Public Document Pack

Coventry City Council

Agenda

Council

Time and Date
2.00 pm on Tuesday, 20th February, 2018

Place
Council Chamber - Council House

1. **Apologies**

2. **Minutes of the meeting held on 16 January 2018** (Pages 5 - 14)

3. **Coventry Good Citizen Award**

   To be presented by the Lord Mayor and Judge Lockhart QC, Honorary Recorder

4. **Correspondence and Announcements of the Lord Mayor**

5. **Petitions**

6. **Declarations of Interest**

Matters Left for Determination by the City Council/Recommendations for the City Council

It is anticipated that the following matters will be referred as Recommendations from the Cabinet. The reports are attached. The relevant Recommendations will be circulated separately.

From the Cabinet, 13 February 2017:

7. **2017/18 Third Quarter Financial Monitoring Report (to December 2017)** (Pages 15 - 38)

From the Cabinet, 20 February 2018:

8. **2018/19 Council Tax Setting Report** (Pages 39 - 52)

9. **Budget Report 2018/19** (Pages 53 - 118)

10. **Consultation Response: Fair Funding Review: A Review of Relative Needs and Resources** (Pages 119 - 130)

Item(s) for Consideration

11. **Statements**

12. **Debates**

To be moved by Councillor M Mutton and seconded by Councillor P Seaman:

"This Council supports the staff of HMRC in their campaign to stop the closure of a local office in the City.

The closure of the Coventry Office will mean a loss of 300 quality jobs, of which 70% are carried out by female workers, the loss of these jobs will have a detrimental impact on the City's economy.

We call upon HMRC to think again and to cease the widespread local office closure programme which will reduce HMRC offices to just 13 sites to service the whole of the UK"

Martin Yardley, Deputy Chief Executive, Place, Council House Coventry

Monday, 12 February 2018

Note: The person to contact about the agenda and documents for this meeting is Carolyn Sinclair/Suzanne Bennett 024 7683 3166/3072

Membership: Councillors F Abbott, N Akhtar, P Akhtar, R Ali, A Andrews, R Auluck, R Bailey, S Bains, L Bigham, J Birdi, J Blundell (Deputy Chair), R Brown, K Caan, J Clifford, G Crookes, G Duggins, D Gannon, M Hammon, L Harvard, J Innes, B Kaur, L Kelly, D Kershaw, T Khan, A Khan, R Lakha, R Lancaster, M Lapsa, J Lepoidevin, A Lucas, P Male, K Maton, T Mayer, J McNicholas, C Miks, K Mulhall, J Mutton, M Mutton, J O'Boyle, G Ridley, E Ruane, T Sawdon, P Seaman, B Singh, R Singh, D Skinner, T Skipper (Chair), H Sweet, K Taylor, R Thay, C Thomas, S Walsh, D Welsh and G Williams

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

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Carolyn Sinclair/Suzanne Bennett
024 7683 3166/3072

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Coventry City Council
Minutes of the Meeting of Council held at 4.00 pm on Tuesday, 16 January 2018

Present:

Members: Councillor T Skipper (Chair)

Councillor F Abbott
Councillor N Akhtar
Councillor P Akhtar
Councillor R Ali
Councillor A Andrews
Councillor R Auluck
Councillor R Bailey
Councillor S Bains
Councillor J Birdi
Councillor J Blundell
Councillor R Brown
Councillor K Caan
Councillor J Clifford
Councillor G Crookes
Councillor G Duggins
Councillor D Gannon
Councillor L Harvard
Councillor J Innes
Councillor B Kaur
Councillor L Kelly
Councillor D Kershaw
Councillor T Khan
Councillor A Khan
Councillor R Lakha
Councillor M Lapsa
Councillor J Lepoidevin
Councillor A Lucas
Councillor P Male
Councillor K Maton
Councillor T Mayer
Councillor J McNicholas
Councillor K Mulhall
Councillor J Mutton
Councillor M Mutton
Councillor J O'Boyle
Councillor G Ridley
Councillor E Ruane
Councillor P Seaman
Councillor B Singh
Councillor R Singh
Councillor D Skinner
Councillor H Sweet
Councillor K Taylor
Councillor R Thay
Councillor S Walsh
Councillor D Welsh
Councillor G Williams

Honorary Alderman J Gazey

Apologies: Councillor L Bigham, M Hammon, R Lancaster, T Sawdon and C Thomas

Public Business

84. **Minutes of the meeting held on 5 December 2017**

The minutes of the meeting held on 5 December 2017 were signed as a true record.

85. **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded under Section 100(A)(4) of the Local Government Act 1972 relating to the private reports below on the grounds that the reports involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act as it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) and in all of the

circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Minute 96 Re-provision of Coventry's Indoor Bowls Facility
Minute 97 Friargate Joint Venture

86. **Coventry Good Citizen Award**

On behalf of the City Council, the Lord Mayor and His Honour Judge Lockhart QC presented Mark Friday with the Good Citizen Award. His citation read:

> *"Mark has dedicated his adult life to making a contribution to the local community in Coventry through sports. In the last 15 years he has been Chairman and Manager of Ernesford Dynamos Football Club providing support for over 100 local children. His role at the club goes beyond coaching. Mark spends his evenings convening meetings concerning the club, arranging events and fundraisers and dealing with a range of club related issues so that the children are provided with a safe, fun and rewarding sporting environment. The dedication and hard work Mark has put in to the club is endless. He is there from the early hours of the morning setting up until the evening helping to clear up when everyone else has gone home. The rest of his time is spent writing match reports, liaising with the league and supporting managers and coaches with any issues. He is involved from one end of the spectrum to the other, teaching older players to be ambassadors and role models to the younger players and giving them opportunities and support to get into coaching and refereeing. He also supports the managers and coaches who are looking after the new generation of Dynamos to ensure that the club's ethos and values are embedded throughout the organisation.*
>
> *Mark has also supported children with learning and behavioural difficulties to integrate into the game and has succeeded were other teams and clubs have failed. He treats all the children as individuals and believes passionately that football is for everyone given the right support and guidance, never giving up on anyone. Mark's passion and commitment to the children at the club is evident and at their end of season presentation recognises their contribution however big or small.*
>
> *In addition to Mark's football commitments he has been Chair of the Board of Directors at Caludon Castle since 2009 and works full time as an Accountant. It is evident that through his community work he has shown tremendous commitment to the people of Coventry.*
>
> *His actions justly reflect his character and he is well deserving of this Good Citizen Award".*

87. **Correspondence and Announcements of the Lord Mayor**

a) Their Royal Highnesses the Duke and Duchess of Cambridge

The Lord Mayor referred to the Royal visit that took place earlier in the day and commented that it was a great occasion for the City to welcome the Duke and Duchess of Cambridge.

This was the first opportunity for the city to showcase how becoming the UK City of Culture 2021 could make a difference for our citizens. He thanked colleagues who joined him for the Litany of Peace and Reconciliation at Coventry Cathedral.

b) New Year Honours

The Lord Mayor referred to the award made to Ian Harrabin in the recent New Year's Honours List. Ian was awarded an MBE for services to heritage and regeneration of the City.

Members noted that a letter of congratulations had been sent to Ian, on behalf of the City Council.

c) Congratulations to Finham Park School

The Lord Mayor referred to the GLOBAL Confucius Classroom of the Year title awarded to Finham Park School for the school's development in teaching Mandarin Chinese and links with sister schools in Shanghai.

Members noted that a letter of congratulations had been sent to Mark Bailie the Executive Head Teacher and the staff in the Modern Foreign Languages Department.

d) Councillor L Bigham

The Lord Mayor referred to Councillor L Bigham's recent accident and operation and joined Members in wishing her the very best for a speedy recovery.

e) Cyrille Regis

The Lord Mayor referred to the sudden and untimely death of Cyrille Regis, the Former England and Coventry City Football Club player, who played a crucial role in Coventry's FA cup winning side in 1987.

Cyrille was a true professional, a role model and a pioneer for black footballers in the game.

Members noted that a letter of condolence would be sent to Cyrille's family expressing the Council's sincere condolences.

f) Geoff Seward

Members noted the recent death of Geoff Seward who passed away after a long illness. Geoff had worked tirelessly for the residents of Finham.

The Lord Mayor confirmed that a letter of condolence would be sent to Geoff's family expressing the Council's sincere condolences.

88. **Petitions**

RESOLVED:

(i) **That the following petitions be referred to the appropriate City Council bodies:**

(a) **Request to implement road safety measures around Manor Park School Cheylesmore – 375 signatures, presented by Councillor Bailey.**

(b) **Request for bollards to be installed in the back alley between Kirkdale Avenue and Selworthy Road to stop fly tipping – 17 signatures, presented by Councillor Lucas.**

89. **Declarations of Interest**

Councillor R Ali declared a Disclosable Pecuniary Interest in the matter the subject of Minute 95 below headed "Debates". He left the meeting during the consideration of this item.

90. **Re-provision of Coventry's Indoor Bowls Facility**

Further to Minute 102/17 of the Cabinet, the City Council considered a report of the Deputy Chief Executive (Place) which detailed proposals for the re-provision of Coventry's indoor bowls facility at the Avenue Bowls Club, Gaveston Road, Coventry.

A corresponding private report detailing confidential aspects of the proposals was also submitted to the meeting for consideration.

In September 2014, Coventry City Council unanimously approved investment in a new city centre destination sport and leisure facility and approved a ten-year partnership Sport Strategy for the City, underpinned by a new Indoor Facilities Strategy, Playing Pitch Strategy and Aquatic Strategy. Coventry's Indoor Facilities Strategy highlighted the need to explore the feasibility of future sustainable provision for indoor bowls in the City.

Within the initial 'Sports Investment Model', £1m was earmarked for investment in bowls re-provision. Following detailed feasibility work and further discussions, the proposed level of investment increased to £2.05m as this level of investment would enable re-provision of the existing six rink indoor bowls facilities, toilets and office accommodation at the club site, designed to encourage and support growth in participation. This work was part of a strategic, city-wide development approach to key sports and public leisure facilities.

The proposal for the development of an indoor bowls facility at The Avenue Bowls Club, Gaveston Road, Coventry, subject to planning permission, was supported by the existing and proven, strong and sustainable Club governance, with a sustainable business plan that would deliver an on-going annual rental income back to the Council.

Locating the indoor bowls facility at this site would consolidate an indoor and outdoor bowls offer on one site, as well as offering 12-month access to indoor bowls provision which would further contribute to the sustainability of the business plan.

The proposed development would enable the enhancement of facilities designed to support and encourage growth in a range of forms of participation in bowls across the city for example, junior leagues, regional/national competitions, casual bowling and health programmes; within a strategic, citywide development approach to key sports and public leisure facilities.

The following amendment (in italics) was moved by Councillor R Bailey, seconded by Councillor G Ridley and lost:

"The Council is requested to *defer the decision to* approve the addition of £2.05m to the capital programme for 2018/2019 onwards for the development of a new indoor bowls facility at The Avenue Bowls Club in Coventry *until a one month consultation has taken place with local residents concerning the development*. Within the £2.05m, £0.12m relates to management and design development costs as per paragraph 5.1.10.2"

RESOLVED that the City Council approves the addition of £2.05m, to the capital programme for 2018/2019 onwards, £0.12m of the £2.05m relating to management and design development costs as indicated in paragraph 5.1.10.2 of the report, for the development of a new indoor bowls facility at The Avenue Bowls Club, Gaveston Road, Coventry.

91. **Friargate Joint Venture**

Further to Minute 103/17 of the Cabinet, the City Council considered a report of the Deputy Chief Executive (Place) which sought approval on the proposals for the City Council to enter into a joint venture partnership with Friargate LLP.

A corresponding private report detailing confidential aspects of the proposals was also submitted to the meeting for consideration.

The Friargate masterplan was conceived by CannonCannon Kirk, the founders of Friargate LLP, who assembled the majority of the land required to regenerate the area around Coventry Railway Station. In 2013, the Council approved starting the Friargate Business District to regenerate the City, transform the Council and deliver savings, through the purchase of the first building on Friargate for occupation by the City Council (Cabinet minute 13/13 and Council minute 30/13 referred).

As part of the West Midlands Combined Authority investment programme, £150m was identified to fund regeneration in Coventry. In January 2017 £98.8m was approved for City Centre South and it was proposed circa £51.2m was allocated to Friargate to build Number two Friargate. (Cabinet minute 104/17 and Council minute 102/17 referred).

Approval was sought to enter into a 50/50 joint venture partnership with Friargate LLP across the whole Friargate development to bring forward the speculative second building as quickly as possible. Approval was also sought, subject to approval of the Full Business Case, to accept the grant for £51.2m from the West Midlands Combined Authority (WMCA) and use it to provide a loan to the joint venture company to construct number Two Friargate.

RESOLVED that the City Council:

1) **Approve that the City Council accept a grant funding of £51.2 million from the West Midlands Combined Authority and delegate to the Deputy Chief Executive (Place) and Director of Finance and Corporate Services in consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, the authority to enter into the necessary grant funding agreement to secure the grant.**

2) **Approve (following completion of recommendation 1 above) the capital investment to purchase a 50% equity stake in all of the land within the Friargate Masterplan and to delegate authority to the Deputy Chief Executive (Place) and the Director of Finance and Corporate Services, following consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources to enter into the Shareholder agreement, on the basis that the Council will see a commercial return on this investment over the medium term.**

3) **Approve a loan to Friargate LLP on commercial market terms to enable them to complete the necessary actions to effect the release of charges over the land within the Friargate Masterplan.**

4) **Approve the creation of a budget for £0.5m per annum to fund development costs for the first three years (total commitment of £1.5 million), funded from capital receipts, to match Friargate's contribution to fund the LLP, promote the scheme to investors and secure development.**

5) **Approve that £51.2million is added to the Council's capital programme, all funded from the West Midlands Combined Authority grant.**

6) **Approve the Council representation on these boards be agreed by the Deputy Chief Executive (Place) and Director of Finance and Corporate Services, following consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, once the format of these boards is established as part of the final terms of the agreement; and that the Council representation on the LLP Members Shareholders Panel will be from members of the Cabinet.**

92. **Question Time**

Councillors provided written answers to the question's set out in the Questions Booklet, together with oral responses to supplementary questions put to them at the meeting.

The following Members answered oral questions put to them by other Members as set out below, together with supplementary questions on the same matters:

No	Questions asked by	Questions put to	Subject Matter
1	Cllr Williams	Councillor Innes	Refuse collections over the Christmas period and the possibility of relaxing the rules on loose additional refuse bags
2	Councillor Williams	Councillor Maton	Transport for disabled young people
3	Councillor Williams	Councillor Innes	Residents request for grit bins
4	Councillor Lepoidevin	Councillor Innes	Breakdown of missed bins by Ward, between 28 November 2017 and 2 January 2018
5	Councillor Lepoidevin	Councillor Innes	The provision of Ward specific information on the Council website for the benefit of residents
6	Councillor Kelly	Councillor Duggins	The events at the Combined Authority in relation to precepts

93. **Statements**

(a) The Leader of the Council made a statement in respect of the "City of Culture".

Councillor Ridley responded to the statement.

(b) The Cabinet Member for Children and Young People made a statement in respect of "Children's Services Improvement Plan".

Councillor Lepoidevin responded to the statement.

94. **Debate - George Eliot**

The following Motion was moved by Councillor R Bailey and seconded by Councillor J Lepoidevin:

"This Council recognises the literary contribution made by George Eliot and resolves to celebrate her links with the city. This Council resolves to explore every option to ensure that the Coventry home of George Eliot is open and accessible to the public and visitors we can expect to receive during our City of Culture year."

Councillor G Duggins proposed the following amendment, which was seconded by Councillor A Khan and carried:

After the words “celebrate her links with the City” at the end of the first sentence, the rest of the Debate be deleted”.

The amended Motion now to read:

“This Council recognises the literary contribution made by George Eliot and resolves to celebrate her links with the City”.

RESOLVED that the amended Motion as set out above be adopted.

(Note: Councillor R Ali left the meeting for the consideration of this item.)

PRIVATE BUSINESS

95. **Re-Provision of Coventry's Indoor Bowls Facility**

Further to Minute 91 above and Minute 107/17 of the Cabinet, the City Council considered a private report of the Duputy Chief Executive (Place) that set out the confidential aspects of proposals for the re-provision of Coventry’s indoor bowls facility at The Avenue Bowls Club, Gaveston Road, Coventry.

RESOLVED that the City Council approves the addition of £2.05m, to the capital programme for 2018/2019 onwards, £0.12m of the £2.05m relating to management and design development costs as indicated in paragraph 5.1.10.2 of the report, for the development of a new indoor bowls facility at The Avenue Bowls Club, Gaveston Road, Coventry.

96. **Friargate Joint Venture**

Further to Minute 92 above and 108/17 of the Cabinet, the City Council considered a private report of the Deputy Chief Executive (Place) that set out the confidential aspects of proposals for the City Council to enter into a joint venture partnership with Friargate LLP.

RESOLVED that the City Council:

1) **Approve that the City Council accept a grant funding of £51.2 million from the West Midlands Combined Authority and delegate to the Deputy Chief Executive (Place) and Director of Finance and Corporate Services in consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, the authority to enter into the necessary grant funding agreement to secure the grant.**

2) **Approve (following completion of recommendation 1 above) the capital investment to purchase a 50% equity stake in all of the land within the Friargate Masterplan and to delegate authority to the Deputy Chief Executive (Place) and the Director of Finance and Corporate Services,**

following consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources to enter into the Shareholder agreement, on the basis that the Council will see a commercial return on this investment over the medium term.

3) **Approve a loan to Friargate LLP on commercial market terms to enable them to complete the necessary actions to effect the release of charges over the land within the Friargate Masterplan.**

4) **Approve the creation of a budget for £0.5m per annum to fund development costs for the first three years (total commitment of £1.5 million), funded from capital receipts, to match Friargate's contribution to fund the LLP, promote the scheme to investors and secure development.**

5) **Approve that £51.2million is added to the Council's capital programme, all funded from the West Midlands Combined Authority grant.**

6) **Approve the Council representation on these boards be agreed by the Deputy Chief Executive (Place) and Director of Finance and Corporate Services, following consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, once the format of these boards is established as part of the final terms of the agreement; and that the Council representation on the LLP Members Shareholders Panel will be from members of the Cabinet.**

(Meeting closed at 6.05 pm)

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Coventry City Council

Public report
Cabinet Report

Cabinet	13th February 2018
Audit and Procurement Committee	19th February 2018
Council	20th February 2018

Name of Cabinet Member:
Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:
Deputy Chief Executive Place

Ward(s) affected:
City Wide

Title:
2017/18 Third Quarter Financial Monitoring Report (to December 2017)

Is this a key decision?
Yes – The report is seeking a contribution to reserves in excess of £1m

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and of the Council's treasury management activity as at the end of December 2017.

The headline revenue forecast for 2017/18 is an overspend of £1.8m. This has decreased since the Quarter 2 position when it stood at £3.1m whilst at the same point in 2016/17 there was a projected overspend of £4.8m. Notwithstanding the relative improvement since Quarter 2 and the equivalent position last year, the reasons for the overspend represent some concerning trends for the Council. At a time of continued tightening of local authority resources the current position still represents one that demands a strong focus on addressing the underlying issues. However, it is still anticipated that tight budgetary control and utilisation of any one-off areas of flexibility will reduce the projected overspend and achieve a near balanced position by year-end.

The current position continues to reflect areas of budgetary overspend reported previously including services for looked after children and the costs of homelessness. In addition, a shortfall exists in delivering savings targets set in previous budgets. Where relevant, the likely anticipated cost of these pressures will be incorporated within the forthcoming 2018/19 Budget Report.

The report seeks approval for the contribution of 2017/18 windfall Coventry and Solihull Waste Disposal Company dividends of £1.8m to be contributed to Council reserves to part meet the Council's commitment to fund UK City of Culture 2021 costs.

The Council's Capital spending is projected to be £121.0m for the year, a net increase of £1.1m on the position reported at Quarter 2.

Recommendations:

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 3.

2. Approve the revised capital estimated outturn position for the year of £121.0m incorporating: £10.7m net increase in spending relating to approved/technical changes (Appendix 2), £10.0m of expenditure rescheduled into 2018/19 (Appendix 4) and an overspend of £0.4m (Appendix 5).

Cabinet is requested to recommend to the Council:

3. Approval of the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture 2021 report to Council on 5th December 2017.

Audit and Procurement Committee is recommended to:

1. Consider whether there are any comments they wish to be passed to Cabinet

Council is recommended to:

1. Approve the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture report to Council on 5th December 2017.

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2017/18
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Background Papers

None

Other useful documents:

None

Has it or will it be considered by scrutiny?

No

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

Audit and Procurement Committee, 19th February 2018

Will this report go to Council?

Yes – 20th February 2018

Report Title:
2017/18 Third Quarter Financial Monitoring Report (to December 2017)

1. Context (or Background)

1.1 Cabinet approved the City Council's revenue budget of £232.5m on the 21st February 2017 and a Directorate Capital Programme of £123.2m. This is the third quarterly monitoring report for 2017/18 to the end of December 2017. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.

1.2 The current 2017/18 revenue forecast is an overspend of £1.8m, a decrease of £1.3m on the Quarter 2 position of £3.1m. The reported forecast at the same point in 2016/17 was an overspend of £4.8m. Capital spend is projected to be £121.0m, an increase of £1.1m on the Quarter 2 position.

2. Options considered and recommended proposal

2.1 **Revenue Forecast -** The forecast revenue overspend £1.8m is analysed by service area below.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Forecast Variation £m
People Directorate			
Public Health	0.5	(0.1)	(0.6)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.6	76.2	4.6
Adult Social Care	81.9	81.6	(0.3)
Customer Services & Transformation	2.8	4.4	1.6
Total People Directorate	**170.7**	**176.1**	**5.4**
Place Directorate			
Directorate Management	3.7	3.8	0.1
City Centre & Major Projects	7.2	7.4	0.2
Transportation & Highways	3.9	4.1	0.2
Streetscene and Regulatory	27.4	27.8	0.4
Project Management & Property	(7.5)	(7.9)	(0.4)
Finance & Corporate Services	6.9	9.8	2.9
Total Place Directorate	**41.6**	**45.0**	**3.4**
Contingency & Central budgets	20.2	13.2	(7.0)
Total Spend	**232.5**	**234.3**	**1.8**

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the forecast year-end variances is provided below. Further details are shown in Appendix 1.

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£5.1m) masks a significant overspend across other areas (£10.5m).

The net position of a £5.4m overspend includes undelivered savings targets of £2.6m . This is largely as a result of delays in delivery within Children's Services and Customer Services & Transformation divisions. Both divisions have plans against the targets however they will not be delivered within the required timescales.

The remainder of the problem is a result of budgetary control pressure, including a significant increase in the Looked After Children population (average LAC numbers in 2016/17 were 587, whereas the discrete numbers at the end of December are in excess of 660) as well as continued pressures in supported accommodation provision for care leavers.

The Childrens Leadership Team is reviewing all children and young people in placements (both LAC and Supported) to identify how costs can be reduced within the financial year and as a result has managed to reduce numbers in residential provision. This has reduced the residential forecast by £0.5m since quarter 2. Further work is in train to interrogate the LAC trends, plans and budget forecast for a more detailed consideration to include the Deputy Chief Executive (People) and Director of Finance and Corporate Services.

