



Finance and Corporate Services Scrutiny Board (1)

Time and Date

2.00 pm on Wednesday, 19th October, 2016

Place

Committee Rooms 2 and 3 - Council House

Public Business**1. Apologies and Substitutions****2. Declarations of Interest****3. Minutes**

(a) To agree the minutes of the meeting held on 7 September 2016 (Pages 3 - 6)

(b) Matters Arising

4. Reserve Balances (Pages 7 - 18)

Briefing note

5. Outstanding Issues Report

Outstanding issues have been picked up in the Work Programme

6. Work Programme (Pages 19 - 20)

Report of the Scrutiny Co-ordinator

7. Any other items of Public Business

Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved

Private Business

Nil

Chris West, Executive Director, Resources, Council House Coventry

Tuesday, 11 October 2016

Notes:1)The person to contact about the agenda and documents for this meeting is Carolyn Sinclair, Governance Services, Council House, Coventry, alternatively information about this meeting can be obtained from the following web link:

<http://moderngov.coventry.gov.uk>

2) Council Members who are not able to attend the meeting should notify Carolyn Sinclair as soon as possible and no later than 9am on the day of the meeting giving their

reasons for absence and the name of the Council Member (if any) who will be attending the meeting as their substitute.

3) Scrutiny Board Members who have an interest in any report referred to this meeting, but who are not Members of this Scrutiny Board, have been invited to notify the Chair by 12 noon on the day before the meeting that they wish to speak on a particular item. The Member must indicate to the Chair their reason for wishing to speak and the issue(s) they wish to raise.

Membership: Councillors S Bains, L Kelly (Chair), J Lepoidevin, J McNicholas, J Mutton (By Invitation), G Ridley, T Sawdon, R Singh, T Skipper and R Thay

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting
OR if you would like this information in another format or
language please contact us.

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Coventry City Council

Minutes of the Meeting of Finance and Corporate Services Scrutiny Board (1) held at 2.00 pm on Wednesday, 7 September 2016

Present:

Members: Councillor L Kelly (Chair)
Councillor S Bains
Councillor J Lepoidevin
Councillor J McNicholas
Councillor G Ridley
Councillor R Singh
Councillor T Skipper

Other Members Present: Councillor Brown

Employees:

Place: S Weir

Resources: V Castree, B Hastie, P Jennings, U Patel,

Apologies: Councillor J Mutton and Councillor Sawdon

Public Business

13. Declarations of Interest

There were no declarations of interest.

14. Minutes

The minutes of the meeting held on 6 July 2016 were signed as a true record.

15. Medium Term Financial Strategy 2017-20 and Efficiency Plan

The Scrutiny Board considered the Medium Term Financial Strategy (MTFS), incorporating an Efficiency Plan for 2017-2020 for adoption by the City Council. The previous strategy was approved in December 2015. The Strategy sets out the financial planning foundations that would support the Council's vision and priorities and leads to the setting of the Council's revenue and capital budget. The Council's pre-budget report would be considered in November 2016, followed by the budget setting report in February 2017.

The Government would commit to 4 year funding settlements to local authorities in order to encourage efficiency savings. To qualify, each local authority would need to produce an Efficiency Plan setting out how the authority intended to increase efficiency over the planning period.

Local authorities would continue to face severe financial pressures for the foreseeable future in what were very uncertain times. Although the previous government policy of targeting a budget surplus by 2020 had been dropped,

following the EU referendum, the downgrading of growth forecasts indicated that the severe financial pressures on public finances would continue. The fundamental factor shaping the City Council's MTF5 remained that of unprecedented financial pressure leading to further significant reductions in spending levels that were likely to continue in the period up to at least 2020.

The national and local contexts that framed this Strategy were detailed in the report. These factors taken together, represented a combination of reducing resources, challenging underlying economic and demographic conditions, increased demand, a heightened need to improve the quality of services and new challenges represented by government reform and local structural and governance relationships. In these circumstances it was crucial that the Council's financial strategy was both robust and flexible, thus providing the financial foundations required to ensure that Council services were fit for purpose to protect the most vulnerable as well as providing decent core service for every citizen in the city.

