although the changes to Broadgate are welcome, the Council should bring forward its plans for the redevelopment of other parts of the city centre. The infrastructure works on the city's highways were welcomed.	Voluntary and Community organisations/Chamber of Commerce

Tackling the Recession	Comments	Sector
Investing in the city	The Council should not just focus on securing efficiencies – there should be more growth proposals in the budget to help stimulate the economy. The Council should invest in the city centre to help boost the city's economy and attract inward investment.	Chamber of Commerce
Procurement	Support was expressed for the Council to procure goods and services from local organisations, which would help to stimulate Coventry's economy.	Chamber of Commerce/voluntary and community organisations
High Speed 2 Rail Link	The Council should work to harness the development and ensure that the city benefits from the rail link.	Chamber of Commerce

Appendix 2

Equality Issues

Proposed Budget Lines	**Equality Issues**
Known Unavoidable Pressures	
Domestic Refuse Service	The projected increased costs for this area are to meet spending pressure within the service. The service itself is not changing and therefore there are no associated equality issues.
Elections for Elected Mayor & Police Commissioner	The costs in relation to this area are being driven by national government policies that form part of the Localism agenda. Costs are an estimate of the election, which will be held in accordance with Council procedures on elections (which have been subject to equality impact assessment in the past).
Ongoing Costs of Elected Mayor	As above, these costs are unavoidable and are driven by the national policy agenda on localism. This estimate relates to the permanent cost of the Mayor (including salary and running costs). There are not expected to be any specific equality issues.
Individual Electoral Registration	There are no budgetary implications in relation to this area for 12/13, and therefore no associated equality issues.
abc Projects	
CLYP Fundamental Service Review	The review will look at Social Work Services and develop efficient and effective ways of keeping Coventry children safe, including early intervention services, children's centres, and fostering and adoption. Each individual work stream will be subject to equality analysis and there will also be an overall equality analysis completed for the Review as a whole.
Risk Management	These savings refer to the deletion of a post which formed part of the Council's new way of working on risk management. There has been no additional equalities impact as a result of this.
Insurance	These savings related to cost reductions which will be identified through the review of insurance activity and claims. Further equality analysis will be undertaken if appropriate.
Sustainability and Low Carbon	The initial EIA for this project commenced in December 2011, however, the opportunities to deliver renewable energy projects to communities through government funded initiatives will affect fuel poverty and will positively impact on disadvantaged groups.

Equality Issues

Proposed Budget Lines	**Equality Issues**
Commissioning Services	The objectives of the Commissioning and Strategic Procurement Review are to bring a consistent corporate approach to commissioning and procurement activities, clarify roles and responsibilities and ensure efficiency and quality. It will ensure that the council is well placed for the future and able to respond effectively to changes in legislation and opportunities for sub-regional working. A baseline of current arrangements has been completed and the next stage of the review is looking at how the Council structures its commissioning and procurement resources. Equality analysis will be carried out as the project develops. It is anticipated that there will be positive equalities impacts from this review, as it will ensure that the requirements of the Equality Act are built into the Council's Commissioning and Procurement framework which will strengthen consideration of any equalities impacts in future decision making. The review will also consider the shape of future engagement with the third sector in the light of current local work through the Coventry Compact and emerging national legislation.
Customer Management/Front office	A first phase Equalities Impact Assessment has been done as part of the Case for Change. The Baseline showed that the council does not have a consistent approach to gathering data and insight into how and why customers contact the council. Whilst there is information available on the demographic profile of the city from the Index of Mass Deprivation, data is not available about which services customers access and their preferred access channel. The Equalities Impact Assessment highlighted the need for better customer insight to support improvements to customer service and satisfaction. Further work is required to understand what the barriers might be for the key protected groups. Further Equality Impact Assessments will need to be done on individual projects as part of the review.
Fees & Charges Plus Income Generation	An over-arching strategic EIA has been completed for this review. Individual projects will also undertake equality analysis and these will be reported to the Project Board. Of these individual projects, it is not anticipated that any will adversely impact any protected equality groups.