Place

The largest pressure within the Place Directorate's overall forecast deficit of £3.4m relates to the unfunded cost of housing families in temporary accommodation, which is due to the significant increase in homelessness, causing a forecast £2.8m overspend in 2017/18.

A number of vacancies across the whole directorate are also being temporarily covered by agency staff as a result of both difficulties in recruitment, & reviews being carried out. In most cases the external cost is offset by underspends on salary budgets.

Commercial Waste and Domestic refuse budgets are both forecasting deficits due to the pressures of one off expenditure being invested in order to achieve savings targets and growth in income, the benefits of which will not be seen until 2018/19. In addition, domestic refuse will be unable to maintain costs within existing budgets due to the additional staff costs of maintaining collections over the Christmas period, and HGV driver pay supplements. Any decision to continue these levels of service/costs would require ongoing funding allocations.

There are also income pressures being experienced in relation to the Parks service, Corporate catering, Commercial Waste, Monitoring & Response Service and Parking enforcement, all of which are actively being managed by service managers with a view to resolving in them medium term.

Contingency & Central

This favourable variance reflects a £4.3m underpend across inflation contingencies and the Asset Management Revenue Account (AMRA). It also reflects a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business

Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model

2.4 Capital Programme

Table 2 below updates the budget to take account of a £10.7m increase in the programme, and a reduction of £10.0m for expenditure which is now planned to be carried forward into future years. There is also an overspend of £0.4m. This gives a revised projected level of expenditure for 2017/18 of £121.0m. Appendix 3 provides an analysis by directorate of the movement since quarter 2.

The resources available listed below show how the Capital Programme will be funded in 2017/18. It shows 52 % of the capital programme is funded by external grant. Overall the capital programme and associated resourcing reflects a forecast balanced position in 2017/18.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2017-18 MOVEMENT	£m
Estimated Outturn Quarter Two	**119.9**
Approved / Technical Changes (see Appendix 2)	10.7
“Net” Underspending (See Appendix 5)	0.4
"Net" Rescheduling into future years (see Appendix 4)	(10.0)
Revised Estimated Outturn 2017-18	**121.0**

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	56.3
Grants and Contributions	62.5
Capital Receipts	0.5
Revenue Contributions	1.6
Leasing	0.1
Total Resources Available	**121.0**

On the 10th October 2017, the Council approved a report to acquire a further financial interest in Coombe Abbey Park Ltd. The purchase was completed on 22nd December and the figures within this report reflect the initial £9m cost of the purchase. This could rise subsequently to £10.5m by the end of 2018 depending on the financial performance of the company.

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend, the level of resources including capital receipts that are available and an assessment of the most appropriate application and timing of these resources. These decisions will pay due regard to the need to earmark resources to fund future spending commitments. In recent years the Council has delayed prudential borrowing as a means of funding capital spend but it is important to be aware that significant amounts of borrowing have been approved to fund the 2017/18 and future programmes and this will come on-stream over the next few years. The revenue funding costs of this have been built into the Council's forward financial plans.

2.5 Treasury Management Activity in 2017/18

Interest Rates

The main economic news in this quarter was the increase in the Bank of England base rate in November from 0.25% to 0.50%, which was the first increase to rates since July 2007. This decision was taken due to growing concern about rising inflation. The Bank of England has reiterated that it expects any future increases in base rate to be at a gradual pace and limited in extent.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2017/18 capital programme is £48.5m, taking into account borrowing set out in Section 2.4 above (total £56.3m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£7.8). No long term borrowing has been undertaken for several years, in part due to the level of investment balances available to the authority. Any future need to borrow will be kept under review in the light of a number of factors, including the anticipated level of capital spend, interest rate forecasts and the level of investment balances.

During 2017/18 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2017/18 to P9	Maximum 2017/18 to P9	As at the End of P9
5 year	1.34%	1.87%	1.76%
50 year	2.45%	2.79%	2.58%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This "certainty rate" initiative provides a small reduction in the cost of future borrowing.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings. However, the Council has just (January 2018) completed the redemption of one £20m tranche of long-term borrowing within its debt portfolio, the future saving from which, will be reflected in the forthcoming 2018/19 Budget Report.

Short Term (Temporary) Borrowing and Investments

In managing the day to day cash-flow of the authority, short term borrowing or investments are undertaken with financial institutions and other public bodies. The City Council currently holds £12.5m in short term borrowing at an average interest rate of 0.44%.

Short term investments were made at an average interest rate of 0.57%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were:-

	As at 31st December 2016 **£m**	**As at 30th September 2017** **£m**	**As at 31st December 2017** **£m**
Banks and Building Societies	53.4	24.4	14.4
Money Market Funds	8.7	9.9	6.7
Local Authorities	20.0	0.0	0.0
Corporate Bonds	24.3	11.4	5.4
Registered Providers	15.0	8.0	8.0
Total	**121.4**	**53.7**	**34.5**

External Investments
In addition to the above investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and non-specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid as cash, can be withdrawn within two to four days, and short average duration. The Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. These pooled funds are designed to be held for longer durations, allowing any short term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 31st December 2017 the pooled funds were valued at £39.9m, spread across the following funds: Payden & Rygel; Federated Prime Rate, CCLA, Standard Life Investments, Royal London Asset Management and Deutsche Bank.

Prudential Indicators and the Prudential Code
Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 31st December 2017 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2017/18. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 31st December the value is -£74.3m (minus) compared to +£80.0m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 31st December the value is £268.7m compared to £400.0m within the Treasury Management Strategy, reflecting that a significant proportion of the Councils investment balance is at a fixed interest rate.

Regulatory Update – MiFID II

As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its MiFID II status prior to January 2018. This means that the authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

3. Results of consultation undertaken

3.1 None.

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. **Comments from the Director of Finance and Corporate Services**

5.1 Financial Implications

Revenue

Throughout the year the Council has faced budgetary challenges from overspends in a range of housing/homelessness related and children's social care budgets. Although management action is focussed on these areas, the issues at hand are not ones that can be corrected within a short timescale. As a result, the Council's Pre-Budget Report to Cabinet (28th November) has incorporated additional budgetary provision for the anticipated additional medium term expenditure in these areas. This position will be updated as necessary in the final Budget Report to Council on 20th February.

Management focus and activity is continuing in order to achieve existing savings programmes although it is important for Cabinet to be aware that a small number of remaining undelivered savings will prove difficult to deliver. The impact of these pressures is also being incorporated within the forthcoming 2018/19 Budget Report.

The improvement of the overall bottom line position through 2017/18 and the Council's experience of previous trends towards the year-end indicate that the remaining overspend is not a cause for undue concern. A combination of tight budgetary control and utilisation of any one-off areas of flexibility should ensure a balanced budgetary position is achieved.

As reported previously, significant concern exists about the Council's future budgetary position as a result mainly of areas that represent intractable demand led issues that require longer-term solutions. As part of the Council's medium term budget considerations, decisions will be required on the extent to which demand led pressures can be safely managed down or more cost efficient service solutions identified. In addition, where existing savings targets remain undelivered, it will be important for savings plans to be clearly set out including the implications and timescale of delivering (or not delivering) these plans.

Capital

The rescheduling for the quarter includes movement across a number of schemes. Where schemes are rescheduled into 2018/19 and contain grant conditions that allow the Council to fund capital expenditure on a cash-flow basis within 2017/18, this will reduce the amount of Prudential Borrowing that the Council is required to undertake in the year. Overall rescheduling for the year now stands at £29m demonstrating the challenges in profiling and delivering a capital schemes. This challenge will continue into 2018/19 and if anything will be exacerbated as the Council seeks to manage a very large programme, much of which will rely upon external funding and partners.

Reserves

The Coventry and Solihull Waste Disposal Company (CSWDC) in which the Council is a major shareholder alongside Solihull Council, has announced recently an improvement in the distribution of its dividends. The future years' impact of this is being reflected within the Council's forthcoming 2018/19 Budget Report whilst in 2017/18 the effect is additional resources of £1.828m. On 5th December the Council committed £4.75m of corporate reserves for the UK City of Culture 2021 build-up programme, title year and legacy programme (across the period 2018 – 2024), to be drawn down if the city was awarded the title. The subsequent announcement that Coventry has been awarded UK City of Culture status means that these resources now need to be identified. Additionally, it has been announced that the War Memorial Park in Coventry has been chosen as the English location for the BBC Music's The Biggest Weekend which will take place across four sites in four nations over the late May Bank Holiday weekend in 2018. The Council will incur some costs associated with hosting the event. It is proposed within this report that the £1.8m CSWDC dividends are contributed to reserves to part-fund these two commitments. Further funding sources will be identified as part of the 2017/18 financial outturn process.

Treasury Management

In broad terms, the 0.25% rise in interest rates announced in November will not have a significant short to medium term impact on the Council's finances. Most of the Council's current long-term borrowing is at fixed interest rates and the impact on the Council's short term investment income and borrowing costs (which are more susceptible to interest rate movements) will not be significant. The Council is currently moving into a phase where it will no longer have the high level of investment balances that it has enjoyed in recent years. This is due in large part to the level of capital expenditure being incurred, and the utilisation of grant income received previously ahead of the need to spend. Other recent developments include the Council's investment in the Coombe Hotel (£9m) and redemption of long-term borrowing (£20m repayment plus a premium of £10m). However, given the even higher levels of expenditure expected over the coming years, much of it externally funded, it is difficult to predict the impact on the Council's expected treasury position with any certainty at this stage.

5.2 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?
The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 How is risk being managed?
The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount in managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?
In Quarter 3 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend should this occur. Any use of one-off resources to balance the final position means that these resources would not be available to use fund future spending priorities.

6.4 Equalities / EIA
No impact.

6.5 Implications for (or impact on) the environment
No impact

6.6 Implications for partner organisations?
No impact.

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Appendix 1 Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position
Appendix 1 details directorate forecast variances.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed "Budget Holder Forecasts" for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Directorate	**Revised Budget**	**Forecast Spend After Action/ Use of Reserves**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Net Forecast Variation**
	£m	**£m**	**£m**	**£m**	**£m**
Public Health	0.5	(0.1)	(0.2)	(0.4)	(0.6)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.3)	0.4	0.1
Children and Young People's Services	71.6	76.2	(4.1)	8.7	4.6
Adult Social Care	81.9	81.6	(0.7)	0.4	(0.3)
Customer Services & Transformation	2.8	4.4	0.3	1.3	1.6
Total People Directorate	**170.7**	**176.1**	**(5.0)**	**10.4**	**5.4**
Place Directorate Management	3.7	3.8	0.0	0.1	0.1
City Centre & Major Projects Development	7.2	7.4	0.1	0.1	0.2
Transportation & Highways	3.9	4.1	(0.4)	0.6	0.2
Streetscene & Regulatory Services	27.4	27.9	(0.4)	0.8	0.4
Project Management and Property Services	(7.5)	(8.0)	0.0	(0.4)	(0.4)
Finance & Corporate Services	6.9	9.8	(0.1)	3.0	2.9
Total Place Directorate	**41.6**	**45.0**	**(0.8)**	**4.2**	**3.4**
Total Contingency & Central Budgets	**20.2**	**13.2**	**0.0**	**(7.0)**	**(7.0)**
Total Spend	**232.5**	**234.3**	**(5.8)**	**7.6**	**1.8**

Reporting Area	Explanation	£m
People Directorate	The Directorate's centralised salary underspend against its salary budgets and turnover target is partly as a result of high levels of vacancies in Childrens Social Care, which accounts for £4.1m of the underspend. This is partly offset by non salary overspend as a result of agency staff in Childrens Social Care. As part of the Children's Services Redesign vacancy levels and agency expenditure will reduce.	(5.0)
Place Directorate	The vast majority of the variations for centralised forecasts relate to vacancies which have been held pending service review completion, or areas where there has been difficulty in recruiting to posts	(0.8)
Total Non-Controllable Variances		**(5.9)**

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	CPH Disparities	Reduced contract payments forecast based on activity levels	(0.2)
Public Health	Other Variances Less that 100K		(0.2)
Public Health			**(0.4)**
Education and Inclusion	Libraries	Library Service overspend is linked to the purchase of self service machines, which is one-off expenditure required as part of the Connecting Communities programme. The in-year position also reflects additional transitional support being provided for libraries which are becoming community-led. The service will continue to look at ways overall expenditure can be reduced between now and the end of the financial year.	0.3
Education and Inclusion	Inclusion & Participation	The majority of this overspend is as a result of part year delivery of the transport review, against a full year saving. This was due to delays in agreeing and implementing the policy changes and was flagged as part of the cabinet report in relation to SEN transport. The full year impact of delivery, based on current activity, indicates that there is an ongoing £150K financial problem, and ways to mitigate this are being looked at as part of a Transport Strategic Review group reporting to People Leadership Team.	0.2
Education and Inclusion	School Enrichment Services	Coventry Music is forecasting an overspend of £62k mainly due to anticipated shortfalls in income.A service redesign was implemented in September 2017 which will deliver a more effective and efficient service, and increase flexibility for customers. The service is forecasting a breakeven position in the next financial year. Governor Support is currently forecasting an over spend of approximately £50k due to reduced levels of buyback from schools. A plan is in place to reduce this deficit for future years, and the service are currently undertaking additional work, as well as actively looking for alternative income streams .	0.1
Education and Inclusion	Adult Education	To date it has not been possible to meet a financial target set as part of previous budget setting process to ensure we maximise ESFA grant funding against internal training programmes.	0.1
Education and Inclusion	Advice and Health Information Services	Resettlement generates grant income which will be maximised where possible. This underspend offsets expenditure within other Council services, in relation to support of individuals and families who resettle in Coventry.	(0.4)

Education and Inclusion	Other Variances Less that 100K		0.1
Education and Inclusion			**0.4**
Children and Young People's Services	Commissioning, QA and Performance	The overspend is largely as a result of agency staff covering vacancies, and 4 additional time-limited posts, currently covered by agency, to respond to concerns raised by OFSTED in relation to volume and quality of the work in the Safeguarding Service. As part of the redesign we continue to recruit to permanent posts which will reduce the overspend in the next financial year. In addition, the 4 additional posts have been funded as part of the redesign until March 18, and we are considering the best options for filling these posts during that timescale. The overspend is largely offset by an underspend on centralised salaries.	0.4
Children and Young People's Services	Help & Protection	Overspend relates to the costs of Agency staff covering posts across the service. This is more than offset by underspends across salary budgets. There is also a pressure as a result of grant fall out for the Family Drug and Alcohol Court. It is proposed that this will be resolved as part of the restructure out to consultation, and we are also exploring the possibility of a Social Impact Bond funding model from 2018/19.	2.8
Children and Young People's Services	LAC & Care Leavers	The majority of the overspend in this area is in relation to LAC and leaving care placement costs. The key changes since quarter 2 are a forecast reduction of £0.5M in the residential budget due to a decrease in the number of children in residential from 67 at Q2 to 59 in Q3. This is as a result of planned management action including review of all residential placements / packages, improved sign-off process for residential placements, and increased focus within the Placements Team on identifying appropriate fostering placements. The forecast for supported accommodation has increased slightly since quarter 2. This is because the numbers in the service are static, despite activity to move on over 18 year olds to their own tenancies. A dedicated post has just been recruited to, to support the move on activity, and ensure we support future care leavers into their own tenancies in a timely manner. This work continues to be aligned with the wider Housing and Homelessness Strategy.	5.5
Children and Young People's Services			
Children and Young People's Services			**8.7**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to the continued increases in demand for complex social care support for eligible service users. In addition Coventry is paying comparatively higher unit costs for 18-64 year old residential packages. This is under review and actions will be taken to redress this trend. Overall control mechanisms are in place to ensure expenditure is robustly managed. Approval for packages are rigorously scrutinised at panel meetings with social workers required to explain their panel submission before approval is gained.	0.4
Adult Social Care	All Age Disability and Mental Health Operational	There has been a significant increase in DOLs demand leading to addtional assessment costs (£160k). The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs (£146k). This is partially offset by the vacancy savings showing on the centralised forecast.	0.3
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies.	0.2
Adult Social Care	Adult Social Care Director	Underspends achieved due to early delivery of Adult Social Care savings targets.	(0.2)

Adult Social Care	Strategic Commissioning (Adults)	Pressures relating to under achievement of Supporting People income are offset by a number of underspends across other areas of contractual spend.	(0.3)
Adult Social Care			**0.4**
Customer Services & Transformation	Customer and Business Services	Unmet element of £1.8m Business Services savings target (£629K) and ongoing pressure relating to homelessness service mainly comprising B&B rental cost not covered by Housing Benefit and agency cost in Housing Options team (£448K), partially offset by forecast underspend and overachievement of income in Post and Fastprint.	0.9
Customer Services & Transformation	HR and Workforce Development Management	Unmet element of savings target linked to resources needed for Workforce Strategy programme (£103k). Additional Resource requirements for Workforce Programme (£90k) as well as agency costs to cover vacant posts	0.2
Customer Services & Transformation	ICT Operations	There is an ongoing pressure with Mobile Phone contracts as the demand for flexible ways of working increases (£227K). This is partially offset by the data and voice budget underspending where older technology has been decommissioned and is no longer needed (£116K).	0.1
	Other Variances Less that 100K		0.1
Customer Services & Transformation			**1.3**
Total Non-Controllable Variances - People			**10.4**

Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	Primarily St. Mary's trading deficit of £137k. This is expected to improve in 18/19 once service improvements have been implemented.	0.2
City Centre & Major Projects Development			**0.2**
Transportation & Highways	Traffic	Traffic pressures are due to varying factors. Within Network Management, vacancies within Urban Traffic Control are resulting in agency staff spend, and also irrecoverable costs are being incurred as a result of damage to assets due to road traffic accidents. Within parking services, there are spend pressures caused by increased repairs to equipment, and an increase in external service charges. Income pressures are also being experienced within parking enforcement due to reduced recovery and fewer PCN's issued, however it is expected this will be offset by increased bus lane enforcement income	0.5
Transportation & Highways	Highways	This overspend primarily relates to expenditure on agency cover to fill vacant posts, and some priority patching works costing in excess of available budget.	0.1
Transportation & Highways	Other Variances Less that 100K		
Transportation & Highways			**0.6**

Streetscene & Regulatory Services	Planning & Regulatory Services	Price Increase of 20% on Planning fees from mid Jan 18	(0.2)
Streetscene & Regulatory Services	Waste & Fleet Services	Fleet Services are not fully achieving savings targets for the refinancing of vehicles as some vehicles have been replaced sooner than had been planned. There are also one off costs relating to the purchase of bins, caddies & liners for the new refuse service, Market Related Pay (HGV Drivers) and additional costs expected to maintain collections over the christmas and new year period. These, together with the restructuring and investment costs and one off pressures in commercial waste are being partly offset by reductions in the cost of waste disposal and some underspends on Passenger Transport.	1.0
Streetscene & Regulatory Services	Other Variances Less that 100K		
Streetscene & Regulatory Services			**0.8**
Project Management and Property Services	Development Services	Core funded surveyors costs being recovered from sales disposal proceeds.	(0.2)
Project Management and Property Services	Facilities & Property Services	£155k pressure in building cleaning reflecting the transfer of cleaning to schools at the start of the academic year (September 2017) as opposed to April 2017.	0.2
Project Management and Property Services	PAM Management & Support	c£200k underspend against reduced cost of Lamb St dilapidation costs, and use of £117k residual earmarked reserves set aside for strategic property review	(0.3)
Project Management and Property Services	Other Variances Less that 100K		(0.1)
Project Management and Property Services			**(0.4)**
Finance & Corporate Services	Revenues and Benefits	There is a net pressure within the Housing Benefit (HB) Subsidy account. The largest pressure (circa £3.0m) is due to the element of HB paid out for bed & breakfast (B&B) accommodation for homeless people which cannot be reclaimed from DWP as HB Subsidy. In addition there is a pressure (circa £1.0m) due to the element of HB paid out for mainly clients in supported accommodation which can only be partially reclaimed from DWP as HB Subsidy. The above two pressures are offset by the surplus recovery of HB overpayments (circa £1.1m)	3.0
Finance & Corporate Services	Legal Services - People	Variation primarily due to the cost of external barrister expenditure. The service is hoping to bring down external costs by greater use of internal resources for court work. In addition there are pressures within Coroners due to increased pathology and venue fees (£60k), offset by increased income from the Registrar's service (£40k).	0.2
Finance & Corporate Services	Financial Mgt	Primarily the accelerated achievement of headcount savings target, temporarily offsetting the delay in achievement elsewhere in the division, together with savings on non-staff budgets (c£40k).	(0.3)
Finance & Corporate Services	Other Variances Less that 100K		0.1
Finance & Corporate Services			**3.0**

Total Non-Controllable Variances - Place			**4.2**

Service Area	Reporting Area	Explanation	£M
Contingency & Central Budgets	Contingency & Central Budgets	This favourable variance reflects a £3.2m underpend across inflation contingencies, the Pensions Prepayment model, the Apprenticeship Levy and the Sports Contingency and a £1.1m underspend within the Asset Management Revenue Account (AMRA). This is also a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model.	**(7.0)**
Total Non-Controllable Variances - Contingency & Central Budgets			**(7.0)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Coombe	Cabinet in 10th October 2017 first instalment for investment in Coombe Abbey Hotel	9.0
Heatline	Final Payment for Heatline Phase 1	0.5
Acquistion of New Children Homes	Cabinet 7th March 2017 - As part of the Children Internal Residential Resign Project budget is for acquistion of 3 new sites	0.8
Disabled Facilities Grants	DLCG Additional funding for DFG announed in December 2017	0.3
Miscellaneous	Net programme changes	0.1
SUB TOTAL - Place Directorate		**10.7**
TOTAL APPROVED / TECHNICAL CHANGES		**10.7**

Appendix 3

Capital Programme: Estimated Outturn 2017/18

The table below presents the revised estimated outturn for 2017/18.

