Coventry City Council

Agenda

Council

Time and Date
2.00 pm on Tuesday, 19th February, 2019

Place
Council Chamber - Council House

1. **Apologies**

2. **Minutes of the Meeting held on 15 January 2019** (Pages 3 - 12)

3. **Coventry Good Citizen Award**

   To be presented by the Lord Mayor

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, 12 February, 2019:

7. **Consultation Responses Business Rates Retention Reform and Review of Local Authorities' Relative Needs and Resources** (Pages 13 - 26)

From the Cabinet, 19 February, 2019

8. **2019/20 Council Tax Setting Report** (Pages 27 - 34)

9. **Budget Report 2019/20** (Pages 35 - 112)

10. **Statements (if any)**

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

Monday, 11 February 2019

Note: The person to contact about the agenda and documents for this meeting is

Usha Patel/Suzanne Bennett 024 7683 3198/3072

Membership: Councillors F Abbott, N Akhtar, P Akhtar, R Ali, A Andrews, R Auluck, R Bailey, S Bains, L Bigham (Deputy Chair), J Birdi, J Blundell (Chair), R Brown, K Caan, J Clifford, G Crookes, G Duggins, D Gannon, L Harvard, P Hetherton, J Innes, B Kaur, L Kelly, D Kershaw, T Khan, AS Khan, R Lakha, R Lancaster, M Lapsa, J Lepoidevin, A Lucas, P Male, K Maton, T Mayer, J McNicholas, C Miks, J Mutton, M Mutton, J O'Boyle, G Ridley, E Ruane, K Sandhu, T Sawdon, P Seaman, B Singh, R Singh, D Skinner, T Skipper, 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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Usha Patel/Suzanne Bennett
024 7683 3198/3072

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Coventry City Council
Minutes of the Meeting of Council held at 2.00 pm on Tuesday, 15 January 2019

Present:

Members: Councillor J Blundell (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 L Bigham
Councillor J Birdi
Councillor R Brown
Councillor K Caan
Councillor J Clifford
Councillor G Crookes
Councillor G Duggins
Councillor L Harvard
Councillor P Hetherton
Councillor J Innes
Councillor B Kaur
Councillor L Kelly
Councillor D Kershaw
Councillor T Khan
Councillor AS Khan
Councillor R Lakha
Councillor R Lancaster
Councillor M Lapsa
Councillor J Lepoidevin
Councillor A Lucas
Councillor P Male
Councillor K Maton
Councillor T Mayer
Councillor J McNicholas
Councillor C Miks
Councillor J Mutton
Councillor M Mutton
Councillor J O'Boyle
Councillor G Ridley
Councillor E Ruane
Councillor K Sandhu
Councillor T Sawdon
Councillor P Seaman
Councillor B Singh
Councillor R Singh
Councillor D Skinner
Councillor T Skipper
Councillor H Sweet
Councillor K Taylor
Councillor R Thay
Councillor C Thomas
Councillor D Welsh
Councillor G Williams

Honorary Alderman: Mrs H Fitzpatrick, Mrs J Wright

Apologies: Councillor D Gannon and S Walsh
Honorary Aldermen J Gazey and M Hammon

PUBLIC BUSINESS

84. **Minutes of the Meeting held on 4 December 2018**

The Minutes of the Meeting held on 4 December 2018 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 Minute 98 below headed "Land and buildings between Corporation St, Upper Well St, Lamb Street, Chapel Street and Bishop Street, Coventry, CV1 4AD - Lease re-gear", on the

grounds that it involved the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and that in all of the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

86. **Coventry Good Citizen Award**

There was no Coventry Good Citizen Award.

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

New Year Honours

The Lord Mayor referred to awards made to the following Coventry citizens in the recent New Year's Honours List:

- **DAME** to Professor Madeleine Atkins CBE, former Vice Chancellor of Coventry University and Award of Merit recipient in 2013, for services to higher education.

- **OBE** to James Cooper for his voluntary political service in the West Midlands

- **MBE** to Roger Medwell for his services to the community

- **George Medal** to Richard Stanton for his gallantry in rescuing the young boys trapped in a cave in Thailand.

The Lord Mayor reported that, on behalf of the City Council, he had sent a letter of congratulations to all recipients.

88. **Petitions**

RESOLVED that the following petitions be referred to the appropriate City Council Bodies:

(a) Requesting the Council to ban all lorries and vans from loading and unloading outside Coventry Turf & Landscaping, located on Avon Street. – 59 signatures, presented by Councillor K Caan on behalf of Councillor N Akhtar.
(b) Requesting that St Christians Croft to be added to the residents parking scheme (C3) for St Christians Road etc. – 8 signatures, presented by Councillor R Bailey.
(c) Requesting the Council to investigate the state of the uneven paving slabs on the footways and pavements running along either side of Derwent Road – 51 signatures, presented by Councillor J Birdi.
(d) Requesting the Council to return the grit bin on Aspen Close as soon as possible to its original location – 13 signatures, presented by Councillor M Lapsa.

(e) Following the tragic hit and run of Adeel Gul, residents of Allesley Old Road want urgent safety measures introduced to help reduce the speed of vehicles travelling along this road – 2081 signature, presented by Councillor L Kelly.

89. **Declarations of Interest**

There were no declarations of interest.

90. **The 2019/20 Council Tax Base Report**

Further to Minute 92 of the Cabinet, the City Council considered a report of the Deputy Chief Executive, Place, which established the 2019/2020 Council Tax base for tax setting purposes.

The Council Tax base was the measure of the taxable capacity of an area for the purpose of calculating an authority's Council Tax. It represented the estimated number of Band D equivalent chargeable dwellings for the year. It also took into account the authority's estimated Council Tax collection rate.

The report also included details of recent legislative changes that allowed additional council tax premiums to be charged on long term empty properties. It included a recommendation that Council made full use of this flexibility and charged the maximum premium, on the basis that this would incentivise owners to bring empty properties back into use.

This report did not set the actual level of Council Tax in Coventry, this would be set by the Council at the meeting on the 19th February 2019.

RESOLVED that the City Council approve that, as permitted by The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, the Council charges the following council tax premiums on long term empty properties:

- **From 1 April 2019 a council tax premium of 100 per cent will be applied to properties that have been empty and unfurnished for two years;**
- **From 1 April 2020 a council tax premium of 200 per cent will be applied to properties that have been empty and unfurnished for more than 5 years;**
- **From 1 April 2021 a council tax premium of 300 per cent will be applied to properties that have been empty and unfurnished for more than 10 years.**

91. **LGA Corporate Peer Challenge - Outcome of Peer Challenge**

Further to Minute 97 of the Cabinet, the City Council considered a report of the Deputy Chief Executive, People, which provided details of the outcome of the Local Government Association (LGA) Corporate Peer Challenge. The full Feedback Report and the Council Response to Peer Team Recommendations were attached as Appendices to the report.

