

### Report to

Cabinet  
Scrutiny Co-ordination Committee

19th December 2006  
10th January 2007

### Report of

Director of Finance and ICT

### Title

Revenue and Capital Pre-Budget Report 2007/08

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## 1 Purpose of the Report

- 1.1 To update Members on the work undertaken in preparation for the 2007/08 Revenue Budget and financial plans for 2008/09 – 2009/10.
- 1.2 To update Members on the work undertaken in preparation for the 2007/08-2011/12 Capital Programme.

## 2 Recommendations

Members are asked to:

- 2.1 Consider the latest position on the medium term financial projection for revenue and capital, as set out in the report and appendices and note the progress made to date in preparing the 2007/08 revenue and capital programmes;
- 2.2 Agree that the content of the report be used as the basis of the initial consultation process with our external partners.

## 3 Information/Background

- 3.1 The current year's revenue budget and capital programme are permitting significant new investment in key political priorities - e.g. highways and housing – and maintaining good service levels across a wide range of other services across the Council.
- 3.2 We are making generally good progress against the Corporate Plan and this progress was formally recognised by the Audit Commission in awarding Coventry 3 star status earlier this year under the Comprehensive Performance Assessment framework. More detail is available within a separate report on your agenda today.
- 3.3 Key priorities for future developments are already approved in Cabinet Member Strategic Plans. Progress on these plans is currently being reviewed and it is

anticipated that Members will wish to take these issues into account in determining priorities for allocating resources in the coming year.

- 3.4 We are on track to achieve our Gershon efficiencies for 2006/07. However pressure continues for us to make significant new efficiency savings in 2007/08 and 2008/09, both to deliver the Medium Term Financial Strategy and to meet future years' Gershon targets emanating from Government. This remains a major challenge for us.

#### 4 Revenue Budget

- 4.1 The Medium Term Financial Strategy for 2007/08 indicated that we would be starting the current budget round needing to take measures to limit spending requirements and identify savings and income sources to bridge the gap indicated in the following table after allowing for

- Some initial underlying budgetary variations.
- A 2.5% increase (financial planning figure) in Council Tax.
- A £4m contribution from corporate reserves.

##### Initial Gap in 2007/08 Medium Term Financial Strategy

2007/08	2008/09	2009/10
£9m	£12m	£18m

- 4.2 The Management Board has subsequently been considering this position and has undertaken work to take into account the following:

- Further ongoing budgetary pressures and savings identified from the 2006/07 budgetary control position.
- Further management actions or formal member decisions taken during the current year.
- An updated forecast indicating a much higher allocation of the time-limited grant funding we will receive from the Local Authority Business Growth Incentive (LABGI) scheme.

- 4.3 The most significant actions and events that are included within the first 2 bullet points of 4.2 are:

- The overspend relating to Community Care Purchasing for Adults with Learning Disabilities considered in detail in the report to Cabinet on 31<sup>st</sup> October 2006 which are currently estimated to be £2.2m in 2007/08 rising to £5.8m in 2009/10.
- A range of savings totalling over £2m within the Community Services Directorate detailed in the same report.
- A lower level of savings from those previously built into our financial plans for the Coventry Direct Programme amounting to £1.2m in 2007/08 rising to £3.8m in 2009/10 detailed in the report to Cabinet on 5<sup>th</sup> September 2006.

- A minimum additional cost in excess of £0.5m for providing the existing level of ICT Infrastructure and Wide Area Network provision detailed in the report to Cabinet on 5<sup>th</sup> September 2006.
- Anticipated savings from assuming a pay award of 2% in line with national Government announcements (which is lower than our previous financial plans), savings from applying a further 1% Management of Vacancy target across Directorates and savings from restricting the amount of inflationary increases added to a range of non-pay budgets across Directorates.

4.4 A number of management actions referenced in 4.2 have been identified to help deliver savings targets included in previous budget setting processes (including reviews of our administration and research functions) and the value for money reviews identified in paragraph 4.17 and Appendix 1.