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 17-18 £m
PEOPLE	23.1	1.1	0.0	(5.1)	19.1
PLACE	96.8	9.6	0.4	(4.9)	101.9
TOTAL	**119.9**	**10.7**	**0.4**	**(10.0)**	**121.0**

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Suitability/Access	Budget was set with previous budget holder, it has now been reviewed by new budget holder based on the actual spend this year and changes to forecast have been made.	-0.1
CLYP - Condition	The original condition budget of £4.9m included £1.8 of contingency to absorb the volatility of estimated jobs within the condition programme and an allocation for emergency works. At quarter 3 - the contingency budget has been reduced to c£1m which will be carried forward into future years programme. The £600k of the remaining £700k rescheduling is for works at Hearsall Primary School that were forecast to be completed in 2017/18 but due to works running over will now be completed in 2018/19.	-1.7
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. In December 2017, Government awarded an additional £320,000 to the City Council on top of the existing increased DFG resources. Additional flexibilities provided by DCLG, have provided freedom to expand the use of these funds to meet the needs of eligible residents. Officers have been reviewing the use of the allocation in order to maximise existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. An expanded programme of works has now been identified, however this has led to a rescheduling of spend of £920k.	-0.9
ICT Programme	The reason for the rescheduling at quarter 3 is primarily due to the organisational focus on the move to Friargate. With the majority of resource being focussed on the move to Friargate and the associated technology programmes, other areas of work have been postponed or delayed into next financial year and beyond. We have significant calls on spend for next financial year including £500k for the proposed works at Whitley Depot/Jackson Road and £250k for network redesign following issues earlier in the year. These are alongside the continued work on systems and technology consolidation which continue to deliver revenue savings. The ICT Strategy is being re-written in the first half of financial year 2018/19 and this will align to the organisations single transformation programme that is currently being developed. This will bring about more organisational prioritisation to the work programme and therefore more consistency and reliability to spend profiles of activities.	-2.3
SUB TOTAL - People Directorate		**-5.1**

PLACE DIRECTORATE		
City Centre First (UK Central & Connectivity Programme)	With the announcement of City of Culture, the ring road junction improvements may not be a priority in the short term. Work is being done to determine whether the resources would be better suited to deliver public realm improvements, this will require change approval from WMCA.	-0.3
Coventry Very Light Rail (UK Central & Connectivity Programme)	Strategic Board requested additional work into the track feasibility study, which has pushed the programme back, resulting in £0.2m rescheduling into next year.	-0.2
Highways Investment - Whitefriars	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed. To accommodate this, Whitefriars, normal programme was increased.	0.4
Highways Investment - Manor Farm	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed.	-0.7
Coventry Station Masterplan	The majority of this work included a design change for NUCKLE 1.2 that gives a better rail solution to accommodate freight traffic which uses the Coventry to Nuneaton route while there has been increased spend during the design stage it will lead to a saving during construction as well as a reduced number of work sites to manage.	0.2
GD10 - A5 Corridor Project	This project is currently on hold whilst discussions are held with Highways England and CWLEP following the announcement of the Highways England Strategic Review and subsequent impact on the projects deliverability in line with the GD Programme.	-0.4
GD11 - Coton Arches	CWLEP Programme Delivery Board (Dec 17) approved slippage of 1.2m into 18/19. This was caused by a delay with being able to go out to tender for the works. Tenders now returned and a preferred bidder selected. The resulting work package has confirmed the slippage.	-1.2
GD14 - A46 N-S Corridor (Stanks)	This is due to a delay in obtaining relevant approvals to be able to go out to tender – as a result there has been a delay in delivering the works. Project now working to a revised work schedule – majority of spend approved for 18/19.	-0.7
GD18 (ULS09) - Getting West Nuneation Moving: Bermuda Connection	There had been decisions pending on match funding by WCC which has meant a delay in contracting.	0.5
Whitley South Infrastructure	The difference between the forecast and actual is due to the need to estimate expenditure on the project prior to an agreed programme being adopted for the works. The initial forecast was based on a best guess scenario with an assumed start on site date.	2.6

Public Realm Phase 4	Due to continued negotiations on design and delivery on Cuckoo Lane and Coventry Cross, approval has been recived from CWLEP to reschedule scheme delivery into 2018-19.	-0.5
Vehicle & Plant Replacement	All these vehicles that have been rescheduled have been assessed and are still in reasonable condition. Our aim is to maximise their life for another financial year therefore saving costs. These vehicles have all been rescheduled into 2018/19 for replacement.	-2.0
Play Areas	We rely on amenities team capacity, contractors capacity and weather conditions etc. and due to a combination of these we have been unable to fulfill our planned programme this year.	-0.2
ESIF - Low Carbon	ESIF Low Carbon runs a capital grants programme, and the take up has been slower than originally anticipated, so we need to reschedule this spend. A project change request has been agreed with the funder	-0.6
Housing Venture	Due to staff changes at Whitefriars there is a real lack of real progression on the garage/infill sites and therefore it will be highly unlikely that there will be any requests for financial contributions to the Council in this financial year.	-0.4
Growing Places - Infrastructure	The last project in this sub programme, managed by WCC is has been delayed due to budgeting and rescoping. The funding is now forecast to be drawdown in Dec 2018.	-0.5
Growing Places - Round 2 Open Call	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.2
Growing Places - Round 3 Open Door	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.4
Miscellaneous	Net rescheduling	-0.3
SUB TOTAL - Place Directorate		**-4.9**
TOTAL RESCHEDULING		**-10.0**

Appendix 5

Capital Programme: Over/underspends 2017/18

PLACE DIRECTORATE		
Challenge Fund - Swanswell Viaduct	The Quarter 3 reported forecast outturn position for Swanswell Viaduct is a £600k overspend. The findings of the preliminary surveys necessitated more intrusive work, leading to the initial design stage being overspent by £300,000. Subsequently, the contractor has underestimated the costs of working on a complex 50 year old structure and these costs are now becoming clear. The pain/gain mechanism in the contract is ensuring that the city council's exposure to these costs is limited. It should be noted that an independent valuation of the work indicates that a construction completion of £5.2 million is still extremely good value. The overspend will be resourced as follows, £170k has been identified from current year Highway budgets and the remaining £430k will be built into budget setting as a payback from Highway Investment over the next 2 years, £250k in 2018-19 and £180k in 2019-20.	0.4
SUB TOTAL - Place Directorate		**0.4**
TOTAL Overspend		**0.4**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st Dec 2017
Ratio of Financing Costs to Net Revenue Stream (Indicator 1), illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	13.53%	13.49%
Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 3), illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £474.2m	£362.2m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 6), representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£470.4m	£362.2m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 7), representing an "early" warning system that the Authorised Limit is being approached. It is not in itself 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.	£430.4m	£362.2m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10), highlighting interest rate exposure risk. The purpose of this indicator 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.	£400.0m	£268.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£80.0m	-£74.3m
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 16% 4% 13% 7% 60%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£24m	£9.8m

Coventry City Council

Public report
Cabinet Report

Cabinet **20 February 2018**
Council **20 February 2018**

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
2018/19 Council Tax Setting Report

Is this a key decision?
Yes - Council are being recommended to approve the Council Tax levels for 2018/19

Executive Summary:

This report calculates the Council Tax level for 2018/19 and makes appropriate recommendations to the Council, consistent with the Budget Report 2018/19 on the same agenda. The report recommends a 4.9% increase in the City's Council Tax. Some figures and information are necessarily provisional at this stage due to precepts not having been confirmed. These are shaded in grey.

The report incorporates the impact of the Council's gross expenditure and the level of income it will receive through grants, fees and charges. This results in a Council Tax requirement, as the amount that its expenditure exceeds all other sources of income.

The report includes a calculation of the Band D Council Tax that will be needed to generate this Council Tax requirement, based on the City's approved Council Tax base. The 2018/19 Band D Council Tax that is calculated through this process has increased by £74.18 from the 2017/18 level.

As part of the Chancellor's Autumn Statement (November 2015) it was announced that councils which provide social care to adults would be allowed to increase their share of Council Tax by up to an extra 2%, provided that the additional resources are all used to fund the increasing costs of adult social care. This additional Council Tax charge is known as the 'Adult Social Care (ASC) precept'. The Government indicated that authorities could include this additional 2% precept in each year of the four year period: 2016/17 to 2019/20.

In December 2016 the Government announced that councils could opt to bring forward some, or all, of the potential 2% ASC precept available in 2019/20 to earlier years. However the maximum increase in any one year was limited to 3%, and the total over the three year period 2017/18 to 2019/20 was limited to the original total increase of 6%.

Coventry City Council made use of this additional flexibility in 2017/18 and increased its Council Tax charge by a total of 4.9%. This was made up of a basic 1.9% increase plus a further 3% ASC precept. In keeping with this approach, and in order to maximise the resources available to fund ASC services in the city, the recommendations within the Budget Report 2018/19 are based on a proposed increase in Council Tax of 4.9%. As in 2017/18, this is again made up of a basic 1.9% increase plus a further 3% ASC precept.

At the time of writing this report the precept from the Police and Crime Commissioner and the precept from the Fire and Rescue Authority have not been confirmed. The provisional figures provided in this report are based on indicative figures. A report, with confirmed final figures, will be presented at the Council meeting on the 20 February 2018.

Members should note that the recommendations follow the structure of resolutions drawn up by the Chartered Institute of Public Finance and Accountancy, to ensure that legal requirements are fully adhered to in setting the tax. As a consequence, the wording of the proposed resolutions is necessarily complex.

Recommendations:

That Cabinet recommend to Council the approval of recommendations (1) to (5).

Council are recommended:

(1) To note the following Council Tax base amounts for the year 2018/19, as approved by Cabinet on 9 January 2018, in accordance with Regulations made under Section 31B of the Local Government Finance Act 1992 (as amended) ("the Act"):

a) 80,815.4 being the amount calculated by the Council as its Council Tax base for the year for the whole Council area;

b)	Allesley	333.0
	Finham	1520.9
	Keresley	231.4

being the amounts calculated by the Council as its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

(2) That the following amounts be now calculated by the Council for the year 2018/19 in accordance with Sections 31A, 31B and 34 to 36 of the Act :

(a) £726,922,000	being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils *(Gross Expenditure and reserves required to be raised for estimated future expenditure);*
(b) £599,669,103	being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act. *(Gross Income including reserves to be used to meet the Gross Expenditure but excluding Council Tax income);*
(c) £127,252,897	being the amount by which the aggregate at (2)(a) above exceeds the aggregate at (2)(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year;
(d) £1,574.61	(2)(c) = £127,252,897

(1)(a) 80,815.4

being the amount at (2)(c) above divided by the amount at (1)(a) above, calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year. *(Average Council Tax at Band D for the City including Parish Precepts).*

(e) £30,870 being the aggregate amount of all special items referred to in Section 34(1) of the Act. *(Parish Precepts);*

(f) £1,574.23 $= (2)(d) - \frac{(2)(e)}{(1)(a)} = £1{,}574.61 - \frac{£30{,}870}{80{,}815.4}$

being the amount at (2)(d) above, less the result given by dividing the amount at (2)(e) above by the amounts at (1)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of the area to which no special item relates. *(Council Tax at Band D for the City excluding Parish Precepts);*

g)

Coventry Unparished Area	£1,574.23
Allesley	£1,599.12
Finham	£1,587.99
Keresley	£1,581.37

being the amounts given by adding to the amount at (2)(f) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (1)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate. *(Council Taxes at Band D for the City and Parish).*

h)

Valuation Band	**Parts to which no special item relates**	**Parish of Allesley**	**Parish of Finham**	**Parish of Keresley**
	£	**£**	**£**	**£**
A	1,049.49	1,066.08	1,058.66	1,054.25
B	1,224.40	1,243.76	1,235.10	1,229.95
C	1,399.32	1,421.44	1,411.55	1,405.67
D	1,574.23	1,599.12	1,587.99	1,581.37
E	1,924.06	1,954.48	1,940.88	1,932.79
F	2,273.89	2,309.84	2,293.77	2,284.20
G	2,623.72	2,665.20	2,646.65	2,635.62
H	3,148.46	3,198.24	3,175.98	3,162.74

being the amounts given by multiplying the amounts at (2)(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwelling listed in different valuation bands.

(3) To note that for the year 2018/19 the Police and Crime Commissioner for the West Midlands and West Midlands Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwelling shown below:

Valuation Band	Police and Crime Commissioner for the West Midlands £	West Midlands Fire Authority £
A	85.70	39.23
B	99.98	45.77
C	114.27	52.30
D	128.55	58.84
E	157.12	71.92
F	185.68	84.99
G	214.25	98.07
H	257.10	117.68

(4) That having calculated the aggregate in each case of the amounts at (2)(h) and (3) above, the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each part of its area and for each of the categories of dwellings shown below:

Valuation Band	Parts to which no special item relates £	Parish of Allesley £	Parish of Finham £	Parish of Keresley £
A	1,174.42	1,191.01	1,183.59	1,179.18
B	1,370.15	1,389.51	1,380.85	1,375.70
C	1,565.89	1,588.01	1,578.12	1,572.24
D	1,761.62	1,786.51	1,775.38	1,768.76
E	2,153.10	2,183.52	2,169.92	2,161.83
F	2,544.56	2,580.51	2,564.44	2,554.87
G	2,936.04	2,977.52	2,958.97	2,947.94
H	3,523.24	3,573.02	3,550.76	3,537.52

(5) That the Council determines that its relevant basic amount of Council Tax for 2018/19 is not excessive in accordance with the principles approved under Sections 52ZC and 52ZD of the Act.

List of Appendices included:
None

Other useful background papers:
None

Has it been or will it be considered by Scrutiny?
No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?
No

Will this report go to Council?
Yes – 20 February 2018

Report title:
2018/19 Council Tax Setting Report

1. Context (or background)

1.1 The purpose of this report is to seek approval for the City's 2018/19 Council Tax. The total planned spending (Gross Expenditure) in 2018/19 will be met in part by grant income, fees and charges. Any spending that is in excess of these income streams must be met from Council Tax and is referred to as the 'Council Tax Requirement'.

1.2 The details of the planned spending for 2018/19 are proposed in the 'Budget Report 2018/19' that is being considered by the Council in conjunction with this Council Tax Setting Report.

1.3 As part of the Chancellor’s Autumn Statement (November 2015) it was announced that councils which provide social care to adults would be allowed to increase their share of Council Tax by up to an extra 2%, provided that the additional resources are all used to fund the increasing costs of adult social care. This additional Council Tax charge is known as the ‘Adult Social Care (ASC) precept’. The Government indicated that authorities could include this additional 2% precept in each year of the four year period: 2016/17 to 2019/20.

1.4 Coventry City Council made use of this flexibility in 2016/17 and increased its Council Tax charge by a total of 3.9%. This was made up of a basic 1.9% increase plus a further 2% ASC precept.

1.5 In December 2016 the Government announced that Councils could opt to bring forward some, or all, of the potential 2% ASC precept available in 2019/20 to earlier years. However the maximum increase in any one year was limited to 3%, and the total over the three year period 2018/19 to 2019/20 was limited to the original total increase of 6%.

1.6 In order to maximise the resources available to fund ASC services in the city, the recommendations within the Budget Report 2018/19 are based on a proposed increase in Council Tax of 4.9%. This is made up of a basic 1.9% increase plus a further 3% ASC precept, utilising the additional flexibility described above.

1.7 At the time of writing this report the precept from the Police and Crime Commissioner and the precept from the Fire and Rescue Authority have not been confirmed. A report, with confirmed final figures, will be presented at the Council meeting on the 20 February 2018.

1.8 As a result of changes in the membership of Keresley Parish Council that are currently taking place it has not yet been possible for the parish council to meet to agree their 2018/19 precept. In accordance with statutory regulations under Section 41 of The Act, billing authorities can anticipate a local precept on behalf of a parish council. The amount specified for Keresley, in recommendation 2g) above, has been set on this basis. It has been based on the level of the precept in recent years and adjusted for inflation.

2. Options considered and recommended proposal

2.1 The total Band D Council Tax in 2017/18 was £1,673.74. The figures calculated in this report represent a 4.9% increase from the 2017/18 figures for the City's Council Tax, and a 5.3% increase in total.

Total Council Tax, excluding any element for Parish Precepts, can be broken down as:

	Band D £	Increase from 2017/18 %	Proportion of total bill %
Coventry City Council	1,574.23	4.9	89.4
Police and Crime Commissioner for the West Midlands	128.55	10.3	7.3
West Midlands Fire Authority	58.84	3.0	3.3
Total Coventry Council Tax	1,761.62	5.3	100.00

2.2 The Band D Council Tax is used by Government as the national comparator. However, for Coventry, this does not reflect the demographics of the area and the make-up of the property mix; Coventry's property base is weighted towards Bands A to C. The average Council Tax bill in Coventry is £1,065.69, after allowing for all discounts and exemptions.

2.3 The total or "headline" council tax calculated for each band, for households of 2 or more adults with no reductions, and for households of 1 adult (who receive a 25% discount), is summarised below:

Valuation Band	Value of Property As at April 1991	Proportion of Band D	Chargeable Dwellings No.	Chargeable Dwellings %	Council Tax 2 + Adults[1] £	Council Tax 1 Adult [1] £
Band A dwellings entitled to Disabled Persons Relief		5/9	138	0.1	978.68	734.01
A	Up to £40,000	6/9	53414	40.0	1,174.42	880.81
B	£40,001 to £52,000	7/9	40189	30.1	1,370.15	1,027.61
C	£52,001 to £68,000	8/9	22484	16.8	1,565.89	1,174.41
D	£68,001 to £88,000	9/9	9113	6.8	1,761.62	1,321.21
E	£88,001 to £120,000	11/9	4567	3.4	2,153.10	1,614.82
F	£120,001 to £160,000	13/9	2262	1.7	2,544.56	1,908.42
G	£160,001 to £320,000	15/9	1354	1.0	2,936.04	2,202.03
H	Over £320,000	18/9	98	0.1	3,523.24	2,642.42
			133,619	100.0		

[1] *These amounts may be subject to penny rounding when the actual bill is produced*

3. Results of consultation undertaken

The proposals in the Pre-Budget Report have been subject to an eight week period of public consultation ending on the 21 January 2018. The details arising out of this consultation period have been reported in Appendix 2 of the budget report.

4. Timetable for implementing this decision

The proposals in this report take effect for the financial year starting 1st April 2018

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

A £1m increase or decrease in either the City Council's 2018/19 Council Tax requirement or Government grant, would lead to a £12.37 increase or decrease in Band D Council Tax (£7.48 in the average Council Tax per chargeable dwelling). Every £1 added to or removed from the Council Tax level will raise or reduce Council Tax income by £80,815.

5.2 Legal implications

A statutory duty is placed on the Council, as billing authority, to set for each financial year an amount of council tax for different categories of dwellings according to the band in which the dwelling falls. The requirements to calculate and set a Council Tax are set out in the Local Government Finance Act 1992 and are detailed in the report. The Localism Act 2011 made significant changes to this Act, requiring authorities to calculate a Council Tax requirement for the year, not a budget requirement as was previously required. The Local Government Finance Act 2012 made minor changes to the 1992 Act, clarifying the effect of the changes made to the way non-domestic rates income is distributed.

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

The budget report on today's agenda outlines the very tight resource constraints facing the Council and the planned approach to identify savings options that are intended to minimise any adverse impact on the quality and level of services provided and the achievement of key objectives.

6.2 How is risk being managed?

A non-collection rate is built into estimates of Council Tax income. Collection performance is monitored on a regular basis.

6.3 What is the impact on the organisation?

See Budget Setting 2018/19 Report, Council 20 February 2018.

6.4 Equalities / EIA

No further implications

6.5 Implications for (or impact on) the environment

No further implications

6.6 Implications for partner organisations?

No further implications

Report author: Phil Baggott

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Contributor/approver name	**Title**	**Directorate or organisation**	**Date doc sent out**	**Date response received or approved**
Contributors:				
Paul Jennings	Finance Manager Corporate Finance	Place	6/2/18	9/2/18
Names of approvers: (officers and members)				
Lara Knight	Governance Services Co-ordinator	Place	7/2/18	7/2/18
Julie Newman	Legal Services Manager	Place	7/2/18	8/2/18
Adrian West	Members & Elections Team Manager	Place	7/2/18	7/2/18
Barry Hastie	Director of Finance and Corporate Services	Place	7/2/18	9/2/18
Councillor John Mutton	Cabinet Member (Strategic Finance and Resources)		9/2/18	9/2/18

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Coventry City Council
Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 20 February 2018

Present:	
Members:	Councillor G Duggins (Chair)
	Councillor A Khan (Deputy Chair) Councillor F Abbott Councillor K Caan Councillor J Innes Councillor K Maton Councillor J Mutton Councillor J O'Boyle Councillor E Ruane
Deputy Cabinet Members	Councillor P Akhtar Councillor R Lakha Councillor C Thomas
Non-Voting Opposition Members:	Councillor A Andrews Councillor G Ridley
Other Members:	Councillor M Mutton Councillor K Taylor
Employees (by Directorate):	
Chief Executive's	M Reeves (Chief Executive),
People	G Quinton (Deputy Chief Executive (People)), N Hart
Place	M Yardley (Deputy Chief Executive (Place)), P Jennings, L Knight, J Newman,
Apologies:	Councillors Bigham, Brown and Clifford

RECOMMENDATION

127. **Council Tax Setting 2018/19**

The Cabinet considered a report of the Deputy Chief Executive (Place), which calculated the Council Tax level for 2018/19 and made appropriate recommendations, consistent with the Budget Report 2018/19.

The report indicated that some of the figures and information set out within the report were identified as provisional as the Police and Crime Commissioner and the Fire and Rescue Authority precepts had not been confirmed at the time of publication. The Police and Crime Commissioner met on 9th February 2018 and the Fire and Rescue Authority met on 19th February 2018 and the figures within the report were now confirmed.

The report incorporated the impact of the Council's gross expenditure and the level of income it would receive through grants, fees and charges. This resulted in a Council Tax requirement, as the amount that its expenditure exceeded all other sources of income.

The report included a calculation of the Band D Council Tax that would be needed to generate this Council Tax requirement, based on the City's approved Council Tax base. The 2018/19 Band D Council Tax that was calculated through this process had increased by £74.18 from the 2017/18 level.

As part of the Chancellor's Autumn Statement (November 2015) it was announced that councils which provided social care to adults would be allowed to increase their share of Council Tax by up to an extra 2%, provided that the additional resources were all used to fund the increasing costs of adult social care. This additional Council Tax charge was known as the 'Adult Social Care (ASC) precept'. The Government indicated that authorities could include this additional 2% precept in each year of the four year period: 2016/17 to 2019/20.

In December 2016 the Government announced that Councils could opt to bring forward some, or all, of the potential 2% ASC precept available in 2019/20 to earlier years. However the maximum increase in any one year was limited to 3%, and the total over the three year period 2017/18 to 2019/20 was limited to the original total increase of 6%.

Coventry City Council made use of this additional flexibility in 2017/18 and increased its Council Tax by a total of 4.9%. This was made up of a basic 1.9% increase plus a further 3% ASC precept. In keeping with this approach, and in order to maximise the resources available to fund ASC services in the City, the recommendations within the Budget Report 2018 were passed on a proposed increase in Council Tax of 4.9%. As in 2017/18, this was again made up of a basic 1.9% increase plus a further 3% ASC precept.

It was noted that the recommendations followed the structure of resolutions drawn up by the Chartered Institute of Public Finance and Accountancy, to ensure that legal requirements were fully adhered to in setting the tax. As a consequence, the wording of the proposed resolutions was necessarily complex.

RESOLVED that the Cabinet recommend that Council:-

1. **Note the following Council Tax base amounts for the year 2018/19, as approved by Cabinet on 9th January 2018, in accordance with Regulations made under Section 31B of the Local Government Finance Act 1992 (as amended) ("the Act"):**

    a) **80,815.4 being the amount calculated by the Council as its Council Tax base for the year for the whole Council area;**

    b) **Allesley 333.0**

Finham 1520.9
Keresley 231.4

Being the amounts calculated by the Council as its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

2. That the following amounts be now calculated by the Council for the year 2018/19 in accordance with Sections 31A, 31B and 34 to 36 of the Act:

(a) £726,922,000 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils (*Gross Expenditure and reserves required to be raised for estimated future expenditure*);

(b) £599,669,103 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act. (*Gross Income including reserves to be used to meet the Gross Expenditure but excluding Council Tax income*);

(c) £127,252,897 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year;

(d) £1,574.61

$$\frac{(2)(c)}{(1)(a)} = \frac{£127,252,897}{80,815.4}$$

being the amount at 2(c) above divided by the amount at 1(a) above, calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year. (*Average Council Tax at Band D for the City including Parish Precepts*).