The LGA was the national voice of local government, working with Councils to support, promote and improve local government. A major part of the LGA support was the offer to each Council to have a Corporate Peer Challenge every four or five years.

In 2018 it was agreed that Coventry City Council would host an LGA Corporate Peer Challenge. The Peer Challenge took place from 9 to 12 October 2018. The visit focused on how we understand our place and set our priorities, our leadership and governance, financial planning, and our capacity to deliver on what we set out to achieve. These areas are considered by the LGA in all Local Authorities that they visit to conduct a Peer Challenge.

We also asked the Peer Team to look at our approach to housing and homelessness, our readiness for UK City of Culture 2021, how we make the most of social value in our capital projects and our One Coventry approach. These areas were specifically chosen on the basis that they would benefit from some external challenge and feedback on both current and future delivery plans.

Following the Peer Challenge visit, the Council had reflected on the Team's findings and suggestions in order to determine its response to the recommendations that had been made. It was the responsibility of the Extended and Corporate Leadership Teams to have oversight of, and accountability for, delivery of this work.

The Cabinet had agreed the recommendation of the Chair of Scrutiny Co-ordination Committee in relation to the outcome of the Peer Challenge that as well as being monitored through the One Coventry Change Board and Strategic Management Board, the improvement plan associated with the Peer Challenge was also monitored by Scrutiny on a regular basis next Municipal Year.

RESOLVED that the City Council note the contents of the Peer Challenge Team's Feedback Report and the associated Council Response document and support the work of the Extended and Corporate Leadership Teams response to recommendations made by the Peer Challenge Team.

92. **Land and buildings between Corporation St, Upper Well St, Lamb Street, Chapel Street and Bishop Street, Coventry, CV1 4AD - Lease re-gear**

Further to Minute 99 of the Cabinet, the City Council considered a report of the Deputy Chief Executive, Place, on proposals for the development of the land and buildings between Corporation Street, Upper Well Street, Lamb Street, Chapel Street and Bishop Street.

A corresponding private report was also submitted to the meeting setting out the commercially confidential matters of the proposals. (Minute 98 below refers.)

As part of the City's plans to host an outstanding UK City of Culture 2021 programme, promote Coventry's visitor economy and deliver its wider economic development agenda, Coventry City Council was committed to seeing new high quality hotel developments delivered within the city centre.

There was an opportunity to facilitate the delivery of a new 'boutique' hotel for the city, to be open and operational before 2021, through a proposal to be delivered by Far Gosford Developments Limited who were prepared to invest a significant amount of funding to refurbish and redevelop the vacant former Coventry Evening Telegraph buildings on Corporation Street. The proposed hotel site was situated within a wider 2.6 acre regeneration opportunity of which the Council was the freeholder of the land.

To safeguard the Council's position and the delivery of the overall development, Heads of Terms for a contract for sale and agreement for lease had been agreed which required Far Gosford Developments Limited to deliver a quality hotel and to pay Performance Security Deposits into an escrow account where monies were only then released and returned to the developer once certain hotel delivery milestones were met. The requirement for Performance Security Deposits had been secured to ensure that should the boutique hotel not be delivered, the Council was put in a position as if it had sold the other sites in isolation.

RESOLVED that the City Council accepts from Far Gosford Developments Limited the amount which represents the Open Market Value of Site 2 and 3 as Performance Security Deposits for the delivery of the hotel, such Performance Security Deposits to be released on satisfaction of the triggers as set out in the Heads of Terms.

93. **Appointments**

The Council considered a report of the Deputy Chief Executive, Place, seeking approval to changes and appointments to the Council's Licensing and Regulatory Committee and Health and Social Care Scrutiny Board (5), the Joint Health Overview and Scrutiny Committee with Warwickshire County Council and to four outside bodies: the Bus Lane Adjudication Service Joint Committee; The Coventry and Solihull Waste Disposal Company Limited - Shareholders' Panel; the Parking and Traffic Regulation Outside London Adjudication Joint Committee; and the Regional Flood and Coastal Committee (Severn and Wye).

RESOLVED that the City Council:

(1) Appoints Councillor J Innes to the following council committees in place of Councillor P Hetherton with immediate effect:

(a) Licensing and Regulatory Committee
(b) Health and Social Care Scrutiny Board (5).

(2) Appoints Councillor J Innes to the Joint Health Overview and Scrutiny Committee with Warwickshire County Council in place of Councillor Hetherton with immediate effect.

(3) Appoints Councillor P Hetherton as its representative on the following outside bodies in place of Councillor J Innes with immediate effect:

(a) Bus Lane Adjudication Service Joint Committee
(b) Coventry and Solihull Waste Disposal Company Limited - Shareholders' Panel

(c) Parking and Traffic Regulation Outside London Adjudication Joint Committee
(d) Regional Flood and Coastal Committee (Severn and Wye)

94. **Question Time**

Councillors K Caan, G Duggins, AS Khan, K Maton and C Thomas provided written answers to the questions 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:

	Questions asked by	Question put to	Subject matter
1	Cllr G Williams	Cllr G Duggins	Staff sickness levels
2	Cllr P Male	Cllr K Maton	Seeking assurances in respect of asbestos in school buildings
3	Cllr G Crookes	Cllr P Hetherton and Cllr AS Khan	Legislation in respect of food labelling in takeaways
4	Cllr G Crookes	Cllr AS Khan	Carjacking crimes in Finham

95. **Statements**

(a) The Cabinet Member for Policy and Leadership, Councillor G Duggins made a Statement in respect of “Progress on the Combined Authority”.

Councillor G Ridley responded to the Statement.

(b) The Cabinet Member for Policy and Leadership, Councillor G Duggins made a Statement in respect of “JLR”.

Councillor G Ridley responded to the Statement.

96. **Debate - Interim Statement on Extreme Poverty and Human Rights**

The following Motion was moved by Councillor K Sandhu and seconded by Councillor R Lakha:

“This Council notes the recent interim statement, published on 16 November 2018, by the UN Special Rapporteur on extreme poverty and human rights, Professor Philip Alston.