Appendix 2

Equality Issues

Proposed Budget Lines	**Equality Issues**
Daycare	This proposed saving relates to a saving previously allocated in 11/12, the impact of which has been delayed due to re-alignment of timescales with the academic year.
Financial Management Revised Position	There are no budgetary implications in relation to this area for 12/13, and therefore no associated equality issues.
Further Possible ABC Savings	
Adult Meals	This proposal involves changing the way in which the home meals service is provided in future. The council will contract with an external organisation to provide the home meals service, rather than continue to deliver this in-house. The positive equality impact of this is that the service will support vulnerable adults to remain in their own homes and maintain and improve the quality of the service provided to customers, whilst delivering a financial saving to the Council. The changes in service delivery will have an impact on current employees who are engaged in delivering this service (30 employees in total). All affected employees will have access to the Council's voluntary redundancy/early retirement programme and will be dealt with through the Council's Security of Employment agreement.
Community Services - Adult Social Care	This proposal relates to additional resources made available to the Council by Health in the Spending Review. As part of the way this funding is being treated, efficiency savings are expected to be delivered. The efficiency savings will be addressed through better commissioning and improved joint working arrangements within adult social care services and between adult social care and the PCT. There is no equalities impact of this proposal on either service delivery or employees.
Transport (Fleet)	This review looks at how we procure, utilise and run the corporate transport fleet from a provider perspective. There is no equalities impact of this proposal on either service delivery or employees.
Review of Third Sector Spend	This review will look at how the Council engages with the third sector as a whole, and its contribution to voluntary sector provision across the city to ensure resources are applied effectively.

Appendix 2

Equality Issues

Proposed Budget Lines	Equality Issues
	This proposed review is due to commence in early 2012. An equality analysis will be undertaken as part of the review. The savings shown against this review are indicative and may change as the review progresses.
Additional Business Services Saving	This proposal involves making process improvements to the Business Service, once it becomes established and sufficient volumetric data is collected. It is unknown at this stage what these process improvements are, as they are currently being identified and therefore, the equality impacts of this proposal are unknown. As the work develops, any further equality analysis will be undertaken as required.
Additional Management Restructure	This proposal will look at management structures across all areas to identify further savings. Further efficiencies are anticipated from improving management: staff ratios and reducing spans of control. This review is currently at the data gathering phase, so the impacts of the review are not known. As part of the data gathering stage, a review will be undertaken setting out the impacts of the Management Review conducted last year.
Assets/Facilities Management	This proposal involves rationalising the Council's accommodation requirements. This will be achieved by moving services operating across the city from leased buildings into Council owned buildings in the city centre such that services will continue to operate, but from a different location. A high level equalities assessment will be undertaken in this area. As individual services are identified for relocation, the managers of these services will undertake an equality impact analysis to identify any potential impacts on employees and service users.
Review of Statutory/Non Statutory Services	This review will draw together, on a consistent basis, an understanding of the statutory basis for all of its services, to inform decision making about which areas should be prioritised for future reviews and the allocation of resources. As the work develops, any further equality analysis will be undertaken as required.

Equality Issues

Proposed Budget Lines	Equality Issues
Cultural Trusts	This proposal relates to work that will be undertaken with Cultural Trust partners to develop economies of scale in service delivery. Initial target savings have been proposed for this project. However, as the scope and objectives of this project are established, these will be firmed up. As this work has not yet commenced, the equality impacts of this are not known at this stage. Equality analysis will be undertaken as part of the project
CCTV FSR	This proposal will review all Council services that operate a CCTV platform, including those to be transferred to the Council from CVOne. The aim of the review is to reduce duplication and improve service planning and delivery. It is anticipated that the review will have a positive equality impact by improving how urban traffic management is delivered and enhancing public realm CCTV monitoring (preventing crime and increasing public confidence). Changes to the service are expected to have an impact on current employees who are engaged in delivering this service. However, as the review is at an early stage, the impacts on employees are not fully known. An Equality Impact Assessment will be undertaken as part of this review.
Property Tax Vehicle	The proposal is for the Council to set up a company into which property assets are transferred at market value. The Council would retain control of the property assets and through an arrangement with a private sector partner, benefits financially through optimised tax arrangements. This is a technical saving and there is no equalities impact of this work.
Print Function Delivery Options	This proposal involves working to identify how the council can streamline its lease and equipment costs. There are <u>no</u> budgetary implications.
<u>Policy Priorities</u>	
Apprenticeship Strategy	The main aim of this Strategy is to increase the number and range of apprenticeships, specifically focussing on looked after children and those not in education, employment and training (NEETs). The Council will be undertaking equality analysis of apprenticeships as part of the Workforce Profile Report.