(e) £30,870 being the aggregate amount of all special items referred to in Section 34(1) of the Act. (*Parish Precepts*);

(f) £1,574.23

$$= (2)(d) - \frac{(2)(e)}{(1)(a)} = £1,574.61 - \frac{£30,870}{80,815.4}$$

being the amount at 2(d) above, less the result given by dividing the amount at 2(e) above by the amounts at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for

dwellings in those parts of the area to which no special item relates. (*Council Tax at Band D for the City excluding Parish Precepts*);

(g)

Coventry Unparished Area	**£1,574.23**
Allesley	**£1,599.1**
Finham	**£1,587.99**
Keresley	**£1,581.37**

being the amounts given by adding to the amount at 2(f) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate. (*Council Taxes at Band D for the City and Parish*).

(h)

Valuation Band	Parts to which no special item relates	Parish of Allesley	Parish of Finham	Parish of Keresley
	£	£	£	£
A	1,049.49	1,066.08	1,058.66	1,054.25
B	1,224.40	1,243.76	1,235.10	1,229.95
C	1,399.32	1,421.44	1,411.55	1,405.67
D	*1,574.23*	*1,599.12*	*1,587.99*	*1,581.37*
E	1,924.06	1,954.48	1,940.88	1,932.79
F	2,273.89	2,309.84	2,293.77	2,284.20
G	2,623.72	2,665.20	2,646.65	2,635.62
H	3,148.46	3,198.24	3,175.98	3,162.74

being the amounts given by multiplying the amounts at 2(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwelling listed in different valuation bands.

3. To note that for the year 2018/19 the Police and Crime Commissioner for the West Midlands and West Midlands Fire Authority have stated the following amounts in precepts issued to the Council, in accordance

with Section 40 of the Act, for each of the categories of dwelling shown below:

Valuation Band	Police and Crime Commissioner for the West Midlands	West Midlands Fire Authority
	£	£
A	85.70	39.23
B	99.98	45.77
C	114.27	52.30
D	*128.55*	*58.84*
E	157.12	71.92
F	185.68	84.99
G	214.25	98.07
H	257.10	117.68

4. **That having calculated the aggregate in each case of the amounts at 2(h) and 3 above, the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each part of its area and for each of the categories of dwellings shown below:**

Valuation Band	Parts to which no special item relates	Parish of Allesley	Parish of Finham	Parish of Keresley
	£	£	£	£
A	1,174.42	1,191.01	1,183.59	1,179.18
B	1,370.15	1,389.51	1,380.85	1,375.70
C	1,565.89	1,588.01	1,578.12	1,572.24
D	*1,761.62*	*1,786.51*	*1,775.38*	*1,768.76*
E	2,153.10	2,183.52	2,169.92	2,161.83
F	2,544.56	2,580.51	2,564.44	2,554.87
G	2,936.04	2,977.52	2,958.97	2,947.94
H	3,523.24	3,573.02	3,550.76	3,537.52

5. **That the Council determines that its relevant basic amount of Council Tax for 2018/19 is not excessive in accordance with the principles approved under Sections 52ZC and 52ZD of the Act.**

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Coventry City Council

Public report
Cabinet

Cabinet	20th February 2018
Council	20th February 2018

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:
Deputy Chief Executive Place

Ward(s) affected:
All

Title:
Budget Report 2018/19

Is this a key decision?
Yes - The report sets the Council's Revenue Budget for 2018/19 incorporating revenue spending and savings decisions for 2018/19 and future financial years and the Capital Programme for 2018/19 to 2022/23.

Executive Summary:
This report follows on from the Pre-Budget Report approved by Cabinet on 28th November 2017 which has since been subject to a period of public consultation. The proposals within this report will now form the basis of the Council's final revenue and capital budget for 2018/19 incorporating the following details:

- Gross budgeted spend of £727m (£24m and 3% higher than 2017/18).
- Net budgeted spend of £235m (£2m higher than 2017/18) funded from Council Tax and Business Rates less a tariff payment of £9.5m due to Government.
- A Council Tax Requirement of £127.3m (£8.7m and 7% higher than 2017/18), reflecting a City Council Tax increase of 4.9% detailed in the separate Council Tax Setting report on today's agenda.
- A number of expenditure pressures caused by the impact of demographic pressures on Council services.
- A Capital Programme of £262.5m (£141.5m and 117% more than the latest estimated 2017/18 programme) including expenditure funded by Prudential Borrowing of £93m;
- An updated Treasury Management Strategy.

It is important to note at the outset that the Council's gross and net budget figures have increased compared with 2017/18 but this still represents a real-terms reduction in resources available to the Council after taking account of inflation.

The financial position in this Budget Report is based on the Final 2018/19 Local Government Finance Settlement and incorporates anticipated reductions in funding over the next 3 years. This position is particularly uncertain for financial year 2020/21 which could be subject to the combination of a new national Spending Review, a revised allocation model within the Local

Government sector and a new national 100% Business Rates model. As a result there is huge uncertainty around Local Government funding which makes it impossible to provide a robust financial forecast at this stage. Nevertheless, initial assumptions and existing trends are sufficiently firm to indicate that there will in all certainty be a substantial gap for that year. The view of the Council's Director of Finance and Corporate Services is that the Council should be planning for such a position.

Along with the other 6 West Midlands councils, Coventry is taking part in a 100% Business Rates Pilot scheme. This is enabling the Councils to retain 99% of Business Rates income including any growth against an historic baseline which would otherwise have been returned to the Government. The financial model and assumptions that support the Pilot have been incorporated within the position reported here.

The Pre-Budget Report was based on flexibility to increase Council Tax by up to 2% without holding a local referendum on the matter and further flexibility, up to a maximum of 3%, recognising the increasing pressure on Adult Social Care (ASC) services across the country. The Government has subsequently announced that the Council Tax referendum limit has been raised to 3%. However, the budget recommended in this report and the associated Council Tax proposals in the report that accompanies it does not incorporate this additional flexibility. As a result, the budget is being proposed on the basis of increasing Council Tax by 4.9%. This proposed increase will be the equivalent of around a pound a week for a typical Coventry household.

The Council's medium term financial position includes the impact of reductions in Government funding that had already been anticipated and savings programmes that have been approved previously. At the start of the 2018/19 Budget Setting process the Council faced a financial gap of £12m after taking into account including a temporary delay in the likely achievement of some savings and the emergence of new expenditure pressures. In broad terms, the Budget has been balanced by additional Council Tax and Business Rates resources and savings in contingency budgets, capital financing costs and several other largely technical areas. All these proposals are set out in detail in Appendix 1. Where these are different to the proposals that were included in the Pre-Budget Report, this has been indicated within the appendix.

These proposals have been designed to provide the Council with a robust medium term position and subject to the recommendations being approved, the Council will have a two-year balanced budget.

Given the forthcoming national proposals for local government finance to be based on a 75% Business Rates model from 2020/21, the vibrancy and growth of the city is vital to ensure a secure level of Business Rates income. Proposals within the recommended Capital Programme are designed to help achieve this and amount to £262m in 2018/19. These represent an ambitious approach to investing in the City and include the near-completion of the Council's new city centre leisure facility, progression of the City Centre South, Connecting Coventry and Coventry Station Master Plan schemes and establishment of the joint venture vehicle to accelerate a programme of building at Friargate. Over the next 5 years the Capital Programme is estimated to be £921m and represents the largest ever investment by and through the City Council.

Coventry's success in being announced in December 2017 as the UK City of Culture for 2021 will lead to some exciting developments and events across the city over the next few years. This includes an impetus to implement some the Council's capital projects on an accelerated basis and planning has already begun to examine the scope for and implications of this.

The annual Treasury Management Strategy is also set out, incorporating the Minimum Revenue Provision policy that was revised in 2016/17 and covering the management of the Council's investments, cash balances and borrowing requirements. The Strategy and other relevant sections of this report reflect the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) updated Treasury Management Code and Prudential Code for Capital Finance insofar as they relate to 2018/19.

Recommendations:

That Cabinet recommend to Council the approval of recommendations (1) to (5).

Council are recommended to:

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

(2) Approve the total 2018/19 revenue budget of **£727m** in **Table 1** and **Appendix 3,** established in line with a 4.9% City Council Tax increase and the Council Tax Requirement recommended in the Council Tax Setting Report considered on today's agenda.

(3) Note the Director of Finance and Corporate Services' comments confirming the adequacy of reserves and robustness of the budget in **Section 5.1.2 and 5.1.3.**

(4) Approve the Capital Programme of £262.5m for 2018/19 and the future years' commitments arising from this programme of £659.4m between 2019/20 to 2022/23 detailed in **Section 2.3** and **Appendix 4**.

(5) Approve the proposed Treasury Management Strategy for 2018/19 and Minimum Revenue Provision Statement in **Section 2.4,** the Investment Strategy and Policy at **Appendix 5** and the Prudential Indicators and limits described in **Section 2.4.11** and summarised in **Appendix 6**.

List of Appendices included:

Appendix Number	Title
1	Budget Financial Proposals – Changes to Base Position
2	Consultation Responses
3	Summary Revenue Budget
4	Capital Programme 2018/19 to 2022/23
5	Investment Strategy and Policy
6	Prudential Indicators

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 – February 20th 2018

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Budget Report 2018/19

1. Context (or background)

1.1 This report seeks approval for the 2018/19 Revenue Budget and corresponding Council Tax rise, Capital Programme, Treasury Management Strategy and Prudential Indicators. The report includes detail of the resources retained as part of the 2018/19 Government funding allocation and forecasts of the Council's medium term revenue financial position. This will represent the third year of the Government's 4 year funding position for local government which began in 2016/17.

1.2 The revenue budget proposals in this report follow on from the Pre-Budget Report approved by Cabinet on 28th November 2017. They have been established in line with the Council's current Medium Term Financial Strategy and Council Plan,

1.3 In the Government announced the Final Local Government Finance Settlement for 2018/19 on 6th February 2018. This re-affirmed a continuation of public sector spending reductions up to at least 2020. No firm indication has been given for the period after 2020 and this will be the subject of considerable uncertainty until nearer the time.

1.4 Resources available to Coventry through the Local Government Finance Settlement had fallen by c£107m in the period between 2010 and 2017/18 and the latest position shows a further reduction of c£6m for 2018/19. At the conclusion of last year's Budget process the Council was projecting a balanced budget for 2018/19. However through the current Budget exercise it emerged that some existing savings plans would not be delivered in 2018/19 to the original timescale whilst new budget pressures have also arisen. This resulted in a budget shortfall of £12m in 2018/19 rising to £21m by 2021/22. These developments and the technical savings proposals which alleviate the budgetary gap in part were incorporated within the Pre-Budget Report approved by Cabinet in November.

1.5 In 2017/18 councils nationally had the flexibility to increase Council Tax by up to 2% without holding a local referendum on the matter plus additional flexibility of up to 3% in recognition of the increasing pressure on Adult Social Care (ASC) services across the country. The Pre-Budget Report was approved on the basis of a Council Tax rise of 4.9%. The Government subsequently increased the referendum limit to 3% for 2018/19 which would increase the total maximum allowable to 6%. However, the recommended Budget within this report does not assume taking this up the additional flexibility. As a result, the budget being proposed, continues to be on the basis of increasing Council Tax by 4.9%.

1.6 Coventry is entering a period of large and sustained infrastructure and other capital investment and the Capital Programme is set out in section 2.3. Recent years have seen the Council make great strides in attracting external grant funding into the city, working with the West Midlands Combined Authority to secure resources as part of the Devolution Deal and developing local self-financing projects within the city. The UK City of Culture 2021 announcement is likely to attract further investment into the city and will also provide an imperative to bring forward some existing plans. Whilst this will represent an exciting period for the city it will also pose a significant challenge in managing a number of complex and overlapping projects within a relatively compact city. Work has begun to establish a robust project based approach to managing the risks involved in this. In terms of the wider Capital Programme it is worth emphasising that the vast majority of the funding to deliver these schemes comes from sources that can only be used in one-off capital schemes and therefore is not available to support the revenue budget.

1.7 The overall Council Capital Programme is estimated to be in excess of £921m over the next 5 years which will help to spearhead growth, economic development and job creation in the city and greater self-sufficiency for the City Council through the generation of higher tax revenues.

1.8 Revenue Resources

1.8.1 The Council's total revenue expenditure is funded from a combination of resources as set out in the table below:

Table 1: Funding of Revenue Budget

2017/18 £000s		2018/19 £000s	(Increase)/ Decrease £000s	Increase/ (Decrease)
(118,494)	A: Council Tax Requirement	(127,253)	(8,759)	7%
(113,988)	B: Retained Business Rates	(107,537)	6,451	(6%)
0	C: Revenue Support Grant and Top-Up	0		
(390,098)	D: Specific Grants (see section 3.4)	(401,964)	(11,866)	3%
(80,783)	E: All Other Income	(90,168)	(9,385)	12%
(232,482)	Funding of Net Budget (A + B + C)	(234,790)	(2,308)	1%
(703,363)	Funding of Gross Budget (A + B + C + D + E)**	(726,922)	(23,559)	3%

Line A above reflects the city Council Tax increase of 4.9%, growth in the city's tax-base and changes to the assumed level of discounts and allowances. The majority of the movement on lines B and C reflects reduction in funding within the Local Government Finance Settlement plus any local movement in Business Rates income. This incorporates a tariff payment of £9.5m paid to Government. In addition to other Fees and Charges, line E includes Council Tax and Business Rates Collection Fund surpluses, dividend payments and contributions from reserves.

1.8.2 Due to impending changes in the Local Government Finance model and due to the Council's participation in the West Midlands Business Rates Pilot it is becoming more difficult to provide robust estimates of future resources. The Council will suffer a loss of Government resources of £6m in 2018/19 and current financial modelling assumes a similar trajectory of resource loss in 2019/20 and 2020/21. The reality is that the final year of the current medium term plan could be subject to significant fluctuation depending on the overall allocation of resources to Local Government and the allocation to individual local authorities within the model.

1.8.3 In addition, due to transfers in responsibility and other changes in the local government finance model it is difficult to provide precise and robust analysis of historical movements over time. However, the indicative position is that the 2010/11 equivalent Settlement Funding Assessment provided £1,642 of funding for every household in the city in

2010/11. Since then, the number of Coventry households has increased as overall resources have been cut and the equivalent funding per household figure for 2018/19 has fallen by more than £850 over the period.

1.8.4 Notwithstanding the anticipated further resource cuts for Coventry over the next couple of years, the Council's participation in the West Midlands Business Rates Pilot has enabled the Council to reduce the impact of this. 99% of Business Rates income will be retained locally for the duration of the Pilot, including an element of growth from between the years 2013/14 and 2015/16 against a baseline which would otherwise have been returned to the Government. Figures including the 99% Business Rates position are reflected in Table 1 above. The Council's participation in the Pilot is on a no detriment basis meaning that the Council will not receive a lower level of resources than it would have received had it not participated in the Pilot.

1.8.5 A combination of lower resource settlements from Government and the Business Rates Pilot referenced above have marked a departure for the Council. For the first time in 2017/18 the Council needed to make a tariff payment (of £0.7m) to Government in contrast to the top-up payment that it used to receive from Government under previous funding arrangements. This 2018/19 tariff payment of £9.5m indicates that the Council is judged by Government to be earning a greater level of Council Tax and retained Business Rates than it requires for its assessed spending needs. Last year's Budget Report explained that this shift reflects a combination of cuts to Government funding for local government and to a limited degree, initial indications that the Council is more self-reliant (in relative terms compared to other areas) and able to fund its own spending requirements. It is important to treat this development with caution given that the city continues to have some high levels of need and pockets of deprivation. Nevertheless, it emphasises the importance for the Council of generating greater resilience and prosperity in the local economy in order for the city to be able to support itself under the Government's intention for local government to become self-sufficient.

1.8.6 As part of the most recent Local Government Settlement the Government announced a national 75% Business Rates retention model to operate from 2020/21 which extends the current 50% model. Further details are awaited on the implications for authorities in 100% Pilots such as Coventry.

1.8.7 Specific Grants – In overall terms specific revenue grant funding has increased between 2017/18 and 2018/19 from £390m to £398m in particular due to increases in Better Care Fund and Business Rates related grant resources. The total level of funding received to fund city schools (including the Dedicated Schools Grant and Pupil Premium Grant) is expected to be £184m, compared with £194m in 2017/18. Housing Benefit Subsidy payments have been estimated at £114m, whilst other significant grants include Public Health (£22m), adult social care funding (£17m) including the Improved Better Care Fund, New Homes Bonus (£5.1m) and assumed Adult Education funding (£5.6m).

2. Options considered and recommended proposal

2.1 Section Outline

2.1.1 This section details the specific proposals recommended for approval. Section 2.2 below outlines the changes to the savings and cost pressures that were set out as part of the Pre-Budget Report in November. The full list of final proposals is provided in **Appendix 1.** Approval is being sought for these and the overall budget and Council Tax Requirement in **Appendix 3**. These are based on a City Council Tax rise of 4.9%, reflecting a 1.9% "base" rise plus 3% in respect of Adult Social Care in line with Government policy.

2.1.2 The report seeks approval for a 2018/19 Capital Programme of £262m compared with the initial 2017/18 programme of £121m. The Programme is considered in detail in **Section 2.3** and **Appendix 4**.

2.1.3 The report is also required formally to seek Council approval for the Treasury Management Strategy (**Section 2.4),** the Investment Strategy and Policy **(Appendix 5) and** the Prudential Indicators (**Section 2.4.11** and **Appendix 6**).

2.2 Revenue Budget

2.2.1 The budget includes the saving and expenditure proposals included within the Pre-Budget Report approved by Cabinet on 28th November 2017 as a basis for Pre-Budget consultation. A line by line impact of how these proposals affect the base budget is given in **Appendix 1** with an indication of where there have been changes to the figures included within the Pre-Budget Report. The changes since the Pre-Budget Report are shown in the table below. These changes enable the Council to deliver a balanced budget for 2018/19 and, based on current information, form the basis of a balanced budget also for 2019/20.

Table 2: Changes in Proposals Compared with the Pre-Budget Report Position

	Appx 1 Line Ref	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
Pre-Budget Report Position		2.8	3.6	19.0
Local Government Finance Settlement & New Homes Bonus		(0.4)	1.6	3.9
Place Directorate Savings	4	(0.2)	(0.2)	(0.2)
Homelessness – Housing Benefit Impact	9	1.2	0.7	0.2
Local Government Pay Award	19a	1.8	3.8	3.8
BBC Biggest Weekend	19b	0.3	0.0	0.0
Council Tax and Business Rates Tax-Base & Estimated Outturn	20	(0.9)	(6.0)	(2.0)
Inflation Contingencies	21	(0.2)	(0.3)	(0.4)
Asset Management Revenue Account	22	(0.6)	(2.5)	0.2
West Midlands Combined Authority Levy and Contribution	23	(0.3)	(0.4)	(0.4)
Coventry/Solihull Waste Disposal Co.Dividends	24	(1.3)	(1.0)	(1.0)
Future Council Tax Increase to 3%	25	0.0	(1.2)	(2.4)
Reduce Contribution to Reserves	27	(2.2)	1.9	0.0
Final Budget Position		**0.0**	**0.0**	**20.7**

One further change is being proposed as part of this report. In setting the 2017/18 Budget, Council established forward savings targets for Employment Costs (from workforce reforms) of £1m in 2018/19 rising to £5m thereafter. Plans have been progressed to implement the savings but it is estimated currently that £442k of the target will not be deliverable in 2018/19. Therefore it is proposed within this budget that a virement is made from the existing £2.5m budget for Early Retirement and Voluntary Redundancy (ER/VR) to cover this shortfall. In line with existing practice, any ER/VR costs incurred in excess of the remaining £2,058k ER/VR budget wil be managed from within the reserve established for this purpose. The reserve stood at £8.3m as at 31st March 2017.

2.3 Capital Programme

2.3.1 In **Appendix 4** there are proposals for a Capital Programme of £262m. This compares with the current projected 2017/18 programme of £121m. The proposals represent the largest planned programme in the city's recent history by a very significant margin and contain a number of strategically significant schemes as set out below. It is important to be clear that it will be extremely challenging for the Council to deliver even a sizeable proportion of this programme whilst the city's success in being announced as the UK City of Culture in 2021 will inevitably bring greater pressure to bear to accelerate some of the schemes involved.

2.3.2 A full 5-year programme is detailed in **Appendix 4** with the main 2018/19 planned expenditure as follows:

- £91.8m of investment in the City's Highways and Public Realm infrastructure. This includes infrastructure to support the research and development campus located at Whitley South, UK Central and Connectivity programmes as part of the Strategic Transport Investment Programme and provision for a new multi storey car park at Salt Lane.
- £31m investment in a second building within the Friargate Business District part funded by the WMCA, including creation of a joint venture to take forward the proposals.
- £39.7m for the initial phases of the grant funded National Battery Manufacturing Development facility.
- £21.5m investment in Sports and Leisure facilities, including the latter part of the build phase for the new £33m Destination Leisure Facility and completion of the 50m pool at the Alan Higgs Centre.
- A £19m programme in 2018/19 within the Education and Skills Portfolio, most of which relates to investments in schools across the city.
- £17m of Growth Deal funding to support economic growth and Small & Medium Size Enterprises in the city.
- £16m continues the progress of the Coventry Station Masterplan and the Nuckle (1.2) schemes to deliver transformational improvements to Coventry Railway Station, improve the railway links between Nuneaton and Coventry and provide a new platform at the railway station.
- The first £9m of an eventual £91m programme to take forward City Centre South – the regeneration of a major part of the City Centre partly funded by the WMCA.

2.3.3 The 2018/19 Programme requires £93m of funding from Prudential Borrowing, £47.4m of which relates to specific approval for the Friargate Joint Venture, the City Centre Destination Leisure Facility and Whitley Depot redevelopment. A further £45.6m relates to non-scheme specific borrowing resulting from spending decisions made in previous years. Over the course of the 5 year programme set out, the Council is set to incur over £200m of borrowing. This borrowing has been the subject of previous decisions and will, overwhelmingly, be supported by business cases that have identified income streams to cover the capital financing costs, all of which is factored into the Council's medium term financial plans. Nevertheless, in comparison to the Council's existing level of borrowing this is a significant shift in the Council's external indebtedness.

2.3.4 In addition to the opportunities to receive additional external funding, the Director of Finance and Corporate Services will continue to explore options to fund the programme in the most appropriate way depending on the balance of resources, including using capital receipts to reduce the overall need to borrow. In reality, any displacement of borrowing from this source is likely to be at a comparatively low level based on the current level of available receipts. In addition to the Prudential Borrowing referred to above, the other main source of funding for the 2018/19 Capital Programme is £154m of Capital grants as follows.