The Board discussed aspects of the report, in particular the level of Council's reserve balances indicated in the report and requested that an explanation of what the reserves were be included in the report before being submitted to Cabinet and Council for consideration.

The Board also discussed the member led review of the Council's budget that was being undertaken with the aim of challenging existing budget levels and enquired why the Board was not involved with this. It was reported that the Cabinet Member for Strategic Finance and Resources had decided to do this as part of his roles and responsibilities and the report would be amended to reflect this.

The Board requested that the pension deficit figures be circulated to Members for information.

RESOLVED that the Board's comments detailed above be incorporated into the report prior to its submission to Cabinet.

16. Funding currently received by the Council from the EU Resources and New Projects Team, August 2017

The Board considered a briefing note which provided information on the funding currently received by the Council from the EU Resources and New Projects Team. It was reported that Coventry had successfully attracted EU funding over the years and the Council had played an important role in bidding for and managing these funds on behalf of the City. The principal sources of EU funding are the European Structural Investment Funds which consists of two large programmes - the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

The Government had now formally announced that it would continue to provide funding for ERDF and ESF projects as long as they were contracted before the Autumn Budget Statement which was usually in late November. This should apply to all the current Coventry City Council projects and considerably reduces the risk to the various services that rely on this source of funding.

The briefing note explained that ERDF provided funding for economic development activities in areas of relative deprivation. In November 2015, the City Council submitted bids for 4 ERDF projects – SME Growth Programme, Low Carbon Programme, Innovative Coventry & Warwickshire and ERDF Technical Assistance. Information on these projects and their current status was detailed in the briefing note.

The ESF funding helped to provide people with employment opportunities. The City Council were currently running two ESF projects, ambition Coventry and ESF Technical Assistance which are due to run until December 2018. The project details were outlined in the briefing note.

The Board discussed the development and renewal projects that had received EU funding within the City and requested further information on the amount of funding received by the City.

RESOLVED that information on the amount of EU funding received by the City be circulated to the Board for information.

17. **Outstanding Issues Report**

There were no outstanding issues.

18. **Work Programme**

The 2016/17 Work Programme was noted and members were reminded that reserves within the budget would to be discussed in greater detail at the October meeting.

19. **Any other items of Public Business**

There were no other items of public business.

(Meeting closed at 3.15 pm)

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Coventry City Council

Briefing Note

To **Scrutiny Board 1**

Date **19th October 2016**

Subject **Reserve Balances**

1. Scrutiny Board 1 have requested information in relation to the Council's reserve balances with the intention of reviewing these within the meeting. Information has been provided at Appendix 1 which shows balances for each individual reserve area over a three year period. These are listed in order of the size of balance in April 2016 (largest first). In addition a brief description has been provided for each balance.
2. The Council's total level of non-schools reserves stood at £69.6m at 31st March. The Council is also required to account for £25.8m of reserve balances that belong to the city's schools (£20m) or are funded from Dedicated Schools Grant and are therefore ring-fenced for schools usage (£5.8m).
3. There are several reserve balances that warrant initial coverage here due to their value.
 - In recent years the Council has implemented programmes of Early Retirement and Voluntary Redundancy to deliver the staffing savings required to balance the budget. A report to Cabinet in November 2015 identified the funding set aside for this purpose to cover future years including reserves of **£12.5m**. This balance was identified and earmarked as part of the 2015/16 Outturn process.
 - A further **£11.8m** of reserves have been held to manage the cash-flow requirements of the financial models for the Council's 3 Private Finance Initiative schemes. These reserves will be used over the 25 year plus lifetimes of the schemes. As part of 2016/17 Budget Setting a decision was taken to utilise £1m per annum for the next ten or so years before then repaying these amounts over the remainder of the schemes' lifetime.
 - Capital receipts (proceeds from the sale of capital assets) were generated in 2015/16 to the value of **£6.7m**. These receipts are in excess of the amount needed to fund the Capital Programme and are therefore available to the Council to apply to newly identified purposes. Proposals will come forward for the use of these resources as part of the forthcoming Budget Setting process.
 - Capital Grant resources of **£5.7m** have been carried forward as reserve balances. These represent income received ahead of the need to spend them. However, the

resources will be required to fund the Council's existing expenditure plans and therefore these resources are committed.