Professor Alston lays bare the misery of the impact of austerity on our communities and the political motivation. He writes “Austerity could easily have spared the poor, if the political will had existed to do so. Resources were available to the Treasury at the last budget that could have transformed the situation of millions of people living in poverty, but the political choice was made to fund tax cuts for the wealthy instead.”

“Government ministers were almost entirely dismissive, blaming political opponents for wanting to sabotage their work, or suggesting that the media didn’t really understand the system and that Universal Credit was unfairly blamed for problems rooted in the old legacy system of benefits."

The level of Government funding per household figure for Coventry has fallen by more than £850 between 2010/11 and 2018/19 which is a loss of funding per person of £390 thereby reducing our ability to protect our services and our citizens from the savagery of austerity.

Therefore this council calls upon the UK Government to adhere to UN Special Rapporteur's conclusions within his interim statement:

1. The legislative recognition of social rights should be a central part of Brexit negotiations with social inclusion as a guiding principle of social policy
2. The UK should introduce a single measure of poverty and measure food security.
3. The government should initiate an expert assessment of the cumulative impact of tax and spending decisions since 2010 and prioritize the reversal of particularly regressive measures, including the benefit freeze, the two-child limit, the benefit cap, and the reduction of the housing benefit for under-occupied social rented housing.
4. The Government should ensure local governments have the funds needed to tackle poverty at the community level, and take varying needs and tax bases into account in the ongoing Fair Funding Review.
5. The Department of Work and Pensions should conduct an independent review of the effectiveness of reforms to welfare conditionality and sanctions introduced since 2012, and should immediately instruct its staff to explore more constructive and less punitive approaches to encouraging compliance.
6. The five week delay in receiving benefits under universal credit should be eliminated, separate payments should be made to different. household members and weekly or fortnightly payments should be facilitated.
7. Transport, especially in rural areas, should be considered an essential service, equivalent to water and electricity, and the government should regulate the sector to the extent necessary to ensure that people living in rural areas are adequately served. Abandoning people to the private market in relation to a service that affects every dimension of their basic well-being is incompatible with human rights requirements.

As the country moves toward Brexit, the Government should adopt policies designed to ensure that the brunt of the resulting economic burden is not borne by its most vulnerable citizens."

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

Notes:

(a) In accordance with the Constitution, a recorded vote was taken.
(b) Councillors R Brown, T Sawdon and G Williams did not take part in the vote as they had left the meeting before the vote was taken.

The Councillors voting for and against the Motion were as follows:

For	**Against**	**Abstain**
Councillor F Abbott	Councillor A Andrews	
Councillor N Akhtar	Councillor R Bailey	
Councillor P Akhtar	Councillor J Birdi	
Councillor R Ali	Councillor G Crookes	
Councillor R Auluck	Councillor M Lapsa	
Councillor S Bains	Councillor J Lepoidevin	
Councillor L Bigham	Councillor P Male	
Councillor K Caan	Councillor T Mayer	
Councillor J Clifford	Councillor G Ridley	
Councillor G Duggins	Councillor D Skinner	
Councillor L Harvard	Councillor K Taylor	
Councillor P Hetherton		
Councillor J Innes		
Councillor B Kaur		
Councillor L Kelly		
Councillor D Kershaw		
Councillor A Khan		
Councillor T Khan		
Councillor R Lakha		
Councillor R Lancaster		
Councillor A Lucas		
Councillor J McNicholas		
Councillor K Maton		
Councillor C Miks		
Councillor J Mutton		
Councillor M Mutton		
Councillor J O'Boyle		
Councillor E Ruane		
Councillor K Sandhu		
Councillor P Seaman		
Councillor B Singh		
Councillor R Singh		
Councillor T Skipper		
Councillor H Sweet		
Councillor R Thay		
Councillor C Thomas		
Councillor D Welsh		

Result: Carried
For: 37
Against: 11
Abstentions: 0

97. **Debate - Review of Maintenance Contracts Levied Against Homeowners on New Developments**

The following Motion was moved by Councillor P Male and seconded by Councillor M Lapsa:

"This Council calls for a review of maintenance contracts levied against homeowners on new developments".

The following amendment (additional wording in bold) was moved by Councillor E Ruane, seconded by Councillor B Kaur and, in accordance with the Constitution, accepted by Councillor P Male:

"This Council calls for a review of maintenance contracts levied against homeowners on new developments **and for greater transparency about how estate maintenance fees are spent. The Government should fully support Helen Goodman, Labour MP Private Members Bill, titled The Freehold Properties (Management Charges and Shared Facilities) Bill, which calls for a cap on estate maintenance fees, to give people the security of knowing prices cannot increase indefinitely. The Bill will introduce measures to ensure shared facilities are maintained to an adequate standard, heading off money for nothing culture of property companies and the Bill will make provision for the self-management of communal areas by resident groups if this is a route they wish to take".**

RESOLVED that the Motion as set out below be unanimously adopted:

"This Council calls for a review of maintenance contracts levied against homeowners on new developments and for greater transparency about how estate maintenance fees are spent. The Government should fully support Helen Goodman, Labour MP Private Members Bill, titled The Freehold Properties (Management Charges and Shared Facilities) Bill, which calls for a cap on estate maintenance fees, to give people the security of knowing prices cannot increase indefinitely. The Bill will introduce measures to ensure shared facilities are maintained to an adequate standard, heading off money for nothing culture of property companies and the Bill will make provision for the self-management of communal areas by resident groups if this is a route they wish to take".

PRIVATE BUSINESS

98. **Land and buildings between Corporation St, Upper Well St, Lamb Street, Chapel Street and Bishop Street, Coventry, CV1 4AD - Lease re-gear**

Further to Minute 92 above, the City Council considered a private report of the Deputy Chief Executive, Place, setting out the commercially confidential matters relating to the delivery of a new 'boutique' hotel for the City through the redevelopment of the vacant former Coventry Evening Telegraph buildings on Corporation Street, and the disposal of adjacent sites at Chapel Street, Lamb Street and Bishop Street, to deliver student accommodation.

RESOLVED that the City Council accept from Far Gosford Developments Limited the amount which represents the Open Market Value of Site 2 and 3 as Performance Security Deposits for the delivery of the hotel, such Performance Security Deposits to be released on satisfaction of the triggers as set out in the Heads of Terms.