Table 3: Capital Grant Funding

Grant	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Disabled Facilities Grant	4.4	3.4	3.4	3.4	3.4	18.0
Department for Transport	25.6	13.4	21.2	12.0	2.7	74.9
Education Funding Agency	10.1	8.2	2.6	2.6	2.6	26.1
ERDF	2.9	0.0	0.0	0.0	0.0	2.9
Growth Deal	15.4	27.4	6.1	0.0	0.0	48.9
Highways England	1.9	7.8	4.6	9.5	9.5	33.3
Heritage Lottery Fund	0.0	1.0	0.2	0.0	0.0	1.2
Innovate UK	40.0	49.2	0.0	0.0	0.0	89.3
West Midlands Combined Authority	40.0	71.0	92.7	73.7	24.9	302.2
Sports England	1.2	0.4	0.0	0.0	0.0	1.5
Ministry of Housing, Communities & Local Government	0.0	13.0	0.0	0.0	0.0	13.0
All Other Grants & Contributions	12.1	7.5	3.1	16.2	16.2	55.2
TOTAL PROGRAMME	**153.7**	**202.2**	**134.0**	**117.3**	**59.3**	**666.5**

2.3.5 **Forecast Capital Programme**
The Programme included has been evaluated to identify a likely best profile of spend based on current knowledge of individual projects. In part this is to maximise the amount of programmed expenditure to meet expectations of grant funding bodies but there are also local expectations to inject momentum into the programme to ensure sufficient progress is made ahead of other developments, including the UK City of Culture in 2021. In overall terms, the Programme represents not only the largest in recent memory but also involves a number of complex and overlapping projects within a relatively compact city. Delivery of even a sizeable proportion of the programme will represent a significant challenge for the Council and section 5.1.4 recognises the risks inherent in this. Given the

innovation involved in some of the projects, the milestones that need to be achieved to satisfy grant funded bodies and the potential for delay given the interdependency of some schemes, it should be recognised that the profile for some schemes could shift significantly between years, with the potential for large amounts of expenditure being rescheduled into later periods for individual projects.

A summary of the proposed programme including existing commitments and funding sources is outlined below. This includes expenditure rescheduled into 2018/19 as a result of the 2017/18 budgetary control process. Full details of the proposed programme are included in **Appendix 4.**

Table 4: 2018/19 – 2022/23 Capital Programme (Expenditure & Funding)

Expenditure	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Strategic Finance and Resources	1,540	2,650	1,400	1,000	0	**6,590**
Education and Skills	19,286	9,975	2,826	2,601	2,601	**37,289**
Jobs and Regeneration	191,982	189,260	172,977	112,458	94,814	**761,491**
City Services	23,642	24,765	10,306	5,355	2,526	**66,594**
Adult Services	4,352	3,402	3,402	3,402	3,402	**17,960**
Public Health and Sport	21,549	9,641	378	255	16	**31,839**
Community Development	115	0	0	0	0	**115**
TOTAL PROGRAMME	**262,466**	**239,693**	**191,289**	**125,071**	**103,359**	**921,878**

Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Capital Corporate Resources	1,073	2,451	400	0	0	**3,924**
Capital Unringfenced Receipts	5,930	3,820	3,119	500	250	**13,619**
Capital Ringfenced Receipts	4,010	230	230	0	0	**4,470**
Prudential Borrowing	93,063	29,668	49,434	3,556	43,691	**219,432**
Grant & Contributions	153,727	202,209	133,982	117,280	59,305	**666,503**
Capital expenditure (from) revenue account	3,369	442	3,396	3,458	0	**10,665**
Leasing	462	100	170	22	97	**851**
Section 106	832	753	558	255	16	**2,414**
TOTAL RESOURCES	**262,466**	**239,693**	**191,289**	**125,071**	**103,359**	**921,878**

2.4 Treasury Management

2.4.1 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.

2.4.2 In addition, authorities are required to set out:

- An Investment Strategy and Policy detailing out how investment risk is managed (**Appendix 5**);
- A suite of prudential indicators for treasury and capital programme management (**Appendix 6**);
- A Minimum Revenue Provision (MRP) statement detailing the way it calculates the prudent provision for the repayment of borrowing (**Section 2.4.7**).

2.4.3 The detailed objectives that underpin the Treasury Management Strategy are:

Borrowing, to:

- Maintain adequate liquidity so that cash requirements are met;
- Minimise the cost of debt whilst maintaining long term certainty in interest rate exposure;
- Manage the total debt maturity profile, having no one future year with a disproportionate level of debt repayments;
- 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,
- Maintain adequate liquidity;
- 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

2.4.4 Over recent months both CIPFA and the government have consulted on changes to a number of treasury and capital finance related statutory codes:-

- Treasury Management Code of Practice - CIPFA;
- Prudential Code (for capital investment) - CIPFA;
- Investment Guidance – Government;
- Minimum Revenue Provision/MRP (repayment of debt) – Government.

The final documents have recently been issued, to apply to 2018/19, with the exception of the MRP guidance which will apply from 2019/20.

The context of the changes is a concern in government that local authorities might be taking on too much financial risk by investing in a wider range of areas including property and shares, in order to broaden their income base and increase financial returns. In addition, the government has also been concerned that some authorities are not making sufficient provision to repay debt, through the Minimum Revenue Provision (MRP) charge.

The changes in respect of investments focus mainly on the management of investments, together with the associated policy and reporting structure, whilst the MRP guidance seeks to ensure that authorities make adequate provision to repay debt.

The Council is confident both that all its investments have been made with due regard to a prudent and balanced approach and that it is making sufficient MRP charges.

Given the timescale, in particular the closeness of the setting of local authority budgets, it is recognised that authorities will need to work on their approaches under the new guidance and codes during 2018/19. Any proposed revisions to policies and procedures will be reported on in due course.

2.4.5 Interest Rate Forecast

The Authority's treasury adviser Arlingclose have previously advised that the UK Bank Rate will remain at 0.50% during 2018/19, following the historic low of 0.25%. Although the Bank of England has referred to prospective increases in Bank Rate being at a gradual pace and to a limited extent, very recent announcements by the Bank give reason to keep this under close scrutiny in the coming months.

2.4.6 Borrowing

Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2018 is as follows:

Table 5: Estimated Long Term Borrowing at 31st March 2018

Type of Debt	Total £m
PWLB	196.6
Money Market Loans	38.0
Stock Issue	12.0
Transferred Debt (other authorities)	14.3
PFI, Finance Lease & Other	70.4
Total Long Term Liabilities	**331.3**

The main funding sources currently used by Coventry are:

- The Public Works Loans Board (PWLB) or any successor body - this is, in effect, the Government. Loans may be obtained at variable or fixed rates of interest.
- Money Market Loans - 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. This is, in effect, a call option for the lending bank. Coventry has £38m of such loans and in the event of a "call" one approach that would be considered would be to repay the loan, refinancing it from another source, such as the PWLB;
- Stock Issue (Bond issue) – this is the authority's £12m stock issue;
- UK Local Authorities – traditionally inter local authority borrowing has been used to manage shorter term cashflow demands, but there is now greater potential for longer term arrangements;

- PFI & Finance Leases - under accounting rules, liabilities to make payments under PFI schemes and finance leases are included within the City Council's balance sheet.

In addition, the City Council will consider other sources available to local authorities and may invest with these if appropriate: capital bond market investors; UK pension funds (excluding the West Midlands Pension Fund); vehicles set up by local authorities to enable joint local authority bond issues such as the UK Municipal Bonds Agency plc; forward starting loans (where the interest rate is fixed in advance, but the cash is received in later years), other institutions authorised by the Prudential Regulation Authority or approved for investments within the Council Investment Strategy and Policy.

Given the revenue budget and associated capital programme outlined in this report, the estimated underlying borrowing requirement for the City Council for each of the capital programme years from 2018/19 is summarised below:

Table 6: 2018/19 Borrowing Requirement (excluding PFI & finance leases)

	2018/19 £m	2019/20 £m	2020/21 £m
New funds to finance the Capital Programme	93.1	29.7	49.4
Minimum Revenue Provision (debt repayment provision)	(11.0)	(13.8)	(18.0)
Other, including transferred debt repayments	(1.3)	(1.4)	(1.5)
Forecast increase/(decrease) in borrowing requirement	80.8	14.5	29.9

This implies a significant increase in the Council's underlying need to borrow over the coming years due to previous decisions taken by Council on the capital programme as set out earlier in this report. In recent years the high level of City Council investments has ensured that the Council has not needed to borrow but the level of investments has reduced significantly in recent months. In the light of these factors it is likely that the Council will need to borrow in the coming year.

Issues that the City Council will take into account in its approach to borrowing include:

- Although local authorities have scope to borrow in advance of need, essentially borrowing on the basis of future planned capital spend, it is proposed that the City Council's current practice of not borrowing in advance of need continues unless circumstances change;
- Non-capital programme factors including the level of short term cashflow balances, the use of reserve balances and the maturity of long term debt such as PWLB and, potentially, LOBO market loans;
- The impact of short term rates, including base rate, being lower than long term rates. This means that where the proceeds of long term borrowing are temporarily held as investment balances, there is a short term "cost of carry" reflecting the difference in short to long term rates. This is an immediate disincentive to undertake long term borrowing, even when long term rates are historically low;

- The potential to reschedule debt through redeeming existing borrowing early and replacing it with borrowing at lower interest rates. This will only be done if revenue benefits justify it, taking into account early repayment costs. However, 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.

In the light of forecast interest, the level of investment balances, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2018/19 and future years, the Section 151 Officer will undertake the most appropriate form of borrowing depending on prevailing interest rates at the time.

2.4.7 **Minimum Revenue Provision** (MRP) **-** Local authorities are required to make prudent provision for the repayment of long term capital programme borrowing through a revenue charge (MRP). The aim of prudent provision is to ensure that the revenue charge broadly reflects the period over which benefit is derived from the capital spend e.g. broadly the life of an asset purchased or built.

The Local Authorities (Capital Finance and Accounting) Regulations 2003 require the approval of an MRP Statement setting out the authority's approach. It is proposed that the policy continues:-

- For capital expenditure incurred before 1st April 2008, the Council will set MRP as a fixed charge of 2% pa of the relevant element of the Capital Financing Requirement, adjusted for the Adjustment A. Under the existing policy approved by Council on 23rd February 2016, the impact of this change in methodology is to be calculated with effect from 2007/08. In line with the transitional arrangements set out in the Statutory Guidance on Minimum Revenue Provision any amounts calculated will be treated as overpayments of MRP and may therefore be incorporated into future calculations of prudent provision;

- 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, using either the annuity or equal instalments calculation method or a depreciation calculation;

- MRP for leases brought onto the balance sheet under accounting rules will match the annual principal repayment for the associated deferred liability;

- Voluntary revenue provision will not be made and capital receipts not set aside to repay debt, unless approved in line with the financial procedure rules. Amounts voluntarily set aside as capital receipts and revenue provision in previous years will be treated as overpayments of MRP in line with the Statutory Guidance on Minimum Revenue Provision.

2.4.8 **Investments** ~ The City Council holds investments, representing income received in advance of expenditure plus balances and reserves held. It is expected that the level of investments will fall in future years as capital programme spend is incurred and existing borrowing matures for repayment.

In line with statutory guidance, the order of objectives in investing the Council’s funds remains:

- security of capital;
- liquidity or accessibility of the council’s investments;

- yield or return.

The main investments used by the City Council are:

- Call accounts and deposits with banks, building societies, local authorities, the government and registered providers, largely for fixed durations and rates of interest. During 2017/18 the amount held in these investments has ranged between £20m and £85m;
- Pooled funds such as Collective Investment Schemes (CIS) and Money Market Funds (MMF), which enable local authorities and other investors to diversify their investments. During 2017/18 the amount held in these investments has ranged between £45m and £80m.
- Corporate Bonds, which are investments issued by companies other than banks and registered providers. These allow local authorities to reduce their exposure to bail in risk. During 2017/18 the amount held in these investments has ranged between £5m and £15m

The use of call accounts and Money Market Funds helps ensure the liquidity of funds available to the City Council.

Credit risk remains central to local authority investment management. Whilst the risk of banking failures has reduced, it has not dissipated altogether. Unqualified support by governments is now unlikely, in part as the result of regulatory changes. This means that in the event of a banking failure, it is almost certain that unsecured creditors and corporate investors would suffer some losses. This change in the nature of investment risk reflects a move away from "bail out" by government to "bail in" by corporate investors. Recent changes in legislation means "bail in" has an even greater effect on the authority as Local Authority unsecured investments are one of the first investment classes subject to "bail in". These trends increase the importance of the diversification of investments as a way of mitigating the potential impact of "bail in" risk.

Given the increasing risk and continued low returns from short term unsecured bank investments, the Authority aims to keep diversifying into more secure asset classes.

The Council's proposed Investment Strategy and Policy (**Appendix 5**) 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**.** In this respect the counterparty advice that the City Council gets from Arlingclose, the Council's Treasury Management advisors, is significant.

Given the need to ensure an appropriate level of diversification across counterparties and the threat of "bail in" risk it is proposed that:

a) the maximum limit for unsecured investments with individual counterparties is reduced from £8m to £6m. Similarly, for secured investments which are not subject to "bail in", the maximum limit will be reduced from £16m to £12m. These limits were established through advice from the Council's Treasury advisors using an estimate of the Council's maximum investment balance for 2018/19, including investments temporarily used to meet cashflow needs (total £120m). Unsecured counterparties have a limit of 5% of this total & secured counterparties have a limit of 10% of this total;

b) Counterparties will only be used if they have a credit rating of A- or better and are recommended as a suitable counterparty by the Council's treasury advisors. The

Authority's current account bankers, NatWest currently have a credit rating of BBB+ and as such, overnight balances will be minimised as much as is practicable.

c) Non-credit rated building societies and challenger banks are included on the counterparty list as an unsecured bank deposit with no credit rating with a £1m investment limit. An unrated building society or challenger bank will only be used where independent credit analysis by the City Council's advisors shows them to be suitably creditworthy. In addition, the regulatory framework governing building societies and insolvency regime provides comfort;

d) Corporate bonds are included on the counterparty list with a reduced £6m investment limit. A corporate bond is an investment issued by companies other than banks and registered providers. These investments are not subject to bail in, but are exposed to the risk of the company going insolvent. As a result, corporate bonds will only be used when the company has a credit rating of A- or better;

e) Category or Group investment limits are set to manage the impact of systemic exposure, including for example to building societies as a sector and groups of separate legal entities regulated in the same sovereign state;

f) Registered providers are included on the counterparty list with a reduced £6m investment limit. These are loans and bonds issued by Registered Providers of Social Housing, formally known as Housing Associations. As providers of public services, these bodies retain a high likelihood of receiving government support if needed;

g) The minimum sovereign rating for countries, other than the UK, in whom counterparties are located is A-, with any investments in countries with a rating below AA+ being classified as non-specified investments, subject to a total limit of £6m.

Separately, the City Council holds investments or provides loans for operational or policy reasons, for example, in order to stimulate economic development and growth. Such operational investments and loans will be assessed and reported on, on a case by case basis. This will include a full assessment of the risk, including credit risk, and how this will be managed.

2.4.9 **Treasury Management Advisors** - The authority employs Arlingclose consultants to provide treasury management advice. A key element of this is the provision of advice on credit risk and the supply of information on credit ratings from the 3 rating agencies, referred to above. Regular review meetings with the advisors provide a vehicle through which quality is managed. In addition, within the City Council, senior managers within the Place Directorate meet on a periodic basis to review treasury issues, including the use of advisors.

2.4.10 **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 attend events, including training courses, seminars and networking sessions focused on treasury management as appropriate.

2.4.11 **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 6** indicators 1 and 2 highlight the revenue impact of the proposed capital programme. These show that the revenue costs of financing the Council's capital expenditure as a proportion of it's income from Council Tax and government grant is forecast to increase from 13.49% in 2017/18 to 14.84% in 2019/20. This increase reflects the increased levels of prudential borrowing funded spend within the proposed capital programme. 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 2018/19 for broadly the same reasons.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in **Appendix 6**, include:

- Authorised Limit (Indicator 6) - 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 (Indicator 7) - 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.

- Gross Debt less than "Year 3" Capital Financing Requirement (Indicator 3) - The Council needs to be certain that gross 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 2018/19 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 revised indicator is designed to ensure that over the medium term, gross borrowing will only be for a capital purpose.

- Interest Rate Exposures, Debt Maturity Structure and Investments Longer than 364 Days (Indicators 10, 11 & 12) - The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. Indicator 11, Maturity Structure of Borrowing, includes a limit of 40% of total debt that can mature in less than 12 months. This takes into account the potential need to take out short term borrowing to meet day to day cashflow requirements, as well as the potential for LOBO market loans to be "called" for repayment.

- Other indicators highlight Planned Capital Spend (Indicator 4), Actual Debt at 31st March 2017 (Indicator 8) and the adoption of the Treasury Management Code (Indicator 9).

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.

2.4.12 Leasing - The City Council uses operating leases for non-fixed plant and equipment and the Capital Programme includes £0.5m of spend to be resourced from leasing in 2018/19.

Leasing will only be used where this is value for money compared with other forms of funding, such as unsupported borrowing.

3. Results of consultation undertaken

3.1 The proposals in this report have been subject to public consultation ending on the 21st January 2018. The Council hosted a survey on its website asking for people's views of the budget proposals and meetings held with the Trades Unions and Chamber of Commerce. The details arising from this consultation are set out in Appendix 2.

3.2 The changes that have been made between the Pre-Budget Report and this report are detailed in **Section 2.2.1**. There have not been any changes resulting directly from the consultation responses.

4. Timetable for implementing this decision

4.1 Many of the individual expenditure and savings identified within this report will be implemented from 1st April 2018. The proposed profile of these changes are set out in Appendix 1.

5. Comments from the Director of Finance and Corporate Services

This report is concerned wholly with financial matters. The proposals within this report represent the basis of the Council's 2018/19 revenue and capital budget supported by the Council Tax Report that will be considered alongside this one.

5.1.1 <u>Financial implications - Medium Term Position</u>

This report sets out proposals that will deliver a balanced budget for the next two years which will take the Council to the end of the period covered by the Government's 4 year funding settlement announced previously. New funding arrangements are anticipated to be put in place for 2020/21 which will represent the start of a new period of uncertainty for Local Government. The significant financial gap projected currently for that year demonstrates the need for the Council to continue to exercise robust financial disciplines and to take a medium term approach to Budget setting. Nevertheless, the Council remains in a strong position to meet the financial challenges that it is likely to face. It will remain key for the Council to deliver the savings proposals that have been assumed within the Budget and to continue to seek efficient delivery of services into the future.

5.1.2 <u>Financial Implications – Reserves</u>

The Local Government Act 2003 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 2018/19 will not be known until finalisation of the 2017/18 accounts and reserve levels will be reviewed at that time. The total revenue reserve balances available to the Council at the end of 2016/17 stood at £51m. Other reserve balances set aside to fund capital schemes stood at £30m. Explanations for the balances were set out in the Council's Financial Outturn Report considered by Cabinet in June 2017. The level of balances is set out in the table below.

Table 7: 2016/17 Reserve Balances

	Balance at 31st March 2016	(Increase)/ Decrease	Balance at 31st March 2017
	£000	£000	£000
Council Revenue Reserves			
General Fund Balance	(3,823)	689	(3,134)
Private Finance Initiatives	(11,771)	463	(11,308)
Potential Loss of Business Rates Income	(2,670)	700	(1,970)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
Children's Social Care	(2,000)	2,000	0
Leisure Development	(876)	(18)	(894)
Public Health	(1,037)	297	(740)
Health and Social Care Schemes	(280)	280	0
Troubled Families	(701)	15	(686)
Insurance Fund	(2,402)	616	(1,786)
Management of Capital	(2,337)	(3,229)	(5,566)
Other Corporate	(2,343)	1,370	(973)
Other Directorate	(6,920)	(1,905)	(8,825)
Other Directorate funded by Grant	(3,101)	298	(2,803)
Total Council Revenue Reserves	**(57,161)**	**5,815**	**(51,346)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(6,660)	(13,829)	(20,489)
Capital Grant Unapplied Account	(5,736)	(4,001)	(9,737)
Total Council Capital Reserves	**(12,396)**	**(17,830)**	**(30,226)**
Total Council Reserves	**(69,557)**	**(12,015)**	**(81,572)**

Separately, balances owned by the Council's local authority maintained schools and outside the Council's control, stood at £23m at 31st March 2017

School Reserves			
Schools (specific to individual schools)	(19,983)	1,857	(18,126)
Schools (for centrally retained expenditure)	(5,841)	1,348	(4,493)
Total School Reserves	**(25,824)**	**3,205**	**(22,619)**

It is important to be clear that all of the balances above are held for a clear identifiable purpose and that they either have existing planned expenditure commitments against them or that they are held to protect the Council manage unforeseen risks, potential or known insurance claims or Business Rate volatility. Schools resereves are set aside exclusively for the purpose of supporting schools expenditure and capital reserves are set aside to support capital expenditure. Local authority reserves must also be viewed in the context of the risks that are faced, set out below, in section 5.1.4. The Council's external auditors, Grant Thornton, have expressed the view that the Council's level of reserves is reasonable whilst comparative information shows that these levels are low compared to broadly comparable authorities.

For all of these reasons it is not appropriate to apply reserves on a regular basis to support the revenue position. The final Budget proposals include a contribution to reserves in 2018/19 which will then be used to balance the 2019/20 budget as part of a medium term strategy.

Taking all this into account, it is the view of the Director of Finance and Corporate Services that overall levels are adequate to support the recommended budget for 2018/19 although approaching the minimum acceptable level for a Council of this size in the current financial climate. 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 some other similar 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 2018/19 directorate-based budgets (including schools) and Corporate commitments both for capital and revenue purposes.
iv) The level of uncommitted General Fund Reserves 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 on-going expenditure. A number of these reserves are dedicated to specific purposes, such as schools and insurance, and all balances are reported and scrutinised regularly.

5.1.3 Financial Implications – Assurance on the Robustness of the Estimates

Under the terms of the Local Government Act 2003, the Chief Financial Officer is required to give assurance on the robustness of the estimates included in the budget. In the view of the Director of Finance and Corporate 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 and the Efficiency Plan submitted to Government in 2016.
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 directorates have been involved in the make-up of the information included in the policy and financial planning process through the Strategic Management Board.

vi) As discussed above, 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.

Despite these statements about robustness of estimates and reserves, the scale of savings targets incorporated in the 2018/19 budget and the challenges facing the Council in the next few years will require regular monitoring and potentially corrective action.

5.1.4 Financial Implications - Budget Risks

In setting the budget and implementing the policies that sit behind it, the Council inevitable carries some risk. The major financial risk are set out below and will be managed through existing processes, including in year financial monitoring.

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

- That new resources are used effectively to deliver corporate objectives. Operational management arrangements and quarterly monitoring reports will address this issue specifically,
- That on-going spending and income is controlled to budgets. This pressure is certain to increase due to on-going national financial circumstances and, therefore, compliance with the Council's budgetary control rules remains essential,

5.1.4.2 **Children's Social Care Services –** The volume of cases and the cost of care continues to represent a large service and budget pressure and the current proposed budget anticipates that not all transformation savings identified previously will be delivered in 2018/19. It is essential that work underway continues to progress to ensure safe and secure methods are found to deliver services to children within budget.

5.1.4.3 **Delivering the Base Programme** – the existing base programme includes a number of transformation programmes which are fundamental in improving the efficiency of the Council through the development of new ways of working and interacting with our customers. If not managed successfully or implemented in the planned timescale, this will have a significant financial impact on the authority and its ability to deliver services.

5.1.4.4 **Health and Adult Social Care –** Adult Social Care services continue to operate within a very dynamic environment with cost pressures from changes in living wage rates as well as increasingly complex care packages. Alongside this there is a great deal of uncertainty surrounding longer term resources which is due to be addressed by a green paper in the Summer. Locally, this has been recognised and addressed to some degree by additional resources that have been made available. Nevertheless, this area of activity is naturally difficult to predict and the Council needs to continue to ensure an appropriate balance between the budget available and the level of activity in line with Council policy.