4.5 As a consequence of these actions, the medium term financial position before members are being asked to make any new budget setting policy decisions has moved to the position reflected in the table below.

2007/08	2008/09	2009/10
£3.1m	£6.5m	£14.8m

4.6 Between now and when the budget is set in February 2007, members are being asked to consider some further options as follows.

**Savings and Increases in Charges** - all Directorates have sought to identify savings options from within their own budgets. These proposals are shown in Appendix 2.

**Policy Developments** – a range of policy developments have also been identified by Directorates. These proposals are shown in Appendix 3.

4.7 If all of these options were to be approved the gap between spending and resources would be as follows.

2007/08	2008/09	2009/10
£3.1m	£5.0m	£11.5m

A more detailed analysis of this position is shown in Appendices 4a and 4b.

### Revenue Resources

4.8 The provisional Revenue Support Grant (RSG) Settlement was announced on 28<sup>th</sup> November and the impact of this announcement has been incorporated into this document. As expected, while further work on the fine detail is still in progress, this

announcement does not seem to have changed the amount of RSG that we are to receive from Government (£134m).

- 4.9 Corporate reserves on the Council's balance sheet stood at £20m on 31<sup>st</sup> March 2006 of which £6.5m are not earmarked for specific purposes. We will plan to retain a reserve to the value of 1% of our net revenue budget from within these resources as a separate "working balance" that we will not use unless absolutely necessary. This will leave us £4m which is available to support the budget in 2007/08 in line with our medium term financial plans.
- 4.10 In addition, there are £40m of other earmarked reserves on the Council's Balance Sheet, which have been analysed to identify whether any can be released for corporate use. The conclusion from this analysis is that whilst no reserves are available to be released for Corporate use on a permanent basis, there are significant balances that are not required in the short-term that could be used to manage any risks or financial pressures that might face the authority on a short to medium term basis.
- 4.11 Members will ultimately need to determine the level of the Council Tax increase – every 1% on Council Tax provides additional income of £1m. For planning purposes only, the revenue position currently illustrates the impact of a Council Tax increase of 2.5% in 2007/08.
- 4.12 In order to produce a balanced programme, one or more of the following events or actions will be necessary:
- 4.13 Government Settlement figures could exceed expectations. In recent years the provisional and final settlements from Government have provided significant amounts of resources at the last minute that have given us some flexibility in finalising our revenue plans. Given the predictions of much less generous future settlements from Government and the fact that the recent provisional settlement matches precisely the previous indicated estimate it seems unlikely that the 2007/08 Final Settlement will offer any substantial good news for us.
- 4.14 Increase Council Tax beyond 2.5%. The Government has made it clear that it expects Council tax rises to be kept below 5%. Clearly, there is scope for members to consider a rise up to this level although there will also be an imperative to minimise the burden to local Council Tax payers balanced against the desire to continue to deliver an acceptable level and quality of services to them.
- 4.15 Refine existing predictions. There is scope for some refinement in our figures over the coming weeks through challenging the assumptions that we have made in the budgets that are most difficult to accurately predict and through feeding in more up to date information as it becomes available. In particular such scope may present itself in relation to the Asset Management Revenue Account and other corporately monitored budgets, the Council's Collection Fund and our assessment of LABGI resources.
- 4.16 Apply additional reserves. The level of uncommitted or un-earmarked reserve balances is lower than we have had in recent years. Nevertheless, the overall level of balances and the timing of their anticipated use are such that we could still choose to use some of these reserves, over and above the £4m referred to in paragraph 4.9, to support the Corporate bottom line for 2007/08. This would need to be decided within

an over-arching strategy that considered the financial risks faced by the City Council and the benefits of using these resources in this way.

- 4.17 Savings from value for money reviews of services. Within the financial position presented in Appendix 4b, we have assumed savings from value for money Service Reviews of £0.5m, £1.5m and £3m over the next 3 years. Cabinet approved these reviews on 25 July 2006.
- 4.18 Identify further savings. We could choose to pursue a more challenging higher level of savings through more efficient delivery of services or by implementing service reductions. Work is underway to identify which areas of the Council might yield such savings. Although the precise areas of saving would not be clear at this stage, this approach would still mean that some difficult decisions for making savings may need to be made as reviews progress.