(Meeting closed at 5.15 pm)

Coventry City Council

Public report

Finance and Corporate Services Scrutiny Board (1)	6th February 2019
Cabinet	12th February 2019
Council	19th February 2019

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 Responses: Business Rates Retention Reform and Review of Local Authorities' Relative Needs and Resources

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Is this a key decision?
No

Executive Summary:

The Government issued two consultation documents on 13th December 2018 entitled "Review of Local Authorities' Relative Needs and Resources" and "Business Rates Retention Reform". The consultations form part of the Government's over-haul of local government finance which is due to take effect in the financial year 2020/21. This will incorporate an overall settlement determined by the 2019 Spending Review, new baseline funding allocations for individual local authorities informed by an up-to-date assessment of their relative needs and resources and the impact of a new 75% Business Rates retention model. Responses are required by 21st February 2019 and the Council's proposed responses are attached as Appendices 1 and 2.

The significance of the outcome of such a consultation make it important for the Council to add its own response. The majority of the consultation questions focus on detailed technical aspects of the potential funding arrangements. Given the lack of transparency of the current funding model and the length of time that it has been in operation, it is not possible to draw firm conclusions on the likely impact of any changes to funding arrangements implied by the Council's responses. The expectation should be that such a review results in a system that is evidence based, robust and fair and the Council's proposed responses are aimed at achieving such an outcome.

Recommendations:

Finance and Corporate Services Scrutiny Board (1) is recommended to:

1) Consider the report and make any recommendations to Cabinet

The Cabinet is recommended to:

1) Consider comments and recommendations from the Finance and Corporate Services Scrutiny Board (1).

2) Recommend to Council that they approve the attached consultation response to be sent to the Ministry of Housing, Communities and Local Government.

Council is recommended to:

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

List of Appendices included:

Appendix 1: Consultation response - Review of Local Authorities' Relative Needs and Resources
Appendix 2: Consultation response – Business Rates Retention Reform

Other useful background papers:
None

Has it been or will it be considered by Scrutiny?
Yes - Finance and Corporate Services Scrutiny Board (1), 6th February 2019

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 19th February 2019

Report Title: Consultation Response: Business Rates Retention Reform and Review of Local Authorities' Relative Needs and Resources

1. Context (or background)

1.1 The Government issued two consultation documents on 13th December 2018 entitled "Review of Local Authorities' Relative Needs and Resources" and "Business Rates Retention Reform". The consultations form part of the Government's over-haul of local government finance which is due to take effect in financial year 2020/21. This will incorporate an overall settlement determined by the 2019 Spending Review, new baseline funding allocations for individual local authorities informed by an up-to-date assessment of their relative needs and resources and the impact of a new 75% Business Rates retention model. Responses are required by 21st February 2019 and the Council's proposed responses are attached as Appendices 1 and 2.

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 responses are attached at Appendices 1 and 2. The expectation should be that such reviews result in a system that is evidence based and fair. On this basis the proposed responses to the consultation questions 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 consultations result in models that were 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:

- Notwithstanding 'how' resources are allocated in any new system, the most important factor is 'how much' funding is available. This will be determined by the Spending Review rather than the outcome of these consultations.
- The system must continue to protect authorities with higher needs and which may end up being 'losers' between baseline resets.
- The new arrangements should push for a more dynamic system with regular refreshes, up to date data, baseline resets and quicker 'transitions' (e.g. not damping that goes on for ever).
- The response makes the point that arguments from some authorities around sparsity and negative Revenue Support Grant (RSG) are not evidence based and should not be allowed to distort the outcomes.
- Councils should gain the benefit or bear the cost of local decision making (so resource needs should be assessed using notional assumptions of Council Tax not actual levels and not adjusting for local decisions on Council Tax Support).
- The response argues against fees and charges being adjusted for within the system on the basis that it is impossible to measure their impact reliably.
- The response argues for partial and phased element of resets and for Councils to keep the majority of Business Rates growth that results from local economic growth.

3. Results of consultation undertaken

3.1 No specific consultation has been undertaken.

4. Timetable for implementing this decision

4.1 The consultation responses are required to be made by 21st February 2019. The revised local government finance system is due to come into force from financial year 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 consultations. 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.

The indicative position suggested by the information available at a whole Government level is that local government funding will continue to be under pressure beyond 2019/20. This will be further informed by the Government's Spending Review which will be announced sometime over the summer of 2019 and the results of the review of the overall local government finance system in the autumn of 2019.

5.2 Legal implications
There are no specific legal implications resulting from the report.

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	21/1/19	21/1/19
Lara Knight	Governance Services Co-ordinator	Place Directorate	21/1/19	21/1/19
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Director of Finance and Corporate Services	Place Directorate	21/1/19	28/1/19
Legal: Carol Bradford	Corporate Governance Lawyer	Place Directorate	21/1/19	23/1/19
Director: Martin Yardley	Deputy Chief Executive	Place Directorate	29/1/19	29/1/19
Members: John Mutton	Cabinet Member Strategic Finance and Resources		18/1/19	18/1/19

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Consultation Response: Review of local authorities relative needs and resources

Coventry City Council supports the principle that a local government finance system should enable the delivery of decent services to local people. Such a system relies upon two fundamental factors - an adequate overall allocation of resources and a robust and equitable system to allocate those resources.

On the first of these measures, reduced revenue funding over recent years and increased demand pressures across local government have led to an overwhelming view in the sector that the current level of funding is insufficient. The Government has not provided an indicative value for the overall level of local government funding beyond 2019/20 although independent analysis of future Government funding levels suggests that local government will continue to suffer reductions. Therefore, however equitable the resource allocation system, the Council's concern is that the majority of local authorities will be faced with an inadequate level of funding from 2020/21.

There is a point worth repeating that the significant level of uncertainty, the very large potential scale of change and the lateness with which local government is likely to be informed of settlement information make this a very unsatisfactory process from councils' point of view, notwithstanding any transition arrangements. This is no way to run very large public sector organisations.

The Council notes, with disappointment, the Government's continued support in the areas of rural delivery grant and so called negative RSG 'compensation'. These have no evidence base to support them and they do not appear to contribute to delivery of a fair funding settlement within the existing system. It will be crucial that such spurious constructs are not included in the proposals going forward.

It is recognised that the consultation involves complex issues that even experienced and expert practitioners have found challenging. For the most part the worlds of Business Rates Retention and Needs and Resources may have been considered in isolation from each other. However, there are some issues that may enable at least a degree of synergy in terms of the timing and nature of baseline refreshes (for instance, the interaction of partial and phased resets). If this has not already been considered our view is that it is worth at least cursory consideration to see if a more holistic funding system can be developed.

Detailed responses to the consultation questions are included below:

1. Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?