5.1.4.5 **Housing and Homelessness** – This area of activity has risen to greater prominence in financial terms over the last couple of years with rapidly increasing numbers of people needing to be housed. The local circumstances mirror a national picture and it is clear that a range of solutions are required over the medium term. In the interim, this budget has directed some further resources to deal with the shorter term impacts.

5.1.4.6 **Major Projects –** The Council is involved in a number of major projects and an increasing number of complex financial transactions that give it some exposure to a degree of financial and reputational risk. These include, but are not restricted to projects such as:

- New Regeneration projects within the city centre including the start of the City Centre South development.
- Friargate – Joint work with an external developer to regenerate a new business district.
- City Centre Leisure Facility – The development of regionally significant water facility on the site of the Christchurch and Spire House office buildings.
- A range of significant highway and city centre infrastructure projects including the Whitley South infrastructure project to improve major road links
- Development of the Coventry Station Master Plan to deliver transformational improvements to Coventry Railway Station
- Working with local partners including the Local Enterprise Partnership and involving initiatives such as the Growth Deal to invest in business, regeneration and infrastructure locally.
- Financial arrangements made on commercial terms to help support local organisations and the Council's direct investment in Coombe Abbey Park Limited.

These projects all carry an element of risk, incorporating a mix of external funding risk, risk of default, risk of overruns and over-spending, complex legal arrangements and other reputational eventualities. The Council is clear that its involvement in these projects is vital to help regenerate the city and make Coventry a better place to live, work and do business in. Overwhelmingly, these arrangements have self-funding business cases that keep the Council's financial costs to a minimum.

5.1.4.7 **UK City of Culture** - The Council's support for the UK City of Culture programme in 2021 will involve it in a wide range of new projects and require it to re-evaluate the timing and speed with which it takes forward existing plans, including a massive programme of infrastructure changes. This will involve major risks such as the Council's capacity to deliver these plans, integrating a range of overlapping/conflicting projects and maintaining good governance and procurement protocols.

5.1.4.8 **Local Government Finance Changes** – the regime in which local authorities work is increasingly one in which risk is transferred from central to local government. This increased localisation has been brought forward locally with the Council's participation in the West Midlands 100% Business Rates Pilot, with the proportion of business rates retained locally amounting to 99% for 2018/19. The longer term changes represent a resource risk for the Council and the buoyancy of local Business Rates and Council Tax is fundamental for the its financial sustainability. However, due to the nature of accounting for these local income sources, the risk applies to future years such that the 2018/19 budget estimates are secure whilst the Business Rates Pilot is on a no detriment basis.

5.2 Legal implications

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2018/19 budget by mid-March 2018. This includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 31A of the Local Government Finance Act 1992 (as amended) and Section 25 of the Local Government Act 2003 refer.

6. Other implications

6.1 How will this contribute to achievement of the Council Plan

The Council, in common with all local authorities, will continue to be faced with challenging resource constraints over the coming years, which will inevitably impact on front-line services. The budget is developed within the context of the approved Medium Term Financial Strategy, which in turn rests on the principles set out for the City within the Council Plan. In this way Budget proposals are aligned to existing policy priorities. There are some initial signs that the Council is moving into a new phase of financial self-sufficiency and it wil want to ensure that its key objectives and financial strategies are aligned as this situation develops.

6.2 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. The scale and scope of savings that have not yet been delivered within the Council's bottom line budget position are such that they represent a significant risk of non-achievement in the future. The savings programme will continue to be monitored robustly to ensure that Strategic Management Board and members are kept up to date with the progress of these reviews. The establishment of a balanced two year Budget position puts the Council in a relatively strong position.

6.3 What is the impact on the organisation?

The savings proposals, transformation programmes and in particular the Council's expanding Capital Programme mean that the Council will have to continue to adapt to meet the challenges that it faces both in terms of the way it works and the services it provides. The large savings included in previous Budgets but relating to future years will be met largely from savings in employee budgets, although it is unlikely that the Council will witness the same level of early retirement and voluntary redundancy programmes that have occurred in recent years.

6.4 Equalities / EIA

The savings contained in this year's final Budget report are all technical in nature and therefore there is no equality impact in relation to these. For any previously budgeted savings that have not yet been implemented, equality analysis will continue to be carried out by service areas and considered by elected members at the appropriate stages of subsequent decision making.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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2018/19 Budget Financial Proposals - Changes to Base Budget **Appendix 1**

	Description	Proposal & Implications	2018/19 £000	2019/20 £000	2020/21 £000
	Budget Deficit Brought Forward		**0**	**0**	**11,419**
	Local Government Finance Settlement **(Change to Pre-Budget Report)**	Reflects a lower than previously estimated tariff figure payable by the Council in 2018/19 set against a reduction in the New Homes Bonus. In future years New Homes Bonus will reduce in line with Government plans.	(406)	1,568	3,945
	Delayed Delivery of Existing Savings				
1	Children's Transformation	The areas indicated all have savings targets that were established in previous Budgets. Plans are in place to deliver some of these savings but shortfalls are anticipated in line with the figures shown here.	4,440	3,129	2,574
2	Transport		500	500	500
3	Business Services Savings		461	203	203
4	Place Directorate **(Change to Pre-Budget Report)**		0	0	0
4a	Employment Costs (Workforce Reform) **(Change to Pre-Budget Report)**	£442k of savings will not be achieved in 2018/19 compared with the £1m target. It is proposed that this is managed from a virement from the exisitng ER/VR Budget. This virement requires approval but has no impact on the budget bottom line.	0	0	0
	Total of Delayed Delivery of Existing Savings		**5,401**	**3,832**	**3,277**

	Emerging Budgetary Pressures				
5	Looked After Children Placements	There has been a significant increase in the number of Looked After Children which creates additional cost in the placements budget. Average LAC numbers in 2016/17 were 587, but they are currently running at over 650. This pressure is based on a LAC population of 650, and a strategy to reduce the overall unit cost of LAC placements through placement mix.	1,827	891	0
6	Supported Accommodation	This pressure is based on a projection of future care leaver numbers and future costs of provision following a retendering process. It also assumes that we will reduce the number of high cost placements moving forward.	490	382	275
7	City Centre Parking	The approved City Centre South retail development will result in the closure of Council owned car parks which currently generate income. Whilst the new development reprovides car parking, the income will go to the operator/developer, giving the Council a financial pressure.	0	0	500

2018/19 Budget Financial Proposals - Changes to Base Budget **Appendix 1**

	Description	Proposal & Implications	2018/19 £000	2019/20 £000	2020/21 £000
8	City Centre Rents	The approved City Centre South retail development will result in various Council owned properties being demolished. As we get closer to the expected scheme implementation date, many of these properties cannot be let on a short term basis meaning that rent voids and void property rate liabilities become a pressure to the Council.	500	1,000	2,000
9	Homelessness - Housing Benefit Impact **(Change to Pre-Budget Position)**	The amount of housing benefit that can be claimed back from the government for individuals and families placed in emergency accommodation has never been sufficient to cover the cost incurred. Increased homelessness across the city and nationally is resulting in a significantly greater cost both in terms of the net cost of emergency accommodation to the Council, and also the administration impacts across various teams within the Council.	2,700	2,200	1,700
10	Housing Options Team	Additional costs for statutorily homeless relating to temporary accommodation over and above what can be claimed via housing benefit, as well as costs of providing storage.	200	200	200
11	Neighbourhood Teams and Referral & Assessment Service	Financial pressure as a result of supporting homeless families to prevent bringing children into care. This includes families with no recourse to public funds	300	300	300
12	Children's Placements Team	Financial pressure as a result of homeless 18-24 year olds in supported or other temporary accommodation.	100	100	100
13	Woodlands School	Cabinet approval was given in July 2017 to provide resources towards the ongoing costs of keeping the Woodlands Academy school site open for the benefit of community facilities, until such time as the future vision for the site has been established.	150	150	150
14	Council Tax Exemption For Care Leavers	In March 2017 the Council's Cabinet agreed to exercise its discretionary powers to award a 100 per cent discount for Coventry care leavers between the ages of 18 and 21 residing in the city. This proposal funds the estimated cost of this change.	47	47	47
15	IT Licences	Expected increased costs in IT Licences	250	250	250
16	Coroners West Midlands Police Grant Fall-Out	In July 2014 the Council entered into an agreement with West Midlands Police for the Transfer of the Corners Service. This inluded a reducing profile of contributions from West Midlands Police resulting in this budget shortfall from 2018/19.	29	58	58

	Description	Proposal & Implications	2018/19 £000	2019/20 £000	2020/21 £000
17	ICT Security	Following a national increase in attempted cyber crime against public sector organisations, increased IT security is required to protect the Council's IT infrastructure.	150	150	150
18	Annual Leave Payments (Contractual Overtime)	A recent legal ruling applicable to all Councils has judged that voluntary overtime should be taken into account when calculating holiday pay. Workers undertaking voluntary overtime over a sufficient period of time on a regular and/or recurring basis are entitled to have these payments included in the first 4 weeks' of their paid holiday. It is anticipated that the ruling will apply on a national basis and the estimated cost of this for Coventry is reflected here.	465	465	465
19	Contact Centre Staffing	To maintain performance levels within the contact centre this additional resource is required to replace previously one off resources	115	115	115
19a	Local Government Pay Award **(Change to Pre-Budget Position)**	Local Government employers have offered a pay award offer of 2% for 2018/19 and 2019/20 with employees on lower salaries set to receive higher increases. This exceeds the 1% included within the Council's financial plans.	1,802	3,831	3,831
19b	BBC Biggest Weekend **(Change to Pre-Budget Report)**	Costs associated with holding the BBC Music's The Biggest Weekend at the War Memorial Park in May 2018. Resources for this have been identified in the 2017-18 Quarter 3 Budget Monitoring Report (Cabinet 13th February) and are are reflected as a contribution from reserves at line 27 below.	300	0	0
	Total Emerging Budgetary Pressures		**9,425**	**10,139**	**10,141**

	Description	Proposal & Implications	2018/19 £000	2019/20 £000	2020/21 £000
	Technical Savings				
20	Council Tax and Business Rates Collection Fund and Tax-Base **(Change to Pre-Budget Report)**	Council Tax income resources that are available as a result of the actual 2016/17 Council Tax surplus and projected 2017/18 surplus in excess of previous figures budgeted. This reflects increases in the city's tax-base above the underlying estimate and includes the effects of growing housing numbers and continuing downward trends in the level of Council Tax Reduction Scheme payments and overall levels of discounts.	(5,823)	(8,000)	(2,000)
21	Inflation Contingencies **(Change to Pre-Budget Report)**	This assumes that previously planned for amounts for pay awards and pensions auto-enrolment from 1st April 2017 can be scaled back compared with previous medium term estimates.	(2,270)	(2,357)	(445)
22	Asset Management Revenue Account **(Change to Pre-Budget Report)**	The AMRA revenue saving incorporates a range of impacts including the level of capital financing costs (reflecting the profile of capital spend), the level of income from investing the Council's cash balances, the impact of the Council's Minimum Revenue Provision (MRP) policy and the cash-flow implications of the Council's up-front payment of pension contributions. The Council has also been able to restructure part of its long-term borrowing in January 2018 which will result in an on-going saving, including approximately £0.4m for the next three years.	(2,539)	(4,456)	(1,806)
	Total Technical Savings		**(10,632)**	**(14,813)**	**(4,251)**

	Description	Proposal & Implications	2018/19 £000	2019/20 £000	2020/21 £000
	Other Savings				
23	West Midlands Combined Authority Levy and Contribution **(Change to Pre-Budget Report)**	The Council makes a levy payment and contribution to the West Midlands Combined Authority (WMCA) to pay for the transport programme delivered across the West Midlands and the WMCA's operational budget. The combined total of these payments has been set at a lower level than the equivalent value in 2017/18.	(304)	(375)	(375)
24	Coventry and Solihull Waste Disposal Company Dividends **(Change to Pre-Budget Report)**	CSWDC has announced an improvement in its financial position that enables it to release additional dividends to its two major shareholders - Solihull and Coventry councils.	(1,295)	(962)	(950)
25	Future Council Tax Revenue **(Change to Pre-Budget Report)**	The Government has announced that for 2018/19 the upper limit on the level of Council Tax increase without need for a local referendum will rise from 2% to 3%. The assumption here is that the same conditions will apply going forward and that the Council will build this into financial planning assumptions from 2019/20 onwards, coinciding with the timing of the Social Care precept falling out.	0	(1,200)	(2,400)
26	External Audit Fee **(Change to Pre-Budget Report)**	The sector wide arrangements for determining external audit costs for council accounts have achieved a further costs reduction for future years. The Council's main audit costs will fall from £173k to £134k.	(39)	(39)	(39)
27	Reduce Contribution to Reserves **(Change to Pre-Budget Report)**	Adjusts the medium term strategy set out at 2017/18 Budget Setting. This proposes reduing the contribution to reserves in 2018/19 and corresponding balance available to balance 2019/20. Separately includes funding for the costs set out on line 19b above and identified within the 2017-18 Quarter 3 Budget Monitoring Report.	(2,150)	1,850	0
	Total Other Savings		**(3,788)**	**(726)**	**(3,764)**
	Total Budget Position		**0**	**0**	**20,767**

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Appendix 2

CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS 2018-2021

JANUARY 2018

1. Introduction

1.1. Between December 2017 and January 2018, the Council undertook an eight week period of consultation on its budget proposals for 2018/19 to 2020/21, prior to making the final decisions on its budget.

1.2. The Council reported on its priorities, the budget setting context and local financial position and gave an outline of the proposals to balance the Council's 2018/19 to 2020/21 budgets. The Council asked for views on its proposals for delivering services in the future while achieving the savings needed.

2. Consultation Process

2.1. The Council hosted a survey on its website asking for people's views on the budget proposals. This survey was publicised through the Council website, Facebook and Twitter pages. There were a total of 104 respondents, of whom 29 left comments. The results of the survey are summarised in section 3.

2.2. In addition, a meeting was held with the Chamber of Commerce during February to understand the views of the Chamber on the Council's budget proposals. The issues raised during the meeting are summarised in section 4.

2.3. The Trade Unions were also consulted on the draft budget proposals at meetings held between November 2017 and January 2018. The Council continues to consult with the Trades Unions on the impact and implementation of the Council's budget.

3. Outcomes of the 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. 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

3.2. In addition to survey responses a written response was received from CYWU, ATL/NEU, NUT/NEU, UNITE and UNISON Trades Unions.

3.3. A full list of comments from the meetings, online survey and written feedback can be received by contacting insight@coventry.gov.uk.

Feedback from the on line survey and written feedback

3.4. There were comments from respondents (5) who expressed dissatisfaction with the level of the Council Tax increase and concern about the impact on the ability of Coventry citizens to afford this. Other comments from respondents (8) expressed support for the Council's plans including the decision not to include any new savings proposals for 2018/19 and for the overall priorities in the proposals including children's services and homelessness. There were also respondents (8) who expressed the need for the Council to continue to support the most vulnerable people in the city, with individual comments proposing that more could be done in relation to SEN provision, Education, Housing, social workers to help families with complex circumstances, Social Care and the older people. A small number of comments expressed dissatisfaction with the Council's refuse collection service.

3.5. Comments from representatives of voluntary sector organisations reflected their view that proper funding levels could help them play a major role in combating some of the key challenges in the city and in overall terms, help save the Council money.

3.6. A range of comments (16) were received in relation to what the Council could do to reduce costs and find savings in the future. These reflected the need for the Council to generate income and be as self-sufficient as possible including by listening to new ideas and investing in income earning opportunities. There were concerns around the closure of car parks and selling of Council buildings. Other comments (8) included reviewing the Council's workforce including the number and salaries of senior managers and removing staff car park passes.

3.7. In relation to the Trades Unions written response there were a number of questions (to which answers were provided subsequently) in addition to the following main comments. There was recognition of the achievement for the city of gaining UK City of Culture status and of the hard times being faced due to the significant cuts from Central Government. Concern was expressed at what was viewed as a lack of transparency to the Budget process and plans to reduce Trades Union Facility Time. The response proposed that car park passes should be removed from employees who are not entitled to them in line with existing policies. There was also a proposal that income from the investment in Coombe Abbey Hotel should be used to offset other cuts. Concern was expressed that the Council had only budgeted for a 1% pay award in its Pre-Budget Report compared with the announcement of a 2% offer from local government employers. There was also concern expressed over the proposed Council Tax increase compared with real terms cuts in pay and rising inflation. There were comments around the rise in homelessness in the city and a suggestion that investment should be made in homes for the homeless to alleviate this. It was proposed that Central Government should be lobbied for an improved settlement for the city.

4. Feedback from Consultation Meeting with the Chamber of Commerce

4.1. A presentation was given, which generated discussion and questions on a number of areas. Comments were broadly supportive of the Council's proposals within the Budget, in particular its Capital Programme. Assurances were sought and given that there were opportunities to provide new hotel accommodation in the city and a hope was expressed that the Council would have a key role in the UK City of Culture arrangements. There was nervousness around the Council's ability to ensure that it had sufficient capacity to deliver functions such as inward investment and planning that are important in helping to generate economic growth. There were concerns with obstacles to the release of employment land and the displacement of business premises by student accommodation and officers were clear that the Council had limited influence on these issues. There was clear support for the Council's investment in a second building at Friargate and a statement that this would attract tenants. Members of the Chamber explained that any future Business Rates supplement via the WM Mayor would need to be backed by a business case but that where the case was made, the Chamber would provide a supportive role, with visible improvements in the city providing a clear stimulus for this support.

Summary of Responses from the Council's Public Budget Consultation – January 2017

Priority / Theme	Comments	
Tell us what you think about the proposed budget plans for 2018/19?		
Council Tax	• Agree with not further reducing the level of Council Tax Support but concern with the intention to increase Council Tax and the ability of Coventry citizens to afford this. • Impact of a 4.9% increase Council Tax on ordinary working people across the city, many of whom are struggling to make ends meet. • The decision to hike Council Tax yet again seems to me to be in very poor judgement and illustrates possible failures within the Council in terms of managing and planning across Social Services. • The impact of raising Council Tax could cause people to fall into the category of or voluntarily opt to become 'vulnerable', given the increasingly apparent benefits of being so. • Many of us are sick of hearing about 'vulnerable people' and the cost of footing the ever-increasing bill for 'vulnerability'; unapologetically demanding more money from the general populous is unlikely to improve perceptions, the figure of 4.9% is provocative indeed and shows that the Council seems intent on denying the citizens of Coventry the opportunity to reject this increase. • Don't mind paying a bit more council tax, but want to feel that I'm getting what I pay for. • People are sceptical of the council - you've just built Friargate and people feel as though they've paid for that by losing something else. Increasing Council Tax will fuel that resentment. • My only objection is with Council Tax. We are looking at almost a 15% rise in Council Tax rates in the last 3 years. Households will not be able to cope eventually if the rates are going to continue rising.	Residents/Organisations

Priority / Theme	Comments	
	• A 4.9% increase - inflation is 2.8%, so this is a very large increase, especially when most working residents are lucky to get a pay rise at all in the last few years compared to councillors and council staff.	
Advice Agencies	• Proper funding of advice organisations can help them to play a major role in combating homelessness, the rise in looked after children numbers and the roll-out of universal credit. Not only these concerns but also the potential negative consequences expected from the roll out of full service Universal Credit.	Organisations
Efficiency & Income Generation	• The closure of income generating areas, (Council owned Car Parks) needs to be heavily reconsidered. Instead of closing the Civic Centres and selling them off was an option to have them rented out? • Does not seem to go far enough in terms of long term savings plans and making Council self sufficient	Residents
Refuse Collection	• A little bit of snow and the bins aren't collected correctly for a month • New bin system is not working at present. I understand why it was done, but don't think things are thought out properly or implications fully considered.	
Overall proposals	• Support expressed for taking "tough" decisions. • Good to know that no services are going to be cut/Not happy about the cuts made in 17/18 and think they should be corrected in 2018-19/ No new cuts is great news. • I agree with the priorities identified relating to helping and supporting people at risk - children's services and homelessness. • Shameful, you spend OUR money like it's your own wasteful and deceitful • More money needs to be spent on SEN provision and education/Housing /social workers to help families with complex circumstances/social care. • The focus on tackling homelessness is excellent, as there is a considerable rise in rough sleepers in Coventry. • Perhaps more can be done to help the elderly/I think more services should be provided for the elderly and infirm.	Residents

Priority / Theme	Comments	
In view of the difficult financial situation, what do you think the Council could do differently to reduce costs and save money in the future?		
Advice Agencies	• We urge the council to note the increasing value of its third sector in preventing and relieving family crisis and the positive monetary impact this has to both the council's own expenditure and on the local economy. Money spent supporting these services needs to be seen as an investment in the community which has a proven financial return rather than a 'good deed' for its own sake. Supporting these agencies saves the council money.	Organisations
Reserves	• Using reserves is one option, but it is finite. You can only spend them once.	Residents
Income Generation	• Managers need to listen to employee ideas and not be afraid to try new things. • The closure of income generating areas, (Council owned Car Parks) needs to be heavily reconsidered. Instead of closing the Civic Centres and selling them off was an option to have them rented out? • Need to re-invest in our investments, upfront cost, for long term gain. • Focus on eco-friendly initiatives, such as reducing printing, paperless offices. • Rent out office space where not used, eg semi-empty floors in Friargate. Look to fill the Friargate cafe space with a local eco-friendly company or not for profit/Community Interest Company who could channel profits back into the Council. • Look at income generation ideas. • Become more commercially minded and look at ways to generate income.	
Savings Proposals	• Look at maintenance contracts and ensuring that it is possible to get out of them without financial penalties if they prove too expensive. • Turn the lights off in the Council House/Energy saving in all offices. • Reduce the number of councillors to two per ward • The Council should stop all interpretation services which is a huge burden/Cut back on providing interpretation and translation services - close the unit down and outsource. Similar to what the NHS has done.	Residents/Trade Unions/Organisations

Priority / Theme	Comments	
	• We need to do more preventative work with our citizens and assist co-ordinate communities to be more self-sufficient. Provide more supportive low level services to prevent dependency upon high level services in the future. • The Council could take advantage of the skills that people have in the organisation. • We have too many people working in posts that could be re-assessed and re-assigned. Customer Services alone has more Team Leaders than any other department. They could be used to cover services in other areas, for example Social Services and Prevention Services. HR could do a mandatory skills questionnaire and based on that you could re-assign employees. • Reduce number of managers - very top heavy structure/Review salaries of Council management/Review all posts at grade 7 and above - This level sees major duplication and pointless tasks such as one to ones every month for the sake of it. • Stop putting in islands in roads that don’t need them. Stop building Council buildings. • Better networking across health and social care and a shared budget between the two services. Help with bed blocking and to enable a revolving service. • Bring public transport in house. Push ahead with Landlord Licencing. Switch the mentality of homelessness services from crisis management to homelessness prevention. • Car park passes should be withdrawn for most staff as a lot of staff do not go out of the office/Scrap car passes for all staff. This is heavily abused and it is the most well paid who benefit/I work in Coventry and I am having to pay more to park. All the cars that are parked next to me have passes in them so must be working at the Council. These cars do not move all day Why do I have to pay and they don't?/ The Council should take the parking passes off of all members of staff as many of these people are using these passes for personal use and the council is losing revenue as a result. • More unpaid holiday or option to do part time or reduced hours for staff. • Chase arrears - Tax students - Tipping penalties	

Priority / Theme	Comments	
	• We are soon going to be little more than a student campus that will be a drain on our council tax budget as students do not contribute but use the services our contributions provide such as refuse removal and police etc. I would like to see the curtailment of new student buildings in the future. Projects such as friar gate should be scaled back and existing buildings regenerated instead of building more which will also probably stay empty. • Allocate community recycling skips, especially towards the Christmas period. This would reduce the need for more bin collections, but will also help towards preventing fly tipping and waste left everywhere. • Do not give staff an automatic increment - Any increment should be performance related.	
Overall Comments	• The Council ought to face reality and begin to cut services until it is in a position to do otherwise rather than asking for more money from ordinary working people • Encourage people to take responsibility for their own actions rather than continually asking other people to fund other peoples' poor social and financial decisions. • Stop wasting it on silly projects, Friargate being one example.	Residents/Trade Unions/Organisations
Overall Comments		
Do you have any other comments you would like to make?		
	• Coventry Citizens Advice recognises the financial and political environment in which the city council has to operate. We are more than willing to make whatever positive contribution we can to help the city council address social issues facing Coventry Citizens in the most cost effective way. We understand the drivers for and the impact of 'devolution' in areas of social welfare (social care, housing and homelessness, localised welfare assistance). But we can help. • Staff morale is low. Employees are not paid market rate and are leaving, meaning that those who remain are being asked to pick up more and more work. There is only so much that they can take before they start going off sick	Residents/Organisations

Priority / Theme	Comments	
	themselves. Keeping salaries low is an obvious money saver, and is not seen by the public, but the knock on effects will be. • Please freeze the domestic rates. • Really unhappy about the bin collections it's a joke • If it meant increasing tax to help fund this then I'm sure the general public would be more understanding of this to protect our NHS and social care funding. • It's understandable that the vulnerable in the city continue to suffer as funding to the local authority continues to tighten. It would be comforting to know that, given a highly likely injection of wealth coming into the City, that the local authority pledge to ring fence at least a percentage of that into boosting local services for vulnerable adults and children. • Coventry is an up and coming place to live but more needs to be done to secure its council and long term vision • Please stop focusing on the student population and remember the citizens of Coventry when planning the budget • It would be nice to have some recycling and food waste bins in and around the city centre, as well as regular bins. This could reinforce the concept of separating rubbish and also reduce waste overall. • Ideally, it would also be great if the council can work with all local and larger businesses to be able to distribute any unsold products to the more struggling individuals. E.g fruit and vegetables that are left unsold at the end of the day or cake trimmings etc. As these items are more perishable, these could be given to anyone to eat for that day with a disclaimer that it should not be kept for longer than 24 hours • yes, you should set bench marks as they do the private sector. Sickness - if you reach a trigger this is review and if necessary give a verbal which stays on her record for a year, and another trigger in that year and you are taken to a stage 2 verbal and so on. This should also be the case for performance. I find the council rewards service to the organisation more than it does those who do more and outperformed.	