## 5 Capital

- 5.1 The Council's recent Capital Programmes have been large in historic terms, reflecting the level of external funding generated and the sale of assets (creating capital receipts) to fund new spending.
- 5.2 The Capital position shown in the 2007/08 Medium Term Financial Strategy indicated that we would need to identify further resources or refine our spending plans in order to be in a position to balance our Capital Programme in future years. Any rescheduling and new approvals within 2006/07 have now been built into this position.
- 5.3 The Resources available for 2007/08 currently amount to £90.3m. Within this amount we will deliver a number of schemes that are already underway and others that are ring-fenced or specifically resourced and can only be spent on certain schemes. Taken together these categories will result in major improvements including the rebuilding of Aldermoor Farm and Stivichall Schools, significant improvements to the Burges, the Primelines highways programme, regeneration schemes in the Swanswell, New Deal for Communities and Stoke Aldermoor areas, and the completion of a replacement library for Tile Hill and a new library for Whoberley. The remaining schemes shown in Appendix 5 are new or were included in last year's Provisional Capital Programme.
- 5.4 In line with last year, Management Board have considered all capital spending proposals by categorising them into seven themes. These themes, listed below, are reflected in Appendix 5.
- Schools
  - Housing and Social Care
  - Transport and Highways
  - Environment and Regeneration
  - Modernising the Council
  - Major Projects
  - Property

The status of each scheme has also been indicated by way of a code. The codes indicate the following:

- A – Scheme is part of existing approved Capital Programme
- B – Scheme is funded from specific or ring-fenced resources
- C – Scheme is funded from existing identified revenue budgets
- D – Requires Corporate resources to be identified to fund the scheme

- 5.5 All the schemes currently included in Appendix 5 amount to £103.2m. When compared to the level of resources available to us this leaves an overall shortfall of £12.9m. In order to produce a balanced programme, it will be necessary to do one or more of the following:
- 5.6 Generate additional capital receipts. The approved Capital Programme already assumes the generation of additional receipts from the sale of our least well performing assets. Officers will continue to review the amount of such receipts that it is realistic to include within 2007/08 although clearly, the higher the target set the more difficult it is to guarantee achieving it. The revenue impact of this will be taken account of within our revenue forecasts.
- 5.7 Free up some currently earmarked reserves. As described in 4.16, we could choose to use additional reserves, to support the Corporate Capital Programme for 2007/08, balancing the value of the one-off investment against the medium-term financial implications of doing so.
- 5.8 Free up one-off sums from under-spending in 2006/07. We could aim to maximise under-spending in the current year in areas that will not have a detrimental impact on service delivery. We are currently reporting an overspending of £1.8m on our revenue budgets. Whilst we will aim to balance this position by the year-end, it is unlikely that any significant under-spending will be available to support the Capital Programme position.
- 5.9 Re-schedule the expenditure within the Programme to later years. This approach could give us the flexibility we require to fund additional expenditure and it is anticipated that we will build in a certain level of rescheduling into the Programme. However, we need to be careful that this route is not used in a way that stores up significant problems in future years (by committing us to a programme that we can afford in year 1 but not in subsequent years). The degree to which we can pursue this needs to be properly assessed in the next few weeks but could release some cash flow flexibility within 2006/07.
- 5.10 Prioritise the schemes shown in Appendix 5. Notwithstanding the potential courses of action indicated above, it is anticipated that there will still be a shortfall between the resources available in 2007/08 and the level of Capital Programme expenditure that we would like to implement. Inevitably therefore, members will be asked to make choices around the schemes in Appendix 5 that they want to include in the Capital Programme and at what level.

## 6 Other specific implications

	Implications (See below)	No Implications
Best Value		✓
Children and Young People		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Community Plan	✓	
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications		✓
Neighbourhood Management		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management		✓
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

6.1 Decisions on the Council's budget will have implications for the whole of the Council's services and activities.

### 6.2 **Coventry Community Plan**

The themes and priorities of the Coventry Community Plan have been taken into consideration in formulating the proposals during this budget setting process.