   In broad terms the approach taken in the relative needs assessment appears to be logical and the Council has only a small number of comments on the proposals. The Council's view is that as a minimum deprivation should be included as a cost driver across a significant proportion of the overall relative needs assessment but, in particular and preferably, deprivation should be incorporated within the Upper Tier Foundation Formula.

   The consultation refers to future proofing being one of the key elements of the needs assessment. In this respect Coventry has experienced very significant recent cost increases in relation to homelessness which we understand have been felt in a number of other authorities. If this is a theme raised by other authorities we would request consideration of whether this issue is adequately reflected within the new system.

   It is fair to say that the length of time that has elapsed since the needs assessment was refreshed and the opaqueness that exists in the current system makes it impossible for an objective and evidence based view to be drawn on a comparison between the current and newly proposed systems.

It is also worth noting that, to the extent that the needs assessment has previously provided for the absolute needs of local communities, the reductions in funding within the system over recent years mean that the relative needs assessment will inevitably result in the allocation of an insufficient overall level of funding.

2. What are your views on the best approach to a Fire and Rescue Services funding formula and why? Question

   Coventry is not a Fire and Rescue Authority and does not have an authority specific view on a Fire and Rescue funding formula.

3. What are your views on the best approach to Home to School Transport and Concessionary Travel?

   The Council supports the proposed approach to carry out further analysis on potential alternative approaches in order to determine whether this approach adequately reflects local authorities' relative needs.

4. What are your views on the proposed approach to the Area Cost Adjustment?

   The Council supports the principle of an Area Cost Adjustment to reflect differences in local cost bases, where this is supported by sufficient significance and variability. However, in our view the Area Cost Adjustments should not be determined through any separate or parallel statistical analysis, which could risk double counting the importance of factors such as rurality/sparsity/remoteness. 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.

5. Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?

   We agree that the Government should continue to take account of existing non-discretionary elements in the measurement of the council tax-base. We also agree that an adjustment should be introduced in relation to the income foregone due to the pensioner-age element of local council tax support. It is important that these adjustments are applied annually based on the most up to date information available.

6. Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?

   The Council favours an approach that enables the financial impact of local decisions to be contained at a local level. Therefore an assumptions based approach should be used to measure the impact of discretionary decisions. This will involve an assumption that a common approach has been taken across all authorities in order to avoid taking direct account of local policy choices.

7. Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?

In line with the response to question 6. We do not agree that the Government should take account of the income foregone due to local council tax support for working age people. There is no logic in enabling Council's to have local discretion over such a scheme and then adjusting for this at a national level.

8. Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?

Consistent with the response to question 7, the Council agrees with the consultation's view that a notional assessment of council tax levels should be applied when making the relative resources adjustment. Using a notional council tax level, would mean that local authorities with similar tax bases and a similar assessment of relative needs would receive broadly similar baseline funding levels, irrespective of their actual council tax levels.

Our understanding is that the existing resource allocation system (as originally implemented) was based on the use of the arithmetic mean of a notional council tax level. If this is not the chosen method, the Council's preference would be for the notional approach to be applied in a way that supports greater equalisation of funding relative to assessed need.

It is worth adding that the Council's view is that the argument set out in the consultation document around authorities paying 100% of their business rates baseline as a tariff is a bogus one. This position is purely an arithmetic outcome which does not in itself demonstrate that affected authorities have been in any way disadvantaged by funding formula (current or future).

9. What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?

The Government should use an assumed collection rate not actual collection rates. In this way councils will remain incentivised to maximise collection.

10. Do you have views on how the Government should determine the allocation of council tax between each tier and/or fire and rescue authorities in multi-tier areas?

Coventry is not a multi-tier authority and does not have an authority specific view on the allocation of council tax between tiers.

11. Do you agree that the Government should apply a single measure of council tax resource fixed over the period between resets for the purposes of a resources adjustment in multi-year settlement funding allocations?

We do not agree that the Government should apply a single measure fixed over the period. Such an approach increases the likelihood of significant resource changes at the end of each reset period instead of these being experienced more incrementally each year. Instead the Council would prefer to see projections of council tax resources included within a revised system. This could include projections on a partial basis or on a phased basis, potentially in line with one of the approaches being explored for business rates resets.

12. Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?

The Council recognises and has some sympathy with the case set out in the consultation document for taking into account local authorities' ability to raise sales, fees and charges when assessing local authority relative resources. However, the arguments against doing this are persuasive ones. The Council's view is that the relatively limited scale of such income, the challenges of measuring it, the degree of potential volatility and the disincentive impact on councils are such that sales, fees and charges should not be taken into account when measuring relative resources.

13. If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken into account?

    Legislation already exists for applying surplus parking income and a range of other sources of income. The Council's view is that it would be inappropriate to treat any one of these income sources in an exceptional way.

14. Do you agree with the proposed transition principles, and should any others be considered by the Government in designing of transitional arrangements?

    Transition arrangements in the form of damping, continue to exist in the existing funding arrangements despite the fact that these arrangements were established many years ago. Therefore, while recognising the need for a degree of funding stability the Council's view is that the need for transition arrangements to be time-limited is of paramount importance. Transparency should be a fundamental expectation of transitional arrangements and should include the total level and individual council levels of transitional funding.

15. Do you have views on how the baseline should be constructed for the purposes of transition?

    We welcome the intention to engage with the sector to arrive at the best measure for setting the baseline. However, the Council would be strongly opposed to the baseline including elements of funding that are not and have never been supported by an evidence based assessment of needs and resources. These include damping that has not been unwound from previous resets of the local government finance system. It also includes more recent funding decisions (sometimes in the form of specific grants) in relation to Rural Services Delivery Grant and Negative RSG 'compensation'. The Council's view is that these elements have been included in recent settlements in response to vocal submissions from parts of the local government community but which are not justified by the available evidence base in terms of an assessment of needs and resources.

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

    The content of the consultation does not provide a basis for making any specific comments on this aspect.

Consultation Response: Business rates retention reform

Coventry City Council supports the principle that a local government finance system should enable the delivery of decent services to local people. Such a system relies upon two fundamental factors - an adequate overall allocation of resources and a robust and equitable system to allocate those resources.

On the first of these measures, reduced revenue funding over recent years and increased demand pressures across local government have led to an overwhelming view in the sector that the current level of funding is insufficient. The Government has not provided an indicative value for the overall level of local government funding beyond 2019/20 although independent analysis of future Government funding levels suggests that local government will continue to suffer reductions. Therefore, however equitable the resource allocation system, the Council's concern is that the majority of local authorities will be faced with an inadequate level of funding from 2020/21.