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Revenue Budget **Appendix 3**

2017/18 Restated * £'000	CABINET MEMBER PORTFOLIOS	Budget Decisions Brought Forward £'000	Pre-Budget and Final Budget Changes £'000	2018/19 Final Budget £'000
2,392	Policy and Leadership	2,080	(6)	2,074
7,387	Policing and Equalities	7,168	296	7,464
6,934	Strategic Finance and Resources	5,426	3,393	8,819
72,061	Children and Young People	67,029	7,050	74,079
14,457	Education and Skills	15,432	(211)	15,221
(5,177)	Jobs and Regeneration	(4,828)	456	(4,372)
27,539	City Services	28,205	(139)	28,066
80,316	Adult Services	76,044	(110)	75,934
2,819	Public Health and Sport	2,472	(65)	2,407
6,987	Community Development	7,054	162	7,216
215,715	**TOTAL CABINET MEMBER PORTFOLIOS**	**206,082**	**10,826**	**216,908**
24,085	Borrowing and Investments	24,815	0	24,815
(18,665)	Contingencies & Corporate Budgets	(15,472)	(4,293)	(19,765)
14,904	Levies From Other Bodies	15,147	(574)	14,573
30	Parish Precepts	30	0	30
2,070	Revenue Contribution to Capital Spend	3,369	0	3,369
(5,657)	Contributions to / (from) Reserves	(2,453)	(2,687)	(5,140)
232,482	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**231,518**	**3,272**	**234,790**
	Financed by:			
0	Central Government Resources	0	0	0
(118,494)	Council Tax	(125,100)	(2,153)	(127,253)
(113,988)	Business Rates	(106,419)	(1,118)	(107,537)
(232,482)	**TOTAL RESOURCES**	**(231,519)**	**(3,271)**	**(234,790)**

* Restated to reflect changes in portfolios between years

2017/18 Restated * £'000	CABINET MEMBER PORTFOLIOS	Gross Expenditure £'000	Gross Income £'000	2018/19 Final Budget £'000
2,392	Policy and Leadership	2,207	(133)	2,074
7,387	Policing and Equalities	12,960	(5,496)	7,464
6,934	Strategic Finance and Resources	128,646	(119,827)	8,819
72,061	Children and Young People	81,184	(7,105)	74,079
14,457	Education and Skills	218,612	(203,391)	15,221
(5,177)	Jobs and Regeneration	17,123	(21,495)	(4,372)
27,539	City Services	54,562	(26,496)	28,066
80,316	Adult Services	120,571	(44,637)	75,934
2,819	Public Health and Sport	25,049	(22,642)	2,407
6,987	Community Development	14,823	(7,607)	7,216
215,715	**TOTAL CABINET MEMBER PORTFOLIOS**	**675,737**	**(458,829)**	**216,908**
24,085	Borrowing and Investments	26,143	(1,328)	24,815
(18,665)	Contingencies & Corporate Budgets	2,814	(22,579)	(19,765)
14,904	Levies From Other Bodies	14,573	0	14,573
30	Parish Precepts	30	0	30
2,070	Revenue Contribution to Capital Spend	3,369	0	3,369
(5,657)	Contributions to / (from) Reserves	4,256	(9,396)	(5,140)
232,482	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**726,922**	**(492,132)**	**234,790**
	Financed by:			
0	Revenue Support Grant	0	0	0
(118,494)	Council Tax	0	(127,253)	(127,253)
(113,988)	Retained Business Rates	0	(107,537)	(107,537)
(232,482)	**TOTAL RESOURCES**	**0**	**(234,790)**	**(234,790)**

* Restated to reflect changes in portfolios between years

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CAPITAL 5 YEAR PROGRAMME BY PORTFOLIO'S

CABINET MEMBER: STRATEGIC FINANCE & RESOURCES

CAPITAL SCHEME	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
ICT Operations Team	650	1,900	900	500	0	**3,950**
ICT Change Team	890	750	500	500	0	**2,640**
TOTAL APPROVED PROGRAMME	**1,540**	**2,650**	**1,400**	**1,000**	**0**	**6,590**

RESOURCES	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Management of Capital Reserve	790	1,650	400	0	0	**2,840**
Capital expenditure (from) revenue account	750	0	1,000	1,000	0	**2,750**
UnRingfenced Receipt	0	1,000	0	0	0	**1,000**
TOTAL RESOURCES	**1,540**	**2,650**	**1,400**	**1,000**	**0**	**6,590**

CABINET MEMBER: EDUCATION & SKILLS

CAPITAL SCHEME	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Basic Need	14,095	5,516	225	0	0	**19,836**
Condition	3,278	3,430	2,187	2,187	2,187	**13,269**
Broad Spectrum School	500	0	0	0	0	**500**
Devolved Formula Capital	414	414	414	414	414	**2,070**
Suitability/Access	249	100	0	0	0	**349**
Broad Park House (Breaks for Disabled Grant)	0	315	0	0	0	**315**
Plas Dol-y-moch Expansion	550	0	0	0	0	**550**
Pathways to Care (Support to Foster Carers)	200	200	0	0	0	**400**
TOTAL APPROVED PROGRAMME	**19,286**	**9,975**	**2,826**	**2,601**	**2,601**	**37,289**

RESOURCES	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Management of Capital Reserve	200	200	0	0	0	**400**
Prudential Borrowing	550	0	0	0	0	**550**
Grant	10,123	8,175	2,601	2,601	2,601	**26,101**
Section 106	200	500	225	0	0	**925**
Resource Switch - Prudential Borrowing	8,213	1,100	0	0	0	**9,313**

TOTAL RESOURCES	**19,286**	**9,975**	**2,826**	**2,601**	**2,601**	**37,289**

CABINET MEMBER: JOBS & REGENERATION

CAPITAL SCHEME	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
UK Central + Connectivity	42,738	53,822	51,263	73,186	53,302	**274,311**
City Centre Regeneration	6,836	8,096	37,974	38,180	0	**91,086**
Friargate	31,616	22,643	60,993	592	41,262	**157,106**
Coventry Station Masterplan	7,456	18,434	15,276	0	0	**41,166**
Nuckle 1.2	8,881	7,018	272	0	0	**16,171**
Nuckle	44	0	0	0	0	**44**
Growth Deal	17,033	19,033	6,133	0	0	**42,199**
Whitley South Infrastructure	25,451	3,841	0	0	0	**29,292**
Kickstart Office	1,806	0	0	0	0	**1,806**
ESIF - Business Support	870	0	0	0	0	**870**
ESIF - Low Carbon	1,900	0	0	0	0	**1,900**
ESIF - Innovation	150	0	0	0	0	**150**
New Deal for Communities	30	264	0	0	0	**294**
London Road Cemetery	46	1,130	211	0	0	**1,387**
Growing Places	700	3,983	0	0	0	**4,683**
Refit - Guaranteed energy savings	65	0	0	0	0	**65**
Housing Venture	710	355	355	0	0	**1,420**
Whitley Depot Redevelopment	4,200	900	0	0	0	**5,100**
Coombe	1,500	0	0	0	0	**1,500**
Duplex Fund	250	500	500	500	250	**2,000**
National Battery Manufacturing Development Facility - Faraday Challenge	39,700	49,241	0	0	0	**88,941**
TOTAL APPROVED PROGRAMME	**191,982**	**189,260**	**172,977**	**112,458**	**94,814**	**761,491**

RESOURCES	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Management of Capital Reserve	30	264	0	0	0	**294**
Prudential Borrowing	17,290	11,157	47,897	592	41,262	**118,198**
Grant	130,013	171,305	123,698	111,277	53,302	**589,595**
Capital expenditure (from) revenue account	250	73	27	89	0	**439**

Section 106	250	125	125	0	0	**500**
Resource Switch - Prudential Borrowing	37,389	5,106	0	0	0	**42,495**
UnRingfenced Receipts	5,750	1,000	1,000	500	250	**8,500**
Ringfenced Receipts	1,010	230	230	0	0	**1,470**
TOTAL RESOURCES	**191,982**	**189,260**	**172,977**	**112,458**	**94,814**	**761,491**

CABINET MEMBER: CITY SERVICES

CAPITAL SCHEME	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Highways Maintenance & Investment	7,537	5,946	7,149	2,369	0	**23,001**
Intelligent Mobility & Age Friendly Programme	344	0	0	0	0	**344**
Integrated Transport Programme	1,620	1,620	1,620	0	0	**4,860**
Public Realm Phase 4	522	0	0	0	0	**522**
Public Realm Phase 5	450	550	0	0	0	**1,000**
Nuckle 3	50	50	0	0	0	**100**
Vehicle & Plant Replacement	3,209	3,309	1,537	2,986	2,526	**13,567**
Multi Storey Car Parks	9,910	290	0	0	0	**10,200**
Housing Infrastructure Fund	0	13,000	0	0	0	**13,000**
TOTAL APPROVED PROGRAMME	**23,642**	**24,765**	**10,306**	**5,355**	**2,526**	**66,594**

RESOURCES	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Prudential Borrowing	9,657	3,499	1,367	2,964	2,429	**19,916**
Grant	7,974	18,977	4,281	0	0	**31,232**
Capital expenditure (from) revenue account	2,369	369	2,369	2,369	0	**7,476**
Leasing	462	100	170	22	97	**851**
UnRingfenced Receipts	180	1,820	2,119	0	0	**4,119**
Ringfenced Receipts	3,000	0	0	0	0	**3,000**
TOTAL RESOURCES	**23,642**	**24,765**	**10,306**	**5,355**	**2,526**	**66,594**

0

CABINET MEMBER: ADULT SERVICES

CAPITAL SCHEME	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000

Disabled Facilities Grants	4,352	3,402	3,402	3,402	3,402	**17,960**
TOTAL APPROVED PROGRAMME	**4,352**	**3,402**	**3,402**	**3,402**	**3,402**	**17,960**

RESOURCES	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**
Grant	4,352	3,402	3,402	3,402	3,402	**17,960**
TOTAL RESOURCES	**4,352**	**3,402**	**3,402**	**3,402**	**3,402**	**17,960**

CABINET MEMBER: PUBLIC HEALTH & SPORT

CAPITAL SCHEME	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**
Play Areas	382	128	208	255	16	989
The Avenue Bowls Club	120	1,930	0	0	0	2,050
Investment in Sporting Facilities	53	337	0	0	0	390
City Centre Destination Leisure Facility	12,099	3,695	0	0	0	15,794
Alan Higgs Centre - 50m Swimming Pool	8,895	3,551	170	0	0	12,616
TOTAL APPROVED PROGRAMME	**21,549**	**9,641**	**378**	**255**	**16**	**31,839**

RESOURCES	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**
Management of Capital Reserve	53	337	0	0	0	**390**
Prudential Borrowing	19,964	8,826	170	0	0	**28,960**
Grant	1,150	350	0	0	0	**1,500**
Section 106	382	128	208	255	16	**989**
TOTAL RESOURCES	**21,549**	**9,641**	**378**	**255**	**16**	**31,839**

CABINET MEMBER: COMMUNITY DEVELOPMENT

CAPITAL SCHEME	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**

Housing Policy (Siskin Drive)	115	0	0	0	0	**115**
TOTAL APPROVED PROGRAMME	**115**	**0**	**0**	**0**	**0**	**115**

RESOURCES	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**
Grant	115	0	0	0	0	**115**
TOTAL RESOURCES	**115**	**0**	**0**	**0**	**0**	**115**

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Appendix 5

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:

- denominated in sterling;
- due to be repaid within 12 months;
- not deemed capital expenditure investments under statute;
- invested in one of: UK Government, UK local authority or a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a non UK country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.
All other investments are classified as non-specified.

The total limit for all non-specified investments is £30m, with specific "sub" limits of:

	£m
Total Long Term Investments	£18m
Total Investments without credit ratings or rated below A- (minimum BBB+)	£6m
Total Investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+ (minimum A-)	£6m

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

The Section 151 officer 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 by the City Council:

Credit Rating	Banks Unsecured	Banks Secured	Corporates	Registered Providers
AAA	£6m 5 years	£12m 5 years	£6m 2 Years	£6m 5 years
AA+	£6m 5 years	£12m 5 years	£6m 2 Years	£6m 5 years
AA	£6m 4 years	£12m 5 years	£6m 2 Years	£6m 5 years
AA-	£6m 3 years	£12m 4 years	£6m 2 Years	£6m 5 years
A+	£6m 2 years	£12m 3 years	£6m 2 Years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 2 Years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	n/a	£6m 5 years
Uk Government*	£Unlimited - 50 Years			
Local Authorities	£Unlimited - 50 Years			
Pooled funds	£12m per fund			

*This relates to investments with the DMO, Treasury bills & gilts.

In addition to the following category or group limits will apply:

	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£30m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
Foreign countries	£12m per country
Registered Providers	£30m in total
Unsecured investments with Building Societies	£12m in total
Loans to unrated corporates	£12m in total
Money Market Funds	£60m in total

Investment limits apply at the time the investment is made.

The City Council's current account banker, NatWest, currently falls below the minimum criteria as they are currently rated BBB+. As such no fixed term deposits will be made with the bank & balances held will be minimised as far as is practicable.

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. In order to manage risk, the Section 151 officer will restrict investment activity as appropriate, for example by:-

- limiting 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;
- reducing the overall limits beyond those set out in the tables above, where there is a significant reduction in the total level of City Council investments.

5. Investment Instruments to be Used by the City Council

The City Council may lend or invest money using any of the following financial instruments:

- interest-bearing bank accounts;
- fixed term deposits and loans;
- callable deposits where the Authority may demand repayment at any time (with or without notice);
- callable loans where the borrower may demand repayment at any time;
- certificates of deposit;
- bonds, notes, bills, commercial paper and other marketable instruments; and
- money market funds and other pooled funds.
- Local Authority Bills

6. 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 Section 151 Officer 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.

7. Financial Derivatives

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

8. Operational Investments and Loans

Separately, the City Council holds long-term investments or provides loans for operational or policy reasons, for example, in order to stimulate economic development and growth. Depending on the nature of the spend these can be accounted for as capital expenditure. Investments made in the past include Birmingham Airport Holdings Ltd, the Coventry and Solihull Waste Disposal Company and the creation of the Coombe Abbey Park Limited.

Operational investments and loans will be assessed and reported on, on a case by case basis. This will include a full assessment of the risk, including credit risk, and how this will be managed.

Summary Prudential Indicators

Appendix 6

		Forecast 17/18 £000's	Forecast 18/19 £000's	Forecast 19/20 £000's	Forecast 20/21 £000's
1	**Ratio of financing costs to net revenue stream:**				
	(a) General Fund financing costs	31,368	32,423	34,587	37,191
	(b) General Fund net revenue stream	232,482	234,452	233,133	234,576
	General Fund Percentage	13.49%	13.83%	14.84%	15.85%
2	**Estimates of Council Tax Impact ~ Proposed Programme**		£183.48	£201.87	£228.67
	Estimates of Council Tax Impact ~ Feb 17 Programme		£190.48	£214.16	
3	**Gross Debt & Capital Financing Requirement**				
	Gross debt including PFI liabilities	387,185	460,277	468,583	499,811
	Capital Financing Requirement	425,788	506,203	520,686	551,914
	Gross Investments	-25,000	-30,000	-30,000	-30,000
	Gross Debt to Net Debt:				
	Gross debt including PFI liabilities	387,185	460,277	468,583	499,811
	less investments	-25,000	-30,000	-30,000	-30,000
	less transferred debt reimbursed by others	-14,300	-13,050	-11,674	-10,161
	Net Debt	347,885	417,227	426,909	459,650
4	**Capital Expenditure (Note this excludes leasing)**				
	General Fund	120,907	262,004	239,593	191,119
5	**Capital Financing Requirement (CFR)**				
	Capital Financing Requirement	425,788	506,203	520,686	551,914
	Capital Financing Requirement excluding transferred debt	411,488	493,153	509,012	541,753
6	**Authorised limit for external debt**				
	Authorised limit for borrowing	399,968	445,408	463,799	498,948
	+ authorised limit for other long term liabilities	70,415	67,745	65,213	62,804
	= authorised limit for debt	470,383	513,153	529,012	561,753
7	**Operational boundary for external debt**				
	Operational boundary for borrowing	359,968	425,408	443,799	478,948
	+ Operational boundary for other long term liabilities	70,415	67,745	65,213	62,804
	= Operational boundary for external debt	430,383	493,153	509,012	541,753

8	**Actual external debt**	
	actual borrowing at 31 March 2017	254,422
	+ PFI & Finance Leasing liabilities at 31 March 2017	72,801
	+ transferred debt liabilities at 31 March 2017	15,437
	= actual external debt at 31 March 2017	342,660

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

		Forecast 17/18 £000's	Forecast 18/19 £000's	Forecast 19/20 £000's	Forecast 20/21 £000's
10	**Interest rate exposures for borrowing**				
	Upper Limit for Fixed Rate Exposures	399,968	445,408	463,799	498,948
	Upper Limit for Variable Rate Exposures	79,994	89,082	92,760	99,790

		actual	lower	upper
11	**Maturity structure of borrowing - limits**			
	under 12 months	16%	0%	40%
	12 months to within 24 months	4%	0%	20%
	24 months to within 5 years	13%	0%	30%
	5 years to within 10 years	8%	0%	30%
	10 years & above	60%	40%	100%

		Forecast 17/18 £000's	Forecast 18/19 £000's	Forecast 19/20 £000's	Forecast 20/21 £000's
12	**Investments longer than 364 days: upper limit**	24,000	18,000	18,000	18,000

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Agenda Items 8 and 9

2018/19 Council Tax Setting Report and Budget Report 2018/19

That the Recommendations from the Cabinet on 20 February, 2018 be moved with the specified alteration as follows:-

2018/19 Council tax Setting Report

That recommendations 2(a) and 2(b) be amended as follows:-

(2) That the following amounts be now calculated by the Council for the year 2018/19 in accordance with Sections 31A, 31B and 34 to 36 of the Act :

(a) ~~£726,922,000~~
£727,029,000 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils (Gross Expenditure and reserves required to be raised for estimated future expenditure);

(b) ~~£599,669,103~~
£599,776,103 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act. (Gross Income including reserves to be used to meet the Gross Expenditure but excluding Council Tax income);

Budget Report 2018/19

The wording of all recommendations still stands.

In respect of Recommendation 1, that additional expenditure of £107,000 be approved to be added to the Street Cleansing Budget for 2018/19 only, funded by an equivalent contribution from reserves.

That an additional line (19c) [page 75] be inserted into Appendix 1 and the amendments be made to line 27 [page 77] as follows:

19c	Street Cleansing (change to pre-budget report)	Increase to street cleansing budget incorporating one neighbourhood cleansing team and two barrow operatives. Proposed initially for a one-off basis funded from a contribution from reserves (line 27) and subject to review for 2019/20 Budget Setting.	107	0	0

27	Reduce Contribution to Reserves (Change to Pre-Budget Report)	Adjusts the medium term strategy set out at 2017/18 Budget Setting. This proposes reducing the contribution to reserves in 2018/19 and corresponding balance available to balance 2019/20. Separately includes funding for the costs set out on line 19b above and identified within the 2017-18 Quarter 3 Budget Monitoring Report **and the costs set out on line 19c.**	~~(2,150)~~ **(2,257)**	1,850	0

That the additional expenditure and contribution from reserves be reflected in a revised Appendix 3 [page 89] shown overleaf.