### 6.3 **Finance**

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

### 6.4 **Human Resources**

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

## 6.5 Trade Unions

The consultation process with Trade Unions has already begun following the release of this report as a public document.

## 7 Monitoring

Any spending and savings decisions will be monitored and evaluated through quarterly monitoring by Councillors and by service managers through their operational plans. These decisions will be used to inform future policy and financial planning. Once the budgets for 2007/08 have been approved, effective budgetary control will be applied to ensure that expenditure is kept within approved budgets.

## 8 Timescale and expected outcomes

Further work will be undertaken to bring forward finalised proposals for a balanced budget to Cabinet and Council in February 2007.

### List of background papers

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Papers open to Public Inspection

**Description of paper**

None

**Location**



Value for Money Review Programme				
		2006/07	2007/08	2008/09
<b>Chief Executive's Directorate</b>				
1	Administrative support across the Council (see note)	✓		
2	Promotion & Publicity	✓		
3	Recruitment & other advertising		✓	
4	Community Safety		✓	
5	HR policies and procedures		✓	
6	Overtime and agency payments	✓		
<b>Children, Learning and Young People Directorate</b>				
1	Support to schools	✓		
2	Home to School Transport		✓	
3	Looked After Children	✓		
4	Directorate administrative support (see note)	✓		
5	Early Years provision		✓	
<b>City Development Directorate</b>				
1	CV One	✓		
2	Directorate administrative support (see note)	✓		
3	Project management arrangements and capacity		✓	
4	Commercial property portfolio		✓	
5	Rent review priorities		✓	
<b>City Services Directorate</b>				
1	Use of agency workers and reducing overtime and sickness	✓		
2	Commercial/Domestic skip collection service	✓		
3	Schools and office cleaning	✓		
4	Consultants' fees/engineering partnering	✓		
5	Environmental health and protection service	✓		
6	Fleet management		✓	
7	Catering		✓	
8	Grounds and Highways maintenance		✓	
9	Car parking strategy and services		✓	
10	Waste Management strategy			✓

<b>Value for Money Review Programme</b>				
		<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Community Services Directorate</b>				
1	Social care process review (part of West Midlands regional value for money programme)	✓		
2	Directorate administrative support (see note)	✓		
3	Leisure review of business arrangements with providers	✓		
4	Learning Disabilities		✓	
5	Social care charging benchmarking review		✓	
6	Social care grant income		✓	
<b>Legal and Democratic Services Directorate</b>				
1	Land Charges service	✓		
2	Directorate Administration (see note)	✓		
3	Alternatives to Royal Mail postal service	✓		
4	Postal delivery arrangements		✓	
5	Paper usage		✓	
6	Support to Councillors		✓	
7	Partnering arrangements for Legal Services		✓	
<b>Finance and ICT Directorate</b>				
1	Council Tax collection	✓		
2	Financial Management structure	✓		
3	Housing Benefits	✓		
4	Strategic Procurement		✓	

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08 £000	2008/09 £000	2009/10 £000
<b>NEW SAVING &amp; INCREASED CHARGES OPTIONS</b>					
<b>Children Learning &amp; Young People</b>					
1	Children Learning & Young People Staffing	Reduction in staffing	(90)	(90)	(90)
2	Performing Arts Service	Review of charges to parents and schools	(30)	(30)	(30)
3	Locality Services	Reduced requirement for matched funding from council for Sure Start Local Programmes	(55)	(55)	(55)
4	Contribution to Hillfields Early Excellence Centre	Refocusing activity to support preventative and referral work with children and families	(90)	(90)	(90)
5	Play Centres	Relocation of services within Children's Centres/Extended Schools	(20)	(20)	(20)
<b>Total Children Learning &amp; Young People</b>			<b>(285)</b>	<b>(285)</b>	<b>(285)</b>