There is a point worth repeating that the significant level of uncertainty, the very large potential scale of change and the lateness with which local government is likely to be informed of settlement information make this a very unsatisfactory process from councils' point of view, notwithstanding any transition arrangements. This is no way to run very large public sector organisations.

It is recognised that the consultation involves complex issues that even experienced and expert practitioners have found challenging. For the most part the worlds of Business Rates Retention and Needs and Resources may have been considered in isolation from each other. However, there are some issues that may enable at least a degree of synergy in terms of the timing and nature of baseline refreshes (for instance, the interaction of partial and phased resets). If this has not already been considered our view is that it is worth at least cursory consideration to see if a more holistic funding system can be developed.

Detailed responses to the consultation questions are included below:

1. Do you prefer a partial reset, a phased reset or a combination of the two?

   The Council has previously indicated its support for a partial reset of the Business Rates system as one way of ensuring recognition of the growth made by authorities since the last reset. We remain of the view that for local communities to feel the benefits of economic growth, authorities must be able to build the majority of the resulting income into their base budgets. A phased reset introduced alongside a partial reset may help to smooth the impact of volatile movements and we would welcome the intention to undertake further modelling to better understand the implications of such options.

   The Council's response to the relative needs and resources consultation that has run alongside this one has proposed consideration of a similar scheme for Council Tax, that is, one that incorporates a combination of partial and phased resets. There could be benefits in deploying similar and congruent approaches across Council Tax and Business Rates that would help both schemes and the sector's understanding of the overall system.

2. Please comment on why you think a partial/ phased reset is more desirable.

   Our view is that the system could contain an element of both approaches which would help to avoid significant shocks both within and at the end of each reset period.

3. What is the optimal time period for your preferred reset type?

It is essential that if resets are to remain as part of the system, that these are timely to enable baselines to be aligned to resourcing needs – in line with revaluations would make sense. We have previously indicated support for resets at maximum intervals of five years although the Government's subsequent announcement that revaluations will take place every three years provides an updated position on this.
If phased annual resets are introduced, this will effectively take away the need for fixed periodic resets.

It is worth repeating our previously stated view that any system should ensure that any authority which experiences a reduction in income must not be required to retain any losses after a reset has taken place.

4. Do you have any comment on the proposed approach to the safety net?

The indicated safety nets that apply to each of the existing schemes appear to be in within a sensible and manageable range. The Council's view is that the safety net should continue to be funded through a levy on growth so that those authorities that benefit most from the scheme should be asked to cover the cost to those that benefit the least.

5. Do you agree with this approach to the reform of the levy?

We support a system that combines a strong growth incentive that enables authorities to retain a significant proportion of the growth that can reasonably be attributed to their management of their local economy and plans to levy growth that is considered to be extraordinary.

6. If so, what do you consider to be an appropriate level at which to classify growth as 'extraordinary'?

Without ready-access to the supporting information it is difficult to draw an objective conclusion on this subject. However, even the lowest of the suggested options appears to be towards the high-end of a reasonable range for consideration.

7. What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?

Coventry is not a multi-tier authority and does not have an authority specific view on the allocation of council tax between tiers.

8. Should a two-tier area be able to set their tier splits locally?

Coventry is not a multi-tier authority and does not have an authority specific view on the allocation of council tax between tiers.

9. What fiscally neutral measures could be used to incentivise pooling within the reformed system?

The Council would expect support for existing devolutionary plans to be a key part of future Government plans. However, we are not convinced that pooling is necessarily an essential feature of plans for devolutionary collaboration.

10. On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.

The Council is not aware of any such hereditaments.

11. On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.

    The Council is not aware of any such hereditaments.

12. Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?

    The Council understands that the Government is proposing all changes to an authority's local list backdated to the first day of the list (i.e. the beginning of the revaluation cycle) are regarded as a proxy for valuation only change. This will inevitably result in an imperfect system, recognising that any proxy cannot be 100% accurate. However, in the absence of better information the Council accepts that use of a proxy is likely to be the best compromise solution to this issue.

13. Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?

    The Council recognises the significant complexity in the proposals considered under this question and the significant amount of work undertaken by the Business Rates Retention System Design Working Group. In the relatively short time-scale available to consider this consultation it is difficult to give definitive views on the proposed way forward and the alternatives discussed. However, the Council does not have any fundamental objections to several of the key elements of the proposal such as earlier provision of NNDR data and subsequent floating top-up and tariff payments.

14. What are your views on the approach to resetting Business Rates Baselines?

    The Council's view is that the approach to this subject area should be informed by the historical data on appeals provisions available to the Government. This would give an indication of the number and value of outliers created by different approaches. Therefore it seems sensible for the Business Rates Retention Implementation Working Group to continue to work towards a preferred solution as suggested.

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

    The content of the consultation does not provide a basis for making any specific comments on this aspect.

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Coventry City Council

Public report
Cabinet Report

Cabinet	**19 February 2019**
Council	**19 February 2019**

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:
2019/20 Council Tax Setting Report

Is this a key decision?
Yes - Council is being recommended to approve the Council Tax levels for 2019/20

Executive Summary:

This report calculates the Council Tax level for 2019/20 and makes appropriate recommendations to the Council, consistent with the Budget Report 2019/20 on the same agenda. The report recommends a 2.9% 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 Business Rates, 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 2019/20 Band D Council Tax that is calculated through this process has increased by £46.36 from the 2018/19 level.

The Government has legislated that the rise in Coventry City Council's basic Council Tax must be below 3% in 2019/20 to avoid triggering a referendum. The recommendations within the Budget Report 2019/20 are based on a proposed increase in Council Tax of 2.9%.

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 19 February 2019.