Appendix 2

Equality Issues

Proposed Budget Lines	Equality Issues
Technical Pressures/Savings	
Potential Risk from Business Rate and Council Tax Benefit Reform	There is no budgetary impact this year in relation to this area, and therefore no associated equality impacts.
Council Tax Freeze Grant Fall Out	There is no budgetary impact this year in relation to this area, and therefore no associated equalities impact.
Remove Voluntary Sector 3% Saving from Previous Budget Setting	The Council will no longer be top-slicing 3% saving from voluntary organisations as previously planned. NB – The Council is undertaking a review of its spend with the Third Sector.
ICT Capital Programme Funding	This relates to proposed revenue funding to support the ICT capital programme. There are no budgetary implications this year and therefore no associated equality impacts.
New Deal for Communities Project Costs	Although this project has been completed, these savings relate to ongoing project costs.
2011/12 Pay Award	This is a technical saving of money set aside as a contingency during budget setting for 2011/12, when the National Pay Award negotiations had not yet been concluded. Around that time the Government had set its own policy which included a £250 payment to those staff earning £21k and under and local authorities were asked to make a similar payment to their staff, so the Council included an amount equal to this in the budget setting process. Local Authorities abide by national decisions on pay of the NJC and the completed negotiations concluded no pay award would be made for 2011/12 resulting in a technical saving for the budget process in 2012/13.
Superannuation (cost of past service)	Due to the recent rapid reduction in our payroll, the value of the % contribution has begun to reduce and this has resulted in an ongoing shortfall of £0.5m in 2011/12 that is likely to rise in future years. This is a technical change that maintains the current position and it does not have any specific equalities impacts.
Events	These savings relate to the proposal to review the overall events offer (following the Olympic year) reflecting in part the bringing together of CVOne and mainstream Council events budgets. Whilst there are no savings identified for 12/13, the equalities impact for 13/4 and 14/15 of cuts in the events budget will be assessed as part of planning for future event programmes.

Equality Issues

Proposed Budget Lines	Equality Issues
Revised Lower Carbon Reduction Commitment Cost	The overall cost of this scheme is likely to be lower than anticipated in previous medium term plans. There are no associated equality impacts of this cost.
Birmingham Airport Dividends	These figures relate to anticipated increased dividends from the Council's share ownership of Birmingham Airport. There are no associated equality impacts.
Integrated Transport Authority levy	These figures relate to a reduction in the levy payment to the Integrated Transport Authority. Any subsequent equality impact on services delivered should be assessed by the ITA as an independent public authority.
Additional Managed Area Network/Wide Area Network Commercialisation	This relates to the additional revenue to be achieved by selling existing surplus network capacity to users. There are no associated equality impacts.
Carbon Reduction Commitment - allocate school share to Dedicated Schools Grant	These figures relate to the schools share of the Council's Carbon reduction commitment. There are no direct equality implications of this saving; any subsequent impact on schools will have to be independently assessed.
ER/VR	Analysis undertaken of the leavers during 2011/12 would seem to show that there has been no negative equality impact on any of the protected equality groups. The Council will continue to undertake equality analysis during 2012/13 of employees leaving the organisation under the ER/VR Scheme.
Armchair Audit	These figures relate to the review of current purchasing led by Internal Audit to identify unnecessary or wasteful expenditure. The audit will consider equalities as part of the exercise.
Additional Waste Disposal Company Dividends	There are no equality implications on these figures which relate to additional dividends.
Remove Subsidisation of Schools Single Status Cost	This proposal related to the intention to charge the full original cost of Single Status as incurred by schools directly to the Dedicated Schools Grant. As this will impact on individual schools' budget, there may be indirect equality implications dependent on how schools then reallocate their own budget.
CVOne (in addition to existing £500k)	These figures reflect the further saving to be achieved from the previous CVOne contract now largely re-integrated into mainstream Council activity. Any equalities impact will be assessed by individual service areas.

Appendix 2

Equality Issues

Proposed Budget Lines	Equality Issues
Reduce Proposed Budget for Early Retirement/Voluntary Redundancy Costs	This saving relates to additional budget provision made when setting 2011/12 budget that has now been scaled back in the light of one-off resources available to fund likely costs. There are no equality implications of this change.
Reduce Proposed Budget for City Centre Income Loss (Leaves £3m pa from 2013/14)	No rental income loss will be caused as a result of City Centre redevelopment in 2012/13 and the budget established previously has therefore been removed entirely from 2012/13 and reduced for two subsequent years. There are no equality implications of this change.
Reduce Proposed Budget for Vision for Leisure	This relates to additional budget provision proposed when setting 2011/12 budget which has now been scaled back to reflect that this project will not be fully operational from 1st April 2012. There are no equality implications of this change.
Reduce Proposed Budget for Grant Fall-Out	This relates to additional budget provision proposed when setting 2011/12 budget now removed. There are no further equality implications of this change.
Asset Management Revenue Account	These figures relate to savings from debt repayment profiles and cash flow management. There are no equality implications of this change.
New Homes Bonus	This additional New Homes Bonus grant announced by Government is not ring-fenced and will be used to balance the overall budget bottom line. At this stage it is not clear if there are likely to be any associated equality impacts of this, so there will be some equality analysis in the future to explore this further.
Council Tax Collection Fund	There will be an estimated £0.4m surplus carried forward from the 2011/12 Council Tax Collection Fund.