- At the end of 2015/16 the Council received £4.4m in dividends from its shareholding in Birmingham Airport. Proposals are likely to come forward for the use of these resources as part of the forthcoming Budget Setting process.

Paul Jennings

7th October 2016

Appendix 1: Reserves Listing 2014, 2015 & 2016

| Title | April 2014 | April 2015 | April 2016 | Description |
|---|-------------------|-------------------|-------------------|--|
| <u>Non-Grant Funded</u> | | | | |
| Early Retirement and Voluntary Redundancy | (2,800,000) | (5,109,000) | (12,500,000) | Funding for ER/VR costs established as part of 2016/17 Budget Setting. |
| Private Finance Initiative | (10,392,022) | (11,120,031) | (11,841,588) | Resources earmarked to support the Caludon Castle, New Homes For Old and Street Lighting PFI schemes over a 25 year period subject to the individual decisions to establish each of these schemes. The schemes' financial models show how these reserves will be utilised over time. 2016/17 Budget Setting approved the cash-flowed use of this reserve at £1m per year and repayment in the mid 2020s. |
| Useable Capital Receipts Reserve | 0 | 0 | (6,659,825) | Receipts generated in excess of funding requirement within the 2015/16 Capital Programme. Planned to be made available for 2017/18 Budget Setting |
| BIA Dividend | 0 | 0 | (4,400,000) | Dividend announced at 2015/16 year-end to be used to support Council priorities as part of the Council's Budget Setting. (nb in addition to current on-going dividend of £1.5m p.a.). |

| Title | April 2014 | April 2015 | April 2016 | Description |
|---|-------------|-------------|-------------|--|
| General Fund Balance | (7,327,810) | (5,159,810) | (3,823,451) | The General Fund is held to manage unforeseen risks to the Council's overall financial position. MTFS policy is to retain this at 2% of Net Budget and on this basis. Following the overspend for 2015/16 the reserve needs to be replenished by £844k as a first call on any surplus reserves identified elsewhere. |
| Business Rates | (6,400,000) | (7,100,000) | (2,670,197) | Budgeted contributions set aside as future protection against Business Rates volatility. Now at a low level in historical terms. The move to 100% Business Rates retention requires that we review whether this is adequate. |
| Insurance recharges | (3,347,843) | (2,912,173) | (2,401,896) | Insurance reserve needed for future claims. Approx £300K of this is given up annually to fund savings target |
| Management of Capital | (1,869,060) | (2,112,203) | (2,837,082) | Resources earmarked to support approved corporate Capital Programme and ICT transformation projects. |
| Kickstart Project | 0 | (710,690) | (2,207,540) | Maintained as part of the Friargate CCC office building over the lifetime of the scheme. |
| Corporate - Children's & Education Services | (4,000,000) | (3,000,000) | (2,000,000) | Reserve built into 2016/17 budget setting for Children's Services and expected to be fully utilised in-year. |
| General Events | 0 | 0 | (930,000) | Amount approved as part of 2015/16 Budget Setting to support capacity building in the cultural sector. |

| Title | April 2014 | April 2015 | April 2016 | Description |
|---------------------------------|-------------------|-------------------|-------------------|---|
| Achievement of Future Savings | (2,800,000) | (3,424,000) | (892,141) | Coventry & Solihull Waste Disposal Company dividends identified in-advance to deliver a previously set Income Maximisation Budget target. This will be utilised over the next three years. |
| Sports Organisations | (3,181,187) | (1,458,831) | (875,602) | Part of the funding model for the city centre destination leisure facility. |
| Property & Asset Management | 0 | (448,000) | (706,000) | Set aside to deliver Property income target. Drawn down in 2016/17 |
| Transition Fund | 0 | 0 | (500,000) | The Transition Fund was established as part of the Council's Connecting Communities programme to support work with residents and communities in developing new approaches to delivering Council services. |
| Accumulated Corporate Balances | 0 | 0 | (473,049) | Reserve balances set-aside as part of the on-going review of reserves. These will be used to support Council priorities as part of the Council's Medium Term Financial Strategy. |
| Transformation Programme Office | 0 | 0 | (300,000) | This balance will be used to fund the short term cost of external consultants or internal change support to deliver our transformation programme following a budget reduction of £400K per annum. |
| European Elections | (27,992) | 0 | (258,731) | Smoothing Reserve to manage volatility of Elections costs which vary with fallow year and with timing of grant funded national elections. |