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 is recommended:

(1) To note the following Council Tax base amounts for the year 2019/20, as approved by Cabinet on 8 January 2019, in accordance with Regulations made under Section 31B of the Local Government Finance Act 1992 ("the Act"):

a) 83,400.1 being the amount calculated by the Council as its Council Tax base for the year for the whole Council area;

b)	Allesley	337.8
	Finham	1,548.4
	Keresley	239.0

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 2019/20 in accordance with Sections 31A, 31B and 34 to 36 of the Act :

(a) £744,441,666 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) £609,249,683 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) £135,191,983 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) £1,621.01

$$\frac{(2)(c)}{(1)(a)} = \frac{£135,191,983}{83,400.1}$$

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) £34,615 being the aggregate amount of all special items referred to in Section 34(1) of the Act. *(Parish Precepts);*

(f) £1,620.59 = (2)(d) – $\frac{(2)(e)}{(1)(a)}$ = £1,621.01 – $\frac{£34,615}{83,400.1}$

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	£1,620.59
Allesley	£1,639.62
Finham	£1,634.39
Keresley	£1,649.15

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	1,080.39	1,093.08	1,089.59	1,099.43
B	1,260.46	1,275.26	1,271.19	1,282.67
C	1,440.52	1,457.44	1,452.79	1,465.91
D	1,620.59	1,639.62	1,634.39	1,649.15
E	1,980.72	2,003.98	1,997.59	2,015.63
F	2,340.85	2,368.34	2,360.78	2,382.10
G	2,700.98	2,732.70	2,723.98	2,748.58
H	3,241.18	3,279.24	3,268.78	3,298.30

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 2019/20 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	101.70	40.40
B	118.65	47.13
C	135.60	53.87
D	152.55	60.60
E	186.45	74.07
F	220.35	87.53
G	254.25	101.00
H	305.10	121.20

(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 2019/20 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	1,222.49	1,235.18	1,231.69	1,241.53
B	1,426.24	1,441.04	1,436.97	1,448.45
C	1,629.99	1,646.91	1,642.26	1,655.38
D	1,833.74	1,852.77	1,847.54	1,862.30
E	2,241.24	2,264.50	2,258.11	2,276.15
F	2,648.73	2,676.22	2,668.66	2,689.98
G	3,056.23	3,087.95	3,079.23	3,103.83
H	3,667.48	3,705.54	3,695.08	3,724.60

(5) That the Council determines that its relevant basic amount of Council Tax for 2019/20 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 – 19 February 2019

Report title:
2019/20 Council Tax Setting Report

1. Context (or background)

1.1 The purpose of this report is to seek approval for the City's 2019/20 Council Tax. The total planned spending (Gross Expenditure) in 2019/20 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 2019/20 are proposed in the 'Budget Report 2019/20' that is being considered by the Council in conjunction with this Council Tax Setting Report.

1.3 The Government has legislated that the rise in Coventry City Council's basic Council Tax must be below 3% in 2019/20 to avoid triggering a referendum. The recommendations within the Budget Report 2019/20 are based on a proposed increase in Council Tax of 2.9%.

1.4 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 19 February 2019.

2. Options considered and recommended proposal

2.1 The total Band D Council Tax in 2018/19 was £1,761.62. The figures calculated in this report represent a 2.9% increase from the 2018/19 figures for the City's Council Tax, and a 4.1% increase in total.

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

	Band D £	Increase from 2018/19 %	Proportion of total bill %
Coventry City Council	1,620.59	2.9	88.4
Police and Crime Commissioner for the West Midlands	152.55	18.7	8.3
West Midlands Fire Authority	60.60	3.0	3.3
Total Coventry Council Tax	1,833.74	4.1	100.0

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 £1,133.82, 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.	%	Council Tax 2 + Adults[1] £	1 Adult [1] £
Band A dwellings entitled to Disabled Persons Relief		5/9	142	0.1	1,018.74	764.05
A	Up to £40,000	6/9	53818	39.9	1,222.49	916.86
B	£40,001 to £52,000	7/9	40608	30.1	1,426.24	1,069.68
C	£52,001 to £68,000	8/9	22700	16.8	1,629.99	1,222.49
D	£68,001 to £88,000	9/9	9340	6.9	1,833.74	1,375.30
E	£88,001 to £120,000	11/9	4590	3.4	2,241.24	1,680.93
F	£120,001 to £160,000	13/9	2256	1.7	2,648.73	1,986.55
G	£160,001 to £320,000	15/9	1357	1.0	3,056.23	2,292.17
H	Over £320,000	18/9	103	0.1	3,667.48	2,750.60
			134,914	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. 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 2019.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

A £1m increase or decrease in either the City Council's 2019/20 Council Tax requirement or Government grant, would lead to a £11.99 increase or decrease in Band D Council Tax (£7.41 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 £83,400.

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 2019/20 Report, Council 19 February 2019.

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

Name and job title: Lead Accountant

Directorate: Place

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Councillor John Mutton	Cabinet Member (Strategic Finance and Resources)		8/2/2019	8/2/2019

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Coventry City Council

Public report
Cabinet

Cabinet	19th February 2019
Council	19th February 2019

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 2019/20

Is this a key decision?
Yes - The report sets the Council's Revenue Budget for 2019/20, the Capital Programme for 2019/20 to 2023/24 and the Council's Capital, Treasury Management and Commercial Investment Strategies.

Executive Summary:
This report follows on from the Pre-Budget Report approved by Cabinet on 27th November 2018 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 2019/20 incorporating the following details:

- Gross budgeted spend of £744m (£17m and 2% higher than 2018/19).
- Net budgeted spend of £232m (£3m lower than 2018/19) funded from Council Tax and Business Rates less a tariff payment of £19.6m due to Government.
- A Council Tax Requirement of £135.2m (£7.9m and 6% higher than 2018/19), reflecting a City Council Tax increase of 2.9% detailed in the separate Council Tax Setting report on today's agenda.
- A number of new expenditure pressures and savings proposals within Council services.
- A Capital Strategy including a Capital Programme of £195.3m including expenditure funded by Prudential Borrowing of £50.3m.
- An updated Treasury Management Strategy.
- In the response to new regulatory requirements and for the first time, a Capital Strategy and a Commercial Investments Strategy.

The financial position in this Budget Report is based on the Final 2019/20 Local Government Finance Settlement and incorporates anticipated reductions in funding over the next 3 years. This position contains significant uncertainty for the period after 2019/20 which will be subject to the combination of a new national Spending Review, a revised allocation model within the Local Government sector and a new national 75% Business Rates retention model. As a result it is impossible to provide a robust financial forecast at this stage. Nevertheless, initial assumptions and existing trends are sufficiently firm to indicate that in all likelihood there will be a substantial gap for the period following 2020/21. The view of the Council's Director of Finance and Corporate Services is that the Council should be planning for such a position.

2019/20 will see the Council continue, along with the other 6 West Midlands councils, to participate in a 100% Business Rates Pilot scheme. This will enable 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 financial position included in this report.

The Pre-Budget Report was based on an increase in Council Tax of 2.9% and this position has been maintained for the final proposals in this report. This is within the Government's limit of 3%, above which a referendum would need to be held. This proposed increase will be the equivalent of around 70p 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. However, after taking into account of a delay in the likely achievement of some savings and the emergence of new expenditure pressures, the Council has needed to address a significant financial gap. In broad terms, the Budget has been balanced by additional Council Tax resources, lower costs in contingency budgets and a range of savings identified within services, many of them relating to additional income. 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.