Appendix 3

General Fund Revenue Budget 2012/13

2011/12 Budget £000	Cabinet Member Portfolios	Inflation & Previous Budget Decisions £000	2012/13 Budget Changes £000	2012/13 Final Budget £000
71,554	Children, Learning and Young People*	(1,283)	(1,387)	68,884
18,191	City Services	(3,929)	45	14,307
81,455	Health & Community Services	(839)	(1,869)	78,747
24,457	Neighbourhood Action, Housing, Leisure & Culture	(2,772)	(163)	21,522
3,300	Strategic Finance & Resources	(1,400)	(165)	1,735
15,694	Community Safety & Equalities	2,966	488	19,148
5,473	Policy, Leadership & Governance	10	(624)	4,859
(1,387)	City Development	(1,217)	(448)	(3,052)
373	Sustainability & Local Infrastructure	561	(250)	684
219,110	**TOTAL CABINET MEMBER PORTFOLIO'S**	**(7,903)**	**(4,373)**	**206,834**
31,933	Asset Management Revenue Account	2,809	(2,885)	31,857
8,146	Contingencies & Corporate Budgets**	3,205	124	11,475
0	Reserve Contributions to support General Fund Budget	65	0	65
17,875	Levies From Other Bodies	(492)	(200)	17,183
5	Parish Precepts	0	0	5
277,069	**BUDGET FOR SPECIFIC GRANTS, FEES & CHARGES**	**(2,316)**	**(7,334)**	**267,419**
	Financed By:			
(158,284)	Central Government Resources			(149,079)
(117,859)	Council Tax			(118,340)
(926)	Collection Fund (Surplus)/Deficit**			-
(277,069)	**TOTAL RESOURCES**			**(267,419)**

See notes on the following page

Appendix 3

Gross Expenditure & Income Budget 2012/13

2011/12 Budget £000	Cabinet Member Portfolios	Gross Expenditure Budget £000	Gross Income Budget £000	Net Expenditure Budget £000
71,554	Children, Learning and Young People*	309,244	(240,361)	68,883
18,191	City Services	34,811	(20,505)	14,306
81,455	Health & Community Services	103,294	(24,547)	78,747
24,457	Neighbourhood Action, Housing, Leisure & Culture	21,954	(432)	21,522
3,300	Strategic Finance & Resources	151,971	(150,235)	1,736
15,694	Community Safety & Equalities	22,592	(3,444)	19,148
5,473	Policy, Leadership & Governance	5,103	(243)	4,860
(1,387)	City Development	19,426	(22,478)	(3,052)
373	Sustainability & Local Infrastructure	899	(215)	684
219,110	**TOTAL CABINET MEMBER PORTFOLIO'S**	**669,294**	**(462,460)**	**206,834**
31,933	Asset Management Revenue Account	33,968	(2,111)	31,857
8,146	Contingencies & Corporate Budgets**	19,199	(8,172)	11,027
0	Reserve Contributions to support General Fund Budget	65	0	65
17,875	Levies From Other Bodies	17,631	0	17,631
5	Parish Precepts	5	0	5
277,069	**BUDGET FOR SPECIFIC GRANTS, FEES & CHARGES**	**740,162**	**(472,743)**	**267,419**
	Financed By:			
(158,284)	Central Government Resources			(149,079)
(117,859)	Council Tax			(118,340)
(926)	Collection Fund (Surplus)/Deficit**			-
(277,069)	**TOTAL RESOURCES**			**(267,419)**

*The budgets relating to the two Cabinet Member Portfolios covering Education and Children and Young People have been combined for the purposes of this analysis.
**The 2012/13 Collection Fund Surplus has been incorporated within the Contingencies & Corporate Budgets figure.

Summary Financial Position: Spending and Savings Proposals

		2012/13	2013/14	2014/15
		£000	£000	£000
	Initial Gap (Budget Report)	**17,328**	**20,244**	**33,862**
	Known Unavoidable Pressures			
1	Domestic Refuse Service	700	700	700
2	Elections for Elected Mayor & Police Commissioner	315	0	0
3	Ongoing Costs of Elected Mayor	50	150	150
4	Individual Electoral Registration	0	50	50
		1,065	**900**	**900**
	Existing ABC Projects			
5	CLYP Fundamental Service Review - **Change to Pre-Budget Report**	0	(2,000)	(4,000)
6	Risk Management	(44)	(44)	(44)
7	Insurance	(56)	(56)	(56)
8	Sustainability and Low Carbon - **Change to Pre-Budget Report***	(298)	(298)	(298)
9	Commissioning Services	(250)	(250)	(250)
10	Customer Management/Front Office	(100)	(100)	(100)
11	Fees & Charges Plus Income Generation	(408)	(443)	(443)
12	Daycare Review (Early Years and Childcare) Revised Position - **Change to Pre-Budget Report**	315	0	0
13	Financial Management (Money Matters) Revised Position	0	1,370	665
	Total Existing ABC Projects	**(841)**	**(1,821)**	**(4,526)**