| Title | April 2014 | April 2015 | April 2016 | Description |
|---|------------|------------|------------|--|
| Development Services | (495,930) | (375,930) | (192,723) | City Centre South Project resources. Original decision awarded £880k to deliver CCS Cabinet approval. Balance is required if scheme is approved to progress at Council in December 2016 although there is potential to draw down some development costs from the CA allocation |
| Resources & New Projects | 0 | (75,000) | (183,257) | Committed match funding for ERDF bid for business start up grants |
| Business Services | (427,791) | (311,218) | (175,000) | Balance required for E-Post project and is needed at the current level. The position may change as Post & Print services are restructured going forwards to deliver revenue savings . |
| General Property (Commercial) | 0 | 0 | (160,000) | Capital slippage to be moved into revenue - applied 2016/17 |
| CIF - Recyclable Resources and Management Fund | 0 | (13,650) | (161,308) | Resources from Coventry Investment Fund schemes in line with CIF model. Review on the basis that this will be freed up to apply to Corporate priorities. |
| Coventry and Warwickshire Enterprise & Business Growth Programme Management | 0 | 0 | (154,417) | Residual Jobs & Growth Strategy resources - Committed 2016/17 |
| Taxi Licensing | (165,680) | (209,636) | (143,549) | Ringfenced Account - legal requirement |
| Planning Policy | (5,000) | (215,000) | (140,000) | Core Strategy/Local Plan costs |

| Title | April 2014 | April 2015 | April 2016 | Description |
|--|-------------------|-------------------|-------------------|--|
| Grant Saving Contingency | 0 | (475,000) | (133,768) | Set aside to apply to Grant Saving established as part of 2015/16 Budget Setting. |
| Training Children's Services Commissioning | (146,671) | (146,671) | (122,671) | This area is under review as part of Human Resources & Organisational Development restructure. |
| The Employment Support Service | 0 | (109,737) | (109,737) | Resources funded from Policy Contingency to keep service going on a temporary basis - Approved at Cabinet Member's discretion |
| Coroners | 0 | (72,157) | (72,157) | Likely commitments of £49k in 2016/17. Remainder likely to be required to manage expected forthcoming external funding reductions for the service. |
| S4G - skills for growth programme | 0 | 0 | (68,507) | Grant received in advance and drawn down in 2016/17 |
| Strategic Transportation | (143,288) | (56,360) | (56,360) | To fund HS2 costs approved by Cabinet in June 2013. No expectation of incurring any further costs. |
| Older People Residential Care Placements | 0 | 0 | (50,238) | 2015/16 Winter Resilience funding to fund extra cover into April 2016. All drawn down in 2016/17. |
| Benefits Administration | 0 | (37,638) | (39,261) | Will be drawn down in year |
| PCC Election | 0 | 0 | (35,777) | Smoothing Reserve to manage volatility of Elections costs which vary with fallow year and with timing of grant funded national elections. |
| Outdoor Education Centre | 0 | (18,127) | (31,841) | Funding will be utilised in 2016/17 to fund new generator. |

