

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

Public Business

126. Declarations of Interest

There were no disclosable pecuniary interests.

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) m**

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)	=	<u>£127,252,897</u>
(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) – (2)(e) = £1,574.61 – £30,870
(1)(a) 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.

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.**

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 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 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 in 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.

130. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of public business.

(Meeting closed at 10.05 am)