		2012/13 £000	2013/14 £000	2014/15 £000
	Further Possible ABC Savings			
14	Adult Meals	(437)	(477)	(477)
15	Community Services Adult Social Care	(1,500)	0	0
16	Waste Disposal Shared Service - **Change to Pre-Budget Report**	0	0	0
17	Transport (Fleet)	(100)	(100)	(100)
18	Review of Voluntary Sector Spend	(100)	(200)	(200)
19	Additional Business Services Saving	(100)	(300)	(300)
20	Additional Management Restructure	(500)	(1,000)	(1,000)
21	Assets/Facilities Management	(50)	(50)	(50)
22	Review of Statutory/Non Statutory	(100)	(100)	(100)
23	Cultural Trusts	(200)	(200)	(200)
24	CCTV FSR	(125)	(200)	(200)
24a	Additional Potential CCTV FSR **- Change to Pre-Budget Report**	0	(50)	(50)
25	Print Function Delivery Options - **Change to Pre-Budget Report**	0	(250)	(250)
	Total Further Possible ABC Savings	**(3,212)**	**(2,927)**	**(2,927)**
	Policy Priorities			
26	Apprenticeship Strategy	200	250	250
26a	Pavements (capital spend funded from revenue) - **Change to Pre-Budget Report**	1,000	0	0
	Total Policy Priorities	**1,200**	**250**	**250**

		2012/13 £000	2013/14 £000	2014/15 £000
	Technical Pressures/Savings			
27	Potential Risk from Business Rate and Council Tax Benefit Reform	0	4,000	6,000
28	Council Tax Freeze Grant Fall-Out	0	2,900	2,900
29	Remove Voluntary Sector 3% Saving from Previous Budget Setting	49	49	49
30	ICT Capital Programme Funding	0	1,000	1,000
31	New Deal for Communities Project Costs	(70)	(70)	(70)
32	2011/12 Pay Award	(1,100)	(1,100)	(1,100)
33	Superannuation (cost of past service)	530	530	530
34	Events	0	(100)	(100)
35	Revised Lower Carbon Reduction Commitment Cost - **Change to Pre-Budget Report***	(650)	(1,350)	(1,350)
36	Birmingham Airport Dividends	(485)	(485)	(485)
37	Integrated Transport Authority levy	(200)	(200)	(200)
38	Additional Managed Area Network/Wide Area Network Commercialisation	(100)	(100)	(100)
39	Carbon Reduction Commitment - allocate school share to Dedicated Schools Grant - **Change to Pre-Budget Report***	(352)	(352)	(352)
40	Armchair Audit	(50)	(50)	(50)
41	Additional Waste Disposal Company Dividends	(400)	(400)	(400)
42	Remove Subsidisation of Schools Single Status Cost	(323)	(323)	(323)
43	CVOne (in addition to existing £500k)	(300)	(300)	(300)
44	ER/VR	(100)	(100)	(100)
45	Reduce Proposed Budget for Early Retirement/Voluntary Redundancy Costs	(2,000)	(1,000)	(1,000)
46	Reduce Proposed Budget for City Centre Income Loss (Leaves £3m pa from 2013/14)	(1,000)	(1,000)	(1,000)
47	Proposed Budget for Vision for Leisure - **Change to Pre-Budget Report**	(1,350)	0	0
48	Reduce Proposed Budget for Grant Fall-Out	(2,000)	(2,000)	(2,000)
49	Asset Revenue Management Account - **Change to Pre-Budget Report**	(3,439)	0	0
50	Council Tax Collection Fund - **Change to Pre-Budget Report**	(400)	0	0
51	New Homes Bonus - **Change to Pre-Budget Report**	(1,800)	(1,800)	(1,800)
	Total Technical Savings	**(15,540)**	**(2,251)**	**(251)**

	2012/13 £000	2013/14 £000	2014/15 £000
Summary			
Initial Gap (Budget Report)	17,328	20,244	33,862
Known Pressures	1,065	900	900
ABC Projects	(841)	(1,821)	(4,526)
Further Possible ABC Savings	(3,212)	(2,927)	(2,927)
Policy Priorities	1,200	250	250
Technical Pressures and Savings	(15,540)	(2,251)	(251)
Current Gap	**0**	**14,395**	**27,308**

	Explanation of Changes to Pre-Budget Report	
5	CLYP Fundamental Service Review	Revised saving profile in line with the review's latest estimate. Profile indicates that the shortfall in 2012/13 will be repaid in future years.
12	Daycare Review (Early Years and Childcare) Revised Position	Revised saving profile in line with the review's latest estimate.
16	Waste Disposal Shared Service	It has not proved possible to make the desired progress with partners on this issue and savings will not be achievable in the short-term.
17	Print Function Delivery Options	It will not be possible to deliver any savings in 2012/13 and this area will be subject to further review in order to achieve savings in future years
24a	Additional Potential CCTV FSR	Potential additional saving in future years
26a	Pavements (capital spend funded from revenue) -	A £1m programme of pavement maintenance has been included within the Capital Programme to be funded from revenue resources.
47	Proposed Budget for Vision for Leisure	The 3rd January report to Cabinet assumes a cost in 2011/12 of £650,000 compared with the Pre-Budget assumption of £500,000.
49	Asset Revenue Management Account	Current planning assumptions have allowed for a further contribution from this area, generated mostly from reduced borrowing costs in relation to delayed capital expenditure.
50	Council Tax Collection Fund	Strong collection performance has generated a surplus on the fund.
51	New Homes Bonus	Additional grant has been made available from a combination of the impact of growth in the number of properties in the city and an increased Government allocation of funds to the overall New Homes Bonus pot.
*	Lines 8, 35 & 39 reflect a marginal change in initial planning assumptions compared with the Pre-Budget Report. In overall terms these changes do not change the bottom line.	