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

<b>Ref</b>	<b>Directorate &amp; Title</b>	<b>Description</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
			<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>City Development</b>					
6	Section 38 & Section 278	Increase fees for agreements	(20)	(20)	(20)
7	Taxi Licensing	The taxi licensing service is self funding and ring fenced. It is considered possible to generate a modest amount out of the account.	(5)	(5)	(5)
8	High Hedges charge	Introduce small charge	(5)	(5)	(5)
9	Home buyers packs.	Compete with the private sector when HBPs become a legal requirement next year, as we have easy access to all the required info.	(25)	(50)	(50)
<b>Total City Development</b>			<b>(55)</b>	<b>(80)</b>	<b>(80)</b>

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08	2008/09	2009/10
			£000	£000	£000
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>City Services</b>					
10	Bereavement Services	Increase charges to help fund essential cremator improvement programme	(100)	(200)	(300)
11	School Meals	Increased income from greater take up of school meals	(30)	(30)	(30)
12	Environmental Health	Review of services and charging policies for Pest Control and Domestic Noise Service	(10)	(20)	(20)
13	Environmental Health and Trading Standards	Reduce service towards statutory levels	(50)	(100)	(100)
<b>Total City Services</b>			<b>(190)</b>	<b>(350)</b>	<b>(450)</b>

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08	2008/09	2009/10
			£000	£000	£000
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>Community Services</b>					
14	Community Librarians	Review service to provide consistent level of one librarian in each Community Library - deleting three vacant posts	(111)	(111)	(111)
15	Community Parks Income	Increased ice-cream concession income due especially to popularity of the Memorial Park Water Feature and addition of trampoline concession.	(16)	(16)	(16)
16	Coombe Income	Ice cream and other franchise income due to increased popularity of Coombe	(12)	(12)	(12)
17	Sports Development	Saving arising from restructure	(10)	(10)	(10)
18	Grant to Sports Trust	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments <i>*note option to increase grant in policy development options</i>	(51)	(51)	(51)

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08 £000	2008/09 £000	2009/10 £000
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>Community Services</b>					
19	Grant to Coventry Sports Foundation	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments * <i>note option to increase grant in policy development options</i>	(3)	(3)	(3)
20	Belgrade	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments	(34)	(34)	(34)
21	Transport Museum	Full pay and non-pay inflation withheld on annual grant - consistent with similar efficiencies in all council departments * <i>note option to increase grant in policy development options</i>	(23)	(23)	(23)
<b>Total Community Services</b>			<b>(260)</b>	<b>(260)</b>	<b>(260)</b>

**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08	2008/09	2009/10
			£000	£000	£000
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>Finance and ICT</b>					
22	Council Tax Collection Rate	Improve collection by 0.3% year on year	(300)	(600)	(900)
23	Housing Benefit	Looking at joint working opportunities with internal and external partners to streamline service delivery.	0	(25)	(25)
24	Review of Housing Benefit advice	Review of in house service and the impact on local tax collection and benefit take up within the City.	(30)	(30)	(30)
<b>Total Finance and ICT</b>			<b>(330)</b>	<b>(655)</b>	<b>(955)</b>
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>Legal and Democratic Services</b>					
25	Additional Income – Register Office	Increasing the fees for marriages conducted in outside premises that registrars have to attend at additional cost	(4)	(4)	(4)
<b>Total Legal and Democratic Services</b>			<b>(4)</b>	<b>(4)</b>	<b>(4)</b>



**ANALYSIS OF MANAGEMENT BOARD BUDGET OPTIONS****Appendix 2**

Ref	Directorate & Title	Description	2007/08	2008/09	2009/10
			£000	£000	£000
<b>NEW SAVING &amp; INCREASED CHARGE OPTIONS</b>					
<b>Corporate</b>					
26		Reduce Policy Contingency	(100)	(100)	(100)
<b>Total Corporate</b>			<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
<b>Item 12 in Summary</b>	<b>Total New Savings Options</b>		<b>(1,224)</b>	<b>(1,734)</b>	<b>(2,134)</b>