| Title | April 2014 | April 2015 | April 2016 | Description |
|---|---------------------|---------------------|---------------------|--|
| Heatline Project | 0 | 0 | (28,542) | Smoothing reserve on Heatline Project |
| SEN and Disability Information and Advice Support Service | 0 | (13,163) | (18,017) | Ring-fenced grant, £18k has been utilised in 2016/17 to fund temporary posts |
| Community Safety External Funding | (215,563) | 0 | (16,247) | Applied in 2016/17 |
| Employment - Youth Service | 0 | (169,815) | (12,467) | Committed NEETS placements carry forward - applied in 2016/17 |
| SEN Alternative Provision (APB) | 0 | 0 | (9,951) | Delegated DSG funding restricted to funding alternative provision. Subject to existing legal framework for schools. Reported to Schools Forum. |
| Customer Services Centre | (312,205) | (287,604) | (604) | No longer needed. |
| Financial Management Team | (683,200) | (489,363) | (363) | No longer needed. |
| Municipal Elections | (252,773) | (145,504) | 128,431 | Smoothing Reserve to manage volatility of Elections costs which vary with fallow year and with timing of grant funded national elections. |
| Coventry Sports Trust Funding | 555,000 | 490,000 | 425,000 | Negative reserve, due to be repaid from Sports funding model at the rate of £65,000 pa - Cabinet 19th July 2011 refers |
| Total Non-Grant Funded | (44,439,014) | (45,286,311) | (57,840,433) | |
| <u>Grant Funded</u> | | | | |

| Title | April 2014 | April 2015 | April 2016 | Description |
|--|-------------------|-------------------|-------------------|---|
| Capital Grant Unapplied Account | (755,820) | (383,749) | (5,735,534) | Grant funding for schemes within the Capital Programme. The funding reflects decisions made as part of the Council's corporate Capital Programme |
| Joint Social Care and Health schemes funded through Section 256 grants | (1,889,694) | (1,944,249) | (1,234,620) | Joint Funding with health via section 256 agreements within areas including health and social care schemes (£280k), LD Community Disability Learning Service (£254k), Equipment and Adaptations (£246k), IPS HwC Short Term Tenancies (£210k), Business and Continuous Improvement (£184k), |
| Public Health Staffing & Overheads | (2,527,072) | (1,522,402) | (1,036,578) | Includes a number of elements including balances held with the Clinical Commissioning Group and West Midlands Association of Directors of Public Health (£190k), resources supporting match funding against other grants (£150k), an element to smooth delivery of existing savings target (£150k) and resources supporting work with Warwickshire CC (£200k) |
| Troubled Families | (1,087,626) | (710,082) | (701,151) | 5 year grant programme. The funding is committed in future years as part of the programme of delivery. |
| DEFRA Recycling Champions | (547,932) | (871,302) | (652,350) | Pickles grant to provide a 5 year programme of works. (Two more years of 5 year period left as at Sept 16) |
| SEN Reforms Grant | (39,651) | (567,559) | (573,239) | Grant carry forward being used to fund staff to support transition of childrens Statements to Education Health and Care Plans in line with SEND Reforms. Transition is expected to continue until 2018/19. |
| CSW Sport - Management Costs | (305,807) | (343,381) | (469,446) | This balance is hosted account on behalf of 7 partners within Coventry Solihull and Warwickshire Sport. It is not City Council money. |

| Title | April 2014 | April 2015 | April 2016 | Description |
|--|-------------------|-------------------|-------------------|--|
| Individual Electoral Registration | (69,245) | (413,895) | (295,979) | Monies earmarked to meet the additional costs of Electoral registration. Work is underway to the demands on these resources.. |
| Employment - Families | 0 | (219,402) | (200,000) | £0.1m used for Growth Hub resource gap and £0.1m remaining for TESS |
| Carers Support & Services | 0 | 0 | (117,356) | Joint Funding with health via BCF Pooled Fund |
| Adult Social Care Management Team | 0 | (658,942) | (116,346) | Balance of Delayed Transfers Of Care Grant being used to support Community Purchasing plus Care Act Grant Balance. Will be fully applied in 2016/17. |
| SALIX Project | (48,806) | (32,643) | (80,001) | Not CCC cash. A revolving fund to provide small energy saving initiatives funding with paybacks Not CCC cash. |
| City Centre & Development | (819,438) | (311,098) | (61,191) | Residual Jobs & Growth Strategy resources - committed in 2016/17 |
| Home Office-Proceeds of Crime Scheme | 0 | (40,907) | (40,559) | Balance drawn down in 2016/17 as match for PCC grant |
| Fuel Poverty Grant & DECC Fuel Poverty Project | (35,137) | (49,085) | (30,755) | Switch & Save initiative. Further activity planned for 2016. |
| LEP Support | (6,723) | (25,600) | (25,600) | LEP Resources |
| Surface Water Management | 0 | (165,712) | (14,214) | Grant received in advance and committed |
| Business Improvement District (BID) | (127,211) | (60,683) | (10,683) | Not CCC cash. Hosted account for the City Centre BID |