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Appendix 5

SUMMARY

CAPITAL PROGRAMME: 2012/13 - 2016/17

Expenditure	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s
Cabinet Member					
Education, Children & Young People	14,658	16,093	12,273	2,820	2,630
City Development	17,346	16,698	3,462	2,750	2,750
City Services	17,573	14,693	8,509	8,459	3,000
Neighbourhood Action, Housing, Leisure and Culture	4,583	2,098	2,098	2,098	0
Sustainability and Local Infrastructure	6,028	5,017	1,217	1,000	1,000
Total Programme	60,188	54,599	27,559	17,127	9,380
Allowance for Rescheduling 5%	(3,009)	129	1,358	590	417
Programme After Rescheduling	57,179	54,728	28,917	17,717	9,797
Resources Available	57,179	42,360	27,108	17,717	10,828
Temporary borrowing required		12,368	1,809		
Resources available					1,031

Cabinet Member Education, Children & Young People	**2012/13 Base Prog £000s**	**2013/14 Base Prog £000s**	**2014/15 Base Prog £000s**	**2015/16 Base Prog £000s**	**2016/17 Base Prog £000s**
Basic Need	**8,239**	**1,356**	**2,893**	**200**	**200**
Devolved Formula Capital	**2,437**	**700**	**700**	**700**	**700**
Condition	**2,330**	**13,560**	**8,200**	**1,430**	**1,430**
Sidney Stringer Academy	**648**	**0**	**0**	**0**	**0**
Suitability/Access	**300**	**100**	**100**	**100**	**100**
Leased Equipment	**200**	**200**	**200**	**200**	**200**
Caludon Extended Learning Centre	**33**	**0**	**0**	**0**	**0**
Social Care/Other					
Pathways to Care (Support to Foster Carers)	**200**	**170**	**180**	**190**	**0**
Broad Park House (Breaks for Disabled)	**180**	**7**	**0**	**0**	**0**
Playbuilder Programme	**72**	**0**	**0**	**0**	**0**
Allesley Park Library	**19**	**0**	**0**	**0**	**0**
Total Approved Programme	**14,658**	**16,093**	**12,273**	**2,820**	**2,630**

Resourcing:

Corporate Resources	**2,458**	**10,674**	**180**	**190**	**0**
Prudential Borrowing	**535**	**0**	**0**	**0**	**0**
Grant	**11,461**	**5,219**	**11,893**	**2,430**	**2,430**
Revenue	**4**	**0**	**0**	**0**	**0**
Leasing	**200**	**200**	**200**	**200**	**200**
Total Resourcing	**14,658**	**16,093**	**12,273**	**2,820**	**2,630**

Cabinet Member City Development	2012/13 Base Prog £000s	2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s
Nuckle	9,667	11,543	0	0	0
Property Repairs	2,250	2,750	2,750	2,750	2,750
Heatline	1,375	0	0	0	0
C&W Enterprise and Business Growth Package	721	740	587	0	0
NDC Masterplanning	660	100	125	0	0
Footbridge - STWA (Public Realm)	633	867	0	0	0
Public Realm 2012	500	0	0	0	0
Far Gosford St	463	0	0	0	0
Coombe Park Lodge	415	0	0	0	0
Meantime Strategy	250	0	0	0	0
Canley Regeneration	119	0	0	0	0
NDC Leisure & Neighbourhood Centre	94	0	0	0	0
Barracks Car Park Repairs	88	0	0	0	0
Connecting Coventry (Friargate)	87	0	0	0	0
Swanswell CPOs	24	0	0	0	0
Swanswell Land Transfer	0	698	0	0	0
Total Approved Programme	17,346	16,698	3,462	2,750	2,750

Resourcing:

Corporate Resources	4,535	5,147	2,875	2,750	2,750
Grant	12,787	11,551	587	0	0
Revenue	24	0	0	0	0
Total Resourcing	17,346	16,698	3,462	2,750	2,750