Revenue Budget **Appendix 3**

2017/18 Restated * £'000	CABINET MEMBER PORTFOLIOS	Budget Decisions Brought Forward £'000	Pre-Budget and Final Budget Changes £'000	2018/19 Final Budget £'000
2,392	Policy and Leadership	2,080	(6)	2,074
7,387	Policing and Equalities	7,168	296	7,464
6,934	Strategic Finance and Resources	5,426	3,393	8,819
72,061	Children and Young People	67,029	7,050	74,079
14,457	Education and Skills	15,432	(211)	15,221
(5,177)	Jobs and Regeneration	(4,828)	456	(4,372)
27,539	City Services	28,205	(32)	28,173
80,316	Adult Services	76,044	(110)	75,934
2,819	Public Health and Sport	2,472	(65)	2,407
6,987	Community Development	7,054	162	7,216
215,715	**TOTAL CABINET MEMBER PORTFOLIOS**	**206,082**	**10,933**	**217,015**
24,085	Borrowing and Investments	24,815	0	24,815
(18,665)	Contingencies & Corporate Budgets	(15,472)	(4,293)	(19,765)
14,904	Levies From Other Bodies	15,147	(574)	14,573
30	Parish Precepts	30	0	30
2,070	Revenue Contribution to Capital Spend	3,369	0	3,369
(5,657)	Contributions to / (from) Reserves	(2,453)	(2,794)	(5,247)
232,482	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**231,518**	**3,272**	**234,790**
	Financed by:			
0	Central Government Resources	0	0	0
(118,494)	Council Tax	(125,100)	(2,153)	(127,253)
(113,988)	Business Rates	(106,419)	(1,118)	(107,537)
(232,482)	**TOTAL RESOURCES**	**(231,519)**	**(3,271)**	**(234,790)**

* Restated to reflect changes in portfolios between years

2017/18 Restated * £'000	CABINET MEMBER PORTFOLIOS	Gross Expenditure £'000	Gross Income £'000	2018/19 Final Budget £'000
2,392	Policy and Leadership	2,207	(133)	2,074
7,387	Policing and Equalities	12,960	(5,496)	7,464
6,934	Strategic Finance and Resources	128,646	(119,827)	8,819
72,061	Children and Young People	81,184	(7,105)	74,079
14,457	Education and Skills	218,612	(203,391)	15,221
(5,177)	Jobs and Regeneration	17,123	(21,495)	(4,372)
27,539	City Services	54,669	(26,496)	28,173
80,316	Adult Services	120,571	(44,637)	75,934
2,819	Public Health and Sport	25,049	(22,642)	2,407
6,987	Community Development	14,823	(7,607)	7,216
215,715	**TOTAL CABINET MEMBER PORTFOLIOS**	**675,844**	**(458,829)**	**217,015**
24,085	Borrowing and Investments	26,143	(1,328)	24,815
(18,665)	Contingencies & Corporate Budgets	2,814	(22,579)	(19,765)
14,904	Levies From Other Bodies	14,573	0	14,573
30	Parish Precepts	30	0	30
2,070	Revenue Contribution to Capital Spend	3,369	0	3,369
(5,657)	Contributions to / (from) Reserves	4,256	(9,503)	(5,247)
232,482	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**727,029**	**(492,239)**	**234,790**
	Financed by:			
0	Revenue Support Grant	0	0	0
(118,494)	Council Tax	0	(127,253)	(127,253)
(113,988)	Retained Business Rates	0	(107,537)	(107,537)
(232,482)	**TOTAL RESOURCES**	**0**	**(234,790)**	**(234,790)**

* Restated to reflect changes in portfolios between years

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Budget Report 2018/19 - Amendment

New Spending Proposals

Reduction by 50% of Foster Carers Council Tax	114
Assist Charities in their move from Tower Block	120
Safety Schemes	150
Clean up City (Extra operatives)	160
Fly Tipping, Cameras and Operatives	100
Re Introduce Ward forums where required	20
	664

Additional Savings

Trades Union Facilities Time	(400)
Removal of Deputy Cabinet Members & Cabinet Reduced to 8 members	(44)
Citivision	(50)
Remove Policy Contingency	(70)
All Out Elections	(100)
	(664)

Proposed: Cllr Ken Taylor

Seconded: GARY RIDLEY

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Coventry City Council
Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 20 February 2018

Present:

Members:	Councillor G Duggins (Chair)
	Councillor A Khan (Deputy Chair) Councillor F Abbott Councillor K Caan Councillor J Innes Councillor K Maton Councillor J Mutton Councillor J O'Boyle Councillor E Ruane
Deputy Cabinet Members	Councillor P Akhtar Councillor R Lakha Councillor C Thomas
Non-Voting Opposition Members:	Councillor A Andrews Councillor G Ridley
Other Members:	Councillor M Mutton Councillor K Taylor
Employees (by Directorate):	
Chief Executive's	M Reeves (Chief Executive),
People	G Quinton (Deputy Chief Executive (People)), N Hart
Place	M Yardley (Deputy Chief Executive (Place)), P Jennings, L Knight, J Newman,
Apologies:	Councillors Bigham, Brown and Clifford

RECOMMENDATION

128. **Budget 2018/19**

The Cabinet considered a report of the Deputy Chief Executive (Place), which set out proposals for the Council's final revenue and capital budget 2018/19.

The report followed on from the Pre-Budget Report approved by Cabinet on 28th November 2017, which had been subject to a period of public consultation. The proposals within the report now submitted formed the basis of the Council's final revenue and capital budget for 2018/19 incorporating the following details:

- Gross budgeted spend of £727m (£24m and 3% higher than 2017/18).
- Net budgeted spend of £235m (£2m higher than 2017/18) funded from Council Tax and Business Rates less a tariff payment of £9.5, due to Government.
- A Council Tax Requirement of £127.3m (£8.7m and 7% higher than 2017/18), reflecting a Council Tax increase of 4.9% detailed in the separate Council Tax Setting report on today's agenda.
- A number of expenditure pressures caused by the impact of demographic pressures on Council Services.
- A Capital Programme of £262.5m (£141.5m and 117% more than the latest estimated 2017/18 programme) including expenditure funded by Prudential Borrowing of £93m.
- An updated Treasury Management Strategy.

The Cabinet noted that the Council's gross and net budget figures had increased compared with 2017/18 but this still represented a real-terms reduction in resources available to the Council after taking account of inflation.

The report indicated that the financial position in the report was based on the Final 2018/19 Government Finance Settlement and incorporated reductions in funding over the next 3 years. This position was particularly uncertain for financial year 2020/21 which could be subject to the combination of a new national Spending Review, a revised allocation model within the Local Government sector and a new national 100% Business Rates model. As a result, there was huge uncertainty around Local Government funding which made it impossible to provide a robust financial forecast at this stage. Nevertheless, initial assumptions and existing trends are sufficiently firm to indicate that there will in all certainty be a substantial gap for that year. The view of the Council's Director of Finance and Corporate Services was that the Council should be planning for such a position.

Along with the other 6 West Midlands Councils, Coventry was taking part in a 100% Business Rates Pilot scheme. This enabled the Councils to retain 99% of Business Rates income including any growth against an historic baseline which would otherwise have been returned to Government. The financial model and assumptions that support the Pilot had been incorporated within the position reported.

The Pre-Budget Report was based on flexibility to increase Council Tax by up to 2% without holding a local referendum on the matter and further flexibility, up to a maximum of 3%, recognising the increasing pressure on Adult Social Care (ASC) services across the country. The Government had subsequently announced that the Council Tax Referendum limit had been raised to 3%. However, the budget recommended in the report submitted and the associated Council Tax proposals in the report that accompanied it, did not incorporate this flexibility. As a result the budget was being proposed on the basis of increasing Council Tax by 4.9%. This proposed increase would be the equivalent of around a pound a week for a typical Coventry household.

The Cabinet were advised that the Council's medium term financial position included the impact of reductions in Government funding that had already been anticipated and savings programmes that had been approved previously. At the start of the 2018/19 Budget Setting process the Council faced a financial gap of £12m after taking into account a temporary delay in the likely achievement of some savings and the emergence of new expenditure pressures. In broad terms, the Budget had been balanced by additional Council Tax and Business Rates resources and savings in contingency budgets, capital financing costs and several other largely technical areas. All these proposals were set out in detail in Appendix 1 of the report submitted. Where these were different to the proposals that were included in the Pre-Budget Report, this had been indicated in the Appendix.

The proposals had been designed to provide the Council with a robust medium-term position and subject to the recommendations being approved, the Council would have a two-year balanced budget.

The report highlighted that, given the forthcoming national proposals for local government finance to be based on a 75% Business Rates Model from 2020/21, the vibrancy and growth of the City was vital to ensure a secure level of Business Rates income. Proposals within the recommended Capital Programme were designed to help achieve this and amounted to £262m in 2018/19. These represented an ambitious approach to investing in the City and included the near-completion of the Council's new city centre leisure facility, progression of the City Centre South, Connecting Coventry and Coventry Station Master Plan schemes and establishment of the joint venture vehicle to accelerate a programme of building at Friargate. Over the next 5 years, the Capital Programme was estimated to be £921m and represented the largest ever investment by and through the City Council.

It was noted that Coventry's success in being announced in December 2017 as the UK City of Culture for 2021 would lead to some exciting developments and events across the City over the next few years. This included an impetus to implement some of the Council's capital projects on an accelerated basis and planning had already begun to examine the scope for and implications of this.

The annual Treasury Management Strategy was also set out, incorporating the Minimum Revenue Provision that was revised in 2016/16 and covered the management of the Council's investments, cash balances and borrowing requirements. The Strategy and other relevant sections in the report submitted reflected the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA) updated Treasury Management Code and Prudential Borrowing Code for Capital Finance insofar as they relate to 2018/19.

RESOLVED that the Cabinet recommend that Council:

1. **Approve the spending and savings proposals in Appendix 1 of the report.**

2. Approve the total 2018/19 revenue budget of £727m in Table 1 and Appendix 3, established in line with a 4.9% City Council Tax increase and the Council Tax Requirement recommended in the Council Tax Setting Report considered on today's agenda.

3. Note the Director of Finance and Corporate Services' comments confirming the adequacy of reserves and robustness of the budget in Sections 5.1.2 and 5.1.3.

4. Approve the Capital Programme of £262.5m for 2018/19 and the future years' commitments arising from this programme of £659.4m between 2019/20 to 2022/23 detailed in Section 2.3 and Appendix 4.

5. Approve the proposed Treasury Management Strategy for 2018/19 and Minimum Revenue Provision Statement in Section 2.4 of the report, the Investment Strategy and Policy at Appendix 5 and the Prudential Indicators and limits described in Section 2.4.11 and summarised in Appendix 6.

Coventry City Council

Public report

Cabinet 20th February 2018
Council 20th February 2018

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected: None

Title:
Consultation Response: Fair funding review: a review of relative needs and resources

Is this a key decision?
No

Executive Summary:

The Government issued a consultation document on 19th December 2017 entitled "Fair funding review: a review of relative needs and resources". Responses are required by 12th March 2018.

The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The new funding allocations are expected to take effect from financial year 2020/21 at the same time as a new 75% Business Rates retention model.

Given the significance of the outcome of such a consultation it is important for the Council to add its own response. The expectation should be that such a review results in a system that is evidence based and fair and the proposed responses to the consultation's question are intended to be technical in nature and/or are framed in such a way that are directed at achieving a rational and fair outcome.

Recommendations:

That Cabinet recommend to Council the approval of recommendation (1):

Council are recommended to:

1) Approve the attached consultation response to be sent to the Ministry of Housing, Communities and Local Government.

List of Appendices included:

Appendix1: Coventry City Council Consultation Response: Fair funding review: a review of relative needs and resources

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 20th February 2018

Report Title: Consultation Response: Fair funding review: a review of relative needs and resources

1. Context (or background)

1.1 The Government issued a consultation document on 19th December 2017 entitled “Fair funding review: a review of relative needs and resources”. Responses are required by 12th March 2018. The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The new funding allocations are expected to take effect from financial year 2020/21 at the same time as a new 75% Business Rates retention model.

2. Options considered and recommended proposal

2.1 There are two options, to respond or not to respond. Given the significance of the outcome of such a consultation it is important for the Council to add its own response and this is the recommended option.

2.2 The response is attached at Appendix 1. The expectation should be that such a review results in a system that is evidence based and fair. On this basis the proposed responses to the consultation’s question are intended to be technical in nature and/or are framed in such a way that are directed at achieving a rational and fair outcome. It is in the interests of Coventry and of the wider local government community to achieve such an outcome. If the consultation resulted in a model that was distorted by particular interest groups this would not provide a robust basis for the local government finance mechanism going forward.

2.3 The response incorporates the following broad elements:

- Simplicity and fairness are both appropriate principles for establishing a needs assessment but <u>fairness</u> is the paramount objective.
- Agreeing the principle of using <u>population projections</u> in the distribution methodology including flexibility to adjust for annual shifts in population.
- Proposing that the relative needs assessment should be <u>refreshed annually</u> with the results applied the year after the forthcoming year.
- Agreeing that rurality and deprivation should be included as cost drivers in the needs assessment to the degree that the evidence demonstrates a significant link between these factors and expenditure pressure. Rurality should not be double counted in the Area Cost Adjustment.
- The weight of different funding formulas should be <u>evidence based</u>, supported by statistical analysis of actual spend levels not the judgement of central government.
- A preference for techniques that minimise the role of judgement and opposition to models such as outcome based regression in which authorities are funded according to the success in delivering outcomes.
- Outliers identified during the statistical analysis may warrant a separate approach, which could include the allocation of specific grants.
- Agreement that the service specific cost drivers set out in the consultation appeared to be broadly appropriate.

3. Results of consultation undertaken

3.1 No specific consultation has been undertaken.

4. Timetable for implementing this decision

4.1 It is intend to that the eventual outcome of the consultation will be seen in the Local Government Finance Settlement for 2020/21.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

From 2020/21, Local Government Finance Settlements will be determined by the way in which the finance model is constructed, influenced by some of the issues dealt with in the consultation. Although local councils will be in a position to influence their overall financial position to some degree, in most cases this will be a secondary consideration to the resource starting point provided by the model. The proposed response does not seek to challenge the fundamental premise of a redistributive system.

Given that the Government has not kept the existing local government finance model up to date and has retained an element of damping in the current system (protection of funding levels for some authorities which disadvantages authorities such as Coventry) there is a reasonable expectation that a fair outcome will also be one that does not adversely affect Coventry's relative funding position within the model.

5.2 Legal implications

There are no specific legal implications resulting from the report. Any changes to future funding may require consultation to ensure compliance with the public sector equality duty contained in Section 149 of the Equality Act 2010.

6. Other implications

Any other specific implications

6.1 How will this contribute to achievement of the Council's Plan?

The consultation will not impact directly on the Council's Plan but future funding decisions will determine the financial parameters within which the Council will operate from 2020/21.

6.2 How is risk being managed?

There is some risk that any revised local government funding model may adversely affect the Council. It is not possible to predict the outcome of this and the Council will continue to adopt relatively prudent financial assumptions for 2020/21.

6.3 What is the impact on the organisation?

The consultation will not impact directly on the organisation but future funding decisions will determine the financial parameters within which the Council will operate from 2020/21.

6.4 Equalities / EIA

Future funding decisions will determine the financial parameters within which the Council will operate from 2020/21 based on an assessment of needs across a number of areas of activity. This could have a positive or negative impact on the level of resources allocated to services to people including groups with protected characteristics but it is not possible at this stage to predict this.

6.5 Implications for (or impact on) the environment

The consultation will not impact directly on the environment.

6.6 Implications for partner organisations?

The consultation will not impact directly on partner organisations.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Directorate: Place Directorate
Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Phil Baggott	Lead Accountant	Place Directorate	24/1/18	25/1/18
Lara Knight	Governance Services Co-ordinator	Place Directorate	26/1/18	1/2/18
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Director of Finance and Corporate Services	Place Directorate	26/1/18	1/2/18
Legal: Gill Carter	Regulatory Team Leader	Place Directorate	26/1/18	1/2/18
Director: Martin Yardley	Deputy Chief Executive	Place Directorate	1/2/18	6/2/18
Members: John Mutton	Cabinet Member Strategic Finance and Resources		9/2/18	9/2/18

This report is published on the council's website:
www.coventry.gov.uk/meetings

Appendix 1 Consultation Response

Q1): What are your views on the Government's proposals to simplify the relative needs assessment by focusing on the most important cost drivers and reducing the number of formulas involved?

The twin objectives of simplicity and fairness, although entirely right and proper, are naturally competing principles. Our view is that priority should always be given to making any resource distribution system as fair as possible.

Recognising the expenditure pressures that local authorities face in their role of providing a wide range of disparate services will always involve assessing the interaction of large number of factors. Some of these factors will be more significant than others but if any factors or variables can be shown to influence the level of pressure (above some defined level of statistical significance) then they should be included in any distribution methodology (DM).

Q2): Do you agree that the Government should use official population projections in order to reflect changing population size and structure in areas when assessing the relative needs of local authorities?

We agree with the principle of using projections, including with regard to population, as part of any DM wherever the uncertainty of any estimates are below a certain level. The specific issue with population projections is that socio-economic events on a local, national or even international level can influence population change within a shorter time frame than originally envisaged.

Therefore we would advocate that any new DM includes the flexibility to adjust for shifts in population every year, taking effect not for the forthcoming year but affecting the needs assessment for the year after that. This would mean that authorities would have certainty for the forthcoming year, but that needs assessment would not move too far adrift from reality and that step changes resulting from less frequent updates would be avoided.

In addition we think that this should be coupled with a commitment from central government to be responsive to local authorities facing specific significant challenges over shorter timescales.

Q3): Do you agree that these population projections should not be updated until the relative needs assessment is refreshed?

Yes, but we would propose that the relative needs assessment should be refreshed every year, taking effect not for the forthcoming year but for the year after that (as per answer to Q2). In that manner local authorities would have certainty regarding their settlement position for the year in which they are actively budgeting, without creating long and variable intervals before updates.

Q4): Do you agree that rurality should be included in the relative needs assessment as a common cost driver?

Only if the evidence demonstrates a significant link between rurality and expenditure pressure.

Q5): How do you think we should measure the impact of rurality on local authorities' 'need to spend'? Should the relative needs assessment continue to use a measure of sparsity or are there alternative approaches that should be considered?

Common sense would suggest that sparsity would influence transport costs and that there could be a positive correlation with expenditure. We are open to the use of any objectively and consistently measurable variable that has both statistical and common sense link to rurality.

Q6): Do you agree that deprivation should be included in the relative needs assessment as a common cost driver?

Yes. As with other variables, deprivation (and its various constituent elements) should be included to the degree that is justified by the statistical analysis of its impact on the needs assessment.

Q7): How do you think we should measure the impact of deprivation on 'need to spend'? Should the relative needs assessment use the Index of Multiple Deprivation or are there alternative measures that should be considered?

Whilst we are not opposed to the principle of using the Index of Multiple Deprivation (IMD), as a combination of constituent variables, we think that analysis should be carried out to determine if any of the constituent variables have more explanatory power than in combination as the IMD.

Q8): Do you have views on other common cost drivers the Government should consider? What are the most suitable data sources to measure these cost drivers?

The proposed factors appear broadly reasonable we do not have any specific comments.

Q9): Do you have views on the approach the Government should take to Area Cost Adjustments?

In our view the Area Cost Adjustments (ACAs) should not be determined through any separate or parallel statistical analysis, which could risk double counting the importance of factors such as rurality/sparsity. We acknowledge that the factors listed in the consultation, in relation to ACAs could all have the potential to explain variations in spending pressure. However they should be brought into the same overall statistical assessment of factors, rather than analysed separately.

Q10a): Do you have views on the approach that the Government should take when considering areas which represent a small amount of expenditure overall for local government, but which are significant for a small number of authorities?

We recognise that there may be outliers identified during the statistical analysis that may warrant a separate approach, which could include the allocation of specific grants.

Q10b): Which services do you think are most significant here?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q11a): Do you agree the cost drivers set out above are the key cost drivers affecting adult social care services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q11b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting adult social care services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q12a): Do you agree that these are the key cost drivers affecting children's services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q12b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting children's services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q13a): Do you agree that these are the key cost drivers affecting routine highways maintenance and concessionary travel services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q13b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting routine highways maintenance or concessionary travel services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q14a): Do you have views on what the most suitable cost drivers for local bus support are?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q14b): Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q15a): Do you agree that these are the key cost drivers affecting waste collection and disposal services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q15b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting waste collection and disposal services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q16a): Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q16b): Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q17a): Do you agree these are the key cost drivers affecting the cost of legacy capital financing?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q17b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting legacy capital financing?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q18a): Are there other service areas you think require a more specific funding formula?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q18b): Do you have views on what the key cost drivers are for these areas, and what the most suitable data sets are to measure these cost drivers?

The proposed factors appear broadly reasonable, we do not have any specific comments.

Q19): How do you think the Government should decide on the weights of different funding formulas?

This should be evidence based, carrying out statistical analysis of actual spend levels, as opposed to the judgement of central government.

Q20): Do you have views about which statistical techniques the Government should consider when deciding how to weight individual cost drivers?

Although we would not want any specific approaches to be ruled out at this stage, we have a strong preference for techniques that minimise the role of judgement. In particular we think that the 'outcome based regression models' (in which authorities are funded according to the success in delivering outcomes) would always be open to the criticism of subjective bias.

In our view, the factor analysis and principle component analysis approaches (which try to simplify complex data sets down to just the most important factors) should be explored. Though complex, these have the greatest potential to deliver a solution which minimises the number of cost drivers in any overall (or indeed service specific) model of needs, carrying out this selection in an objective fashion. As such we would propose that a significant proportion of the effort is focused on these approaches.

Q21): Do you have any comments at this stage on the potential impact of the options outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comments at this stage.

Coventry City Council
Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 20 February 2018

Present:	
Members:	Councillor G Duggins (Chair)
	Councillor A Khan (Deputy Chair) Councillor F Abbott Councillor K Caan Councillor J Innes Councillor K Maton Councillor J Mutton Councillor J O'Boyle Councillor E Ruane
Deputy Cabinet Members	Councillor P Akhtar Councillor R Lakha Councillor C Thomas
Non-Voting Opposition Members:	Councillor A Andrews Councillor G Ridley
Other Members:	Councillor M Mutton Councillor K Taylor
Employees (by Directorate):	
Chief Executive's	M Reeves (Chief Executive),
People	G Quinton (Deputy Chief Executive (People)), N Hart
Place	M Yardley (Deputy Chief Executive (Place)), P Jennings, L Knight, J Newman,
Apologies:	Councillors Bigham, Brown and Clifford

RECOMMENDATION

129. **Consultation Response: Fair Funding Review: A Review of Relative Needs and Resources**

The Cabinet considered a report of the Deputy Chief Executive (Place), which set out a proposed consultation response to the Fair Funding Review.

The Government issued a consultation document on 19th December 2017 entitled "Fair Funding Review: a review of relative needs and resources. Responses were required by 12th March 2018.

The fair funding review would set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The new funding allocations were expected to take effect form financial year 2020/21, at the same time as a new 75% Business Rates retention model.

Given the significance of the outcome of such a consultation it was important for the Council to add its own response, which was set out at Appendix 1 of the report submitted. The expectation should be that such review results in a system that is evidence based and fair and the proposed responses to the consultation questions are intended to be technical in nature and/or framed is such a way that they were directed at achieving a rational and fair outcome.

The response incorporated the following broad elements:-

- Simplicity and fairness were both appropriate principles for establishing a needs assessment but fairness was the paramount objective.
- Agreeing the principle of using population projections in the distribution methodology including flexibility to adjust for annual shifts in population.
- Proposing that the relative needs assessment should be refreshed annually with the results applied the year after the forthcoming year.
- Agreeing that rurality and deprivation should be included in cost drivers in the needs assessment to the degree that the evidence demonstrates a significant link between these factors and expenditure pressure. Rurality should not be double counted in the Area Cost Adjustment.
- The weight of different funding formulas should be evidence based, supported by statistical analysis of actual spend levels not the judgement of central Government.
- A preference for techniques that minimise the roles of judgement and opposition to models such as outcome based regression in which authorities are funded according to the success in delivering outcomes.
- Outliers identified during the statistical analysis may warrant a separate approach, which could include the allocation of specific grants.
- Agreement that the service specific cost drivers set out in the consultation appeared to be broadly appropriate.

RESOLVED that the Cabinet recommend that Council approve the attached consultation response to be sent to the Ministry of Housing, Communities and Local Government.