| Title | April 2014 | April 2015 | April 2016 | Description |
|---|---------------------|---------------------|---------------------|---|
| Early Years Service | 0 | (33,032) | (7,932) | This is the balance of a £33k grant received in 14/15 from DfE to support implementation of EYPP and Integrated Working on 2 Year Old Assessments. |
| Total Grant Funded | (8,260,163) | (8,353,724) | (11,403,533) | |
| Schools | | | | |
| Schools (specific to individual schools) | (18,499,136) | (18,050,302) | (19,983,903) | Reserves owned and controlled by schools. Subject to existing legal framework for schools. Reported to Schools Forum. |
| Schools (related to expenditure retained centrally) | (3,886,420) | (6,712,523) | (6,082,515) | Dedicated Schools Grant Reserve owned by schools and subject to decisions made collectively by them. Subject to existing legal framework for schools. Reported to Schools Forum. £2.3M built into 2016/17 budget setting. |
| Total Schools | (22,385,557) | (24,762,825) | (26,066,418) | |

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Agenda Item 6

Last updated 26/09/2016

Finance and Corporate Services Scrutiny Board (1) Work Programme 2016/17

| |
|--|
| 6 July 2016 |
| The Digital Agenda |
| 7 September 2016 |
| 2017-20 Medium Term Financial Strategy and Efficiency Strategy EU Funding |
| 19 October 2016 |
| Reserves |
| 30 November 2016 |
| Impact of changes to Local Council Tax Support Scheme Procurement Strategy and Social Value Act Digital Strategy Task and Finish Group report back |
| 25 January 2017 |
| Workforce Strategy |
| 29 March 2017 |
| |
| Dates to be determined |
| Friargate Customer Services The EU Capital Programme |

| Date | Title | Detail | Lead Officer |
|------------------|--|--|---------------------------------|
| 6 July 2016 | The Digital Agenda | To introduce the developing Digital Strategy enabling the Board to input into it as it is still in draft form. To look to set up a working group to develop further strands of work. This will be identified at the meeting. | Lisa Commane |
| 7 September 2016 | 2017-20 Medium Term Financial Strategy and Efficiency Strategy | To discuss the Council's Medium Term Financial Strategy and its new Efficiency Strategy | Paul Jennings |
| 7 September 2016 | EU Funding | To receive a briefing note on the funding received from the EU by the Council. | Chris West |
| 19 October 2016 | Reserves | To look at reserves in detail and how the information on them is presented to the public. | Chris West/ Barrie Hastie |
| 30 November 2016 | Impact of changes to Local Council Tax Support Scheme | Changes were introduced to the Local Council Tax Support Scheme from April 2016. This item is to look at the impact of implementation after 6 months. To include how much money has been raised as a result of this change, how much it has cost to collect, levels of arrears and the impact on residents. Look to invite external partners in to inform discussion e.g. CAB. | Barrie Strain/ Glenda Cowley |
| 30 November 2016 | Procurement Strategy and Social Value Act | To examine the extent to which the Social Value Act is delivering added value when we are letting contracts. | Liz Welton |
| 30 November 2016 | Digital Strategy Task and Finish Group report back | To feedback to SB1 the recommendations from the Digital Strategy Task and Finish Group. | Vicky Castree |
| 25 January 2017 | Workforce Strategy | To input into the workforce strategy | Barbara Barrett |
| | | | |
| TBC | Friargate | To look at progress towards meeting the financial targets associated with the move to Friargate. | Chris West |
| TBC | Customer Services | To hold a meeting in the new Customer Service Centre to discuss new ways of working and how these can be rolled out across the Council. | Lisa Commane |
| TBC | Capital Programme | To look at the projects being delivered including whether there is sufficient workforce capacity to do so. | Paul Jennings |
| TBC | The EU | To investigate the implications of the leave vote on the pension fund and likely requirement for additional savings from Local Authorities. | Chris West |
| | | | |