Cabinet Member City Services	**2012/13 Base Prog £000s**	**2013/14 Base Prog £000s**	**2014/15 Base Prog £000s**	**2015/16 Base Prog £000s**	**2016/17 Base Prog £000s**
Highways Investment	5,000	5,000	3,000	3,000	3,000
Highways Maintenance Grant	3,084	3,028	2,821	2,821	0
Vehicle & Plant Replacement	2,774	3,939	0	0	0
Highways S106	2,000	0	0	0	0
Integrated Transport Programme	1,394	1,884	2,638	2,638	0
Lentons Lane Cemetery	1,070	842	43	0	0
Pavements Investment	1,000	0	0	0	0
Parking Meters	871	0	0	0	0
The Lodge - Canley Crematorium	323	0	7	0	0
Heat Recovery Works - Canley Crematorium	45	0	0	0	0
Replacement Cremators	12	0	0	0	0
Total Approved Programme	**17,573**	**14,693**	**8,509**	**8,459**	**3,000**

Resourcing:

Corporate Resources	6,212	5,000	3,000	3,000	3,000
Prudential Borrowing	3,951	4,425	50	0	0
Grant	6,478	4,912	5,459	5,459	0
Revenue	56	0	0	0	0
Leasing	876	356	0	0	0
Total Resourcing	**17,573**	**14,693**	**8,509**	**8,459**	**3,000**

Cabinet Member Neighbourhood Action, Housing, Leisure and Culture	**2012/13 Base Prog £000s**	**2013/14 Base Prog £000s**	**2014/15 Base Prog £000s**	**2015/16 Base Prog £000s**	**2016/17 Base Prog £000s**
Housing Policy (Disabled Facilities Grants)	2,098	2,098	2,098	2,098	0
Parks	1,311	0	0	0	0
Sports Facilities	702	0	0	0	0
War Memorial Park	285	0	0	0	0
Housing Policy (Siskin Drive)	187	0	0	0	0
Total Approved Programme	**4,583**	**2,098**	**2,098**	**2,098**	**0**

Resourcing:

Corporate Resources	801	0	0	0	0
Grant	3,782	2,098	2,098	2,098	0
Total Resourcing	**4,583**	**2,098**	**2,098**	**2,098**	**0**

Cabinet Member Sustainability & Local Infastructure	**2012/13 Base Prog £000s**	**2013/14 Base Prog £000s**	**2014/15 Base Prog £000s**	**2015/16 Base Prog £000s**	**2016/17 Base Prog £000s**
Strategic ICT Projects	5,642	4,800	1,000	1,000	1,000
Social Services IT System: Connecting Care	306	217	217	0	0
Asset Management Database	80	0	0	0	0
Total Approved Programme	**6,028**	**5,017**	**1,217**	**1,000**	**1,000**

Resourcing:

Corporate Resources	272	1,103	1,108	1,000	1,000
Prudential Borrowing	4,942	3,800	0	0	0
Revenue	814	114	109	0	0
Total Resourcing	**6,028**	**5,017**	**1,217**	**1,000**	**1,000**

Appendix 6

COUNCIL INVESTMENT STRATEGY AND POLICY

1. Governance

In respect of investments, the key requirement of the government's "Guidance on Local Government Investments" initially issued on 12th March 2004 by the ODPM, and revised by Communities and Local Government (CLG) in April 2010, is for local authorities to draw up an annual investment strategy for the management of its investments. The strategy is to be approved by full Council.

2. Principles Governing Investment Criteria

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

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

3. Types of Investments Available to the City Council

Government guidance on local authority investments categorises investments as either specified or non-specified. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The type of investments that can be used by the Authority are:-

Investment	Specified	Non-Specified
Term and call deposits with banks and building societies	✓	✓
Term deposits, call deposits and bonds with other UK local authorities	✓	✓
Certificates of deposit with banks and building societies	✓	✓
UK Government Gilts	✓	✓
UK Government Treasury Bills (T-Bills)	✓	×
UK Government Debt Management Account Deposit Facility (DMADF)	✓	×
Bonds issued by Multilateral Development Banks/Supranational banks	✓	✓
Commercial Paper	✓	×

Corporate Bonds	✓	✓
Money Market Funds and Collective Investment Schemes	✓	✓

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

The Director of Finance and Legal Services will maintain a counterparty list based on the criteria set out below. The credit rating criteria stated below are those determined by the Fitch crediting rating agency. In addition, the Council also has regard to the 2 other agencies that undertake credit ratings: Standards and Poor's and Moody's, in determining the lowest acceptable credit quality.

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

Investments	Limit £m	Minimum Short Term Rating	Minimum Long Term Rating	Minimum Sovereign Rating (non UK)
UK Government, including gilts, t-bills and DMADF	unlimited			
Bonds issued by Multilateral Development Banks/Supranational banks	£10m			
Local Authorities, including single purpose authorities	£10m			
Money Market Funds and Collective Investment Schemes*	£10m		AAA	
Term and call deposits with banks and building societies	£10m	F1	A-	AA+

* These are "pooled" investments which entail taking a small share of a pool of investments. As such risk is spread across a number of investments. Some Money Market Funds and Collective Investment Schemes are not given a credit rating, reflecting the practice within the financial services industry. Where this is the case the limit will be £3m and investments will only be made consistent with the advice of the City Council's Treasury Advisers.

Investment limits apply at the time the investment is made.

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

The total limit for all non specified investments is £15m.

In addition to credit rating information, in line with best practice, the authority will, through its treasury advisers, consider other information when assessing credit risk and determining organisations with whom the authority will invest. Such information will include:

- Credit Default Swaps (an indicator of risk based on the cost of insuring against non payment);
- Sovereign support mechanisms;
- Share prices;

- Corporate developments;
- Financial media reviews and commentaries.

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

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

5. The Monitoring of Investment Counter parties

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

In addition, Arlingclose, the City Council's treasury advisers, provide analysis and advice that pulls together credit rating and other information. This facilitates the management of credit risk on a broader base than would credit ratings alone.

6. The Use of Treasury Management Consultants

The authority employs consultants to provide treasury management advice. This includes both the provision of advice on credit risk and information on credit ratings from the 3 rating agencies, referred to above (section 4). Regular review meetings with the consultants provide a vehicle through which quality is managed. In addition, within the City Council, the Treasury Management Monitoring Group meets on a quarterly basis to review treasury issues, including the use of consultants.

7. Treasury Management Staff Training

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

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Appendix 7

<u>Treasury Management Policy Statement</u>

The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Director of Finance & Legal Services, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

The Council defines its treasury management activities as:

The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Summary Prudential Indicators

Appendix 8

		Forecast 11/12 £000's	Forecast 12/13 £000's	Forecast 13/14 £000's	Forecast 14/15 £000's
1	**Ratio of financing costs to net revenue stream:**				
	(a) General Fund financing costs	35,173	35,880	38,355	41,174
	(b) General Fund net revenue stream/Council Tax	117,854	118,340	122,026	125,827
	General Fund Percentage	29.84%	30.32%	31.43%	32.72%
2	**Estimates of Council Tax Impact ~** Proposed Programme		£363.01	£390.99	£422.53
	Estimates of Council Tax Impact ~ Feb 11 Programme		£397.66	£421.12	
3	**Net borrowing and the capital financing requirement:**				
	gross borrowing, including PFI liabilities	375,721	379,026	405,139	397,919
	less investments	-24,165	-24,165	-24,165	-24,165
	less transferred debt reimbursed by others	-19,746	-19,040	-18,264	-17,410
	= net borrowing	331,810	335,821	362,710	356,344
4	**Capital Expenditure (Note this excludes leasing)**				
	General Fund	67,757	56,103	54,172	28,717
5	**Capital Financing Requirement (CFR)**				
	Capital Financing Requirement	451,211	455,223	469,126	462,759
	Capital Financing Requirement excluding transferred debt	431,465	436,183	450,862	445,349
6	**Gross & Net Debt**				
	Gross Debt at level of Capital Financing Requirement	451,211	455,223	469,126	462,759
	less investments	-24,165	-24,165	-24,165	-24,165
	Net Debt	427,046	431,058	444,961	438,594
7	**Authorised limit for external debt**				
	Authorised limit for borrowing	409,032	386,978	394,250	378,454
	+ authorised limit for other long term liabilities	45,724	52,008	61,625	71,055
	= authorised limit for debt	454,756	438,986	455,875	449,509
8	**Operational boundary for external debt**				
	Operational boundary for borrowing	359,032	342,978	350,250	334,454
	+ Operational boundary for other long term liabilities	45,724	52,008	61,625	71,055
	= Operational boundary for external debt	404,756	394,986	411,875	405,509

9	**Actual external debt**	
	actual borrowing at 31 March 2011	312,550
	+ PFI & Finance Leasing liabilities at 31 March 2011	37,785
	+ transferred debt liabilities at 31 March 2011	20,388
	= actual external debt at 31 March 2011	370,723

10 CIPFA Treasury Management Code ~ has the authority adopted the code? Yes

		Forecast 12/13	Forecast 13/14	Forecast 14/15
11	**Interest rate exposures**			
	upper limit on fixed rate exposures	110%	110%	110%
	upper limit on variable rate exposures	30%	30%	30%

	12 Maturity structure of borrowing - limits	actual	lower	upper
	under 12 months	0%	0%	15%
	12 months to within 24 months	0%	0%	20%
	24 months to within 5 years	6%	0%	30%
	5 years to within 10 years	10%	0%	30%
	10 years & above	84%	40%	100%

		Forecast 12/13	Forecast 13/14	Forecast 14/15
13	**Investments longer than 364 days**			
	upper limit :	15,000	15,000	15,000