In contrast to recent Budget Reports, the proposals do not provide the Council with a balanced medium term position (i.e. beyond 2019/20). The Council will need to take stock through 2019, both of the revised funding position that will arise from the changes to local government finance this year and of the need for an updated approach to identifying ways to address the expected budgetary gap.

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 £195.3m in 2019/20. These continue to 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 extensive UK Central & Connectivity, Coventry Station Master Plan, UKBIC, and Whitley South Infrastructure projects. Over the next 5 years the Capital Programme is estimated to be £722m as part of the largest recent investment programme delivered by and through the City Council. The Council is aware that it has not delivered significant amounts of its budgeted programmes in recent years and it will seek to ensure that momentum is maintained on those elements of the schemes over which it is able to control.

The annual Treasury Management Strategy, incorporating the Minimum Revenue Provision policy, and also the Commercial Investment Strategy are set out. These cover the management of the Council's treasury and wider commercial investments, cash balances and borrowing requirements. These strategies and other relevant sections of this report reflect the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management

Code and Prudential Code for Capital Finance, as well as statutory guidance on Minimum Revenue Provision (MRP) and Investments.

Recommendations:

That Cabinet recommend to Council the approval of recommendations (1) to (6).

Council is recommended to:

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

(2) Approve the total 2019/20 revenue budget of **£744m** in **Table 1** and **Appendix 3,** established in line with a 2.9% 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 Strategy incorporating the Capital Programme of £195.3m for 2019/20 and the future years' commitments arising from this programme of £526.3m between 2020/21 to 2023/24 detailed in **Section 2.3** and **Appendix 4**.

(5) Approve the proposed Treasury Management Strategy for 2019/20 and Minimum Revenue Provision Statement in **Section 2.4,** the Treasury Investment Strategy and Policy in **Appendix 5** and the Prudential Indicators and limits described in **Section 2.4.9** and detailed in **Appendix 7a**.

(6) Approve the proposed Commercial Investment Strategy for 2019/20 in **Section 2.5** and **Appendidx 6** and the Commercial Investment Indicators detailed in **Appendix 7b**.

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 2019/20 to 2023/24
5	Treasury Investment Strategy and Policy
6	Commercial Investment Strategy
7a&b	Prudential and Investment 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 19th 2019

Budget Report 2019/20

1. Context (or background)

1.1 This report seeks approval for the 2019/20 Revenue Budget and corresponding Council Tax rise, Capital Programme and Strategy, Treasury Management Strategy, Commercial Investment Strategy, together with the associated investment and prudential indicators. The report includes detail of the resources retained as part of the 2019/20 Government funding allocation and forecasts of the Council's medium term revenue financial position. This will represent the fourth year of the Government's four 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 27th November 2018. They have been established in line with the Council's current Medium Term Financial Strategy and Council Plan,

1.3 The Government announced the Final Local Government Finance Settlement for 2019/20 on 29th January 2019. This re-affirmed a continuation of public sector spending reductions for 2019/20. No firm picture has been given for the period starting in 2020/21 although indications are that further reductions should be expected. The uncertainty that surrounds this presently should be addressed as details emerge of the local government funding arrangements through this year.

1.4 Resources available to Coventry through the Local Government Finance Settlement had fallen by c£113m in the period between 2010 and 2018/19 on a like for like basis. The latest position shows a further reduction of c£7m for 2019/20. At the conclusion of last year's Budget process the Council was projecting a balanced budget for 2019/20. However through the current Budget exercise it emerged that some existing savings plans would not be delivered in 2019/20 to the original timescale whilst new budget pressures have also arisen. This resulted in a budget shortfall of £10m in 2019/20 rising to £31m by 2022/23. 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 2018/19 councils nationally had the flexibility to increase Council Tax by up to 3% without holding a local referendum on the matter. There was also additional flexibility to increase Council Tax by a further 3% in recognition of the increasing pressure on Adult Social Care (ASC) services but up to a maximum of 6% over a three year period. Coventry has exercised all of this ASC flexibility over the past two years (with two rises of 3%) so has no further capacity remains for 2019/20. The Pre-Budget Report was approved on the basis of a Council Tax rise of 2.9% - within the Government's 3% limit and the budget being proposed in this report maintains this position.

1.6 Coventry has entered a period of large and sustained infrastructure and other capital investment. The next phases of this are set out in the Capital Programme in section 2.3 and Appendix 4. A large part of the Programme reflects the Council's success 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. It is anticipated that Coventry's UK City of Culture 2021 status will attract further investment into the city and it is also the case that the award has provided an imperative to bring forward some existing plans. It remains important to recognise that whilst this represents an exciting period for the city, it also poses a significant challenge in managing a number of complex and overlapping projects within a relatively compact city and tight timescale. 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 c£722m 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 Whilst local authorities have been required to have a treasury management strategy, recent statutory government guidance extends these requirements to other commercial investments, including service loans, shares and investment properties. The guidance seeks to ensure that authorities have strong commercial risk management arrangements and that such investments are proportionate, relative to the size and financial capacity of the authority.

1.9 Revenue Resources

1.9.1 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

2018/19 £000s		2019/20 £000s	(Increase)/ Decrease £000s	Increase/ (Decrease)
(127,253)	A: Council Tax Requirement	(135,192)	(7,939)	6%
(116,992)	B: Business Rates Income	(116,276)	716	(1%)
9,455	C: Tariff	19,618	10,163	107%
(401,964)	D: Specific Grants (see section 3.4)	(409,800)	(7,836)	2%
(90,276)	E: All Other Income	(102,792)	(12,516)	14%
(234,790)	Funding of Net Budget (A + B + C)	(231,850)	2,940	(1%)
(727,030)	Funding of Gross Budget (A + B + C + D + E)**	(744,442)	(17,412)	2%

Line A above reflects the city Council Tax increase of 2.9%, plus growth in the city's tax-base and changes to the assumed level of discounts and allowances. In addition to other Fees and Charges, line E includes Council Tax and Business Rates Collection Fund surpluses/deficits, dividend payments and contributions from reserves.

1.9.2 Due to impending changes in the Local Government Finance model and 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 £7m in 2019/20 and current financial modelling assumes a similar trajectory of resource loss in 2020/21 and 2021/22. The reality is that there is no reliable estimate for the years beyond 2019/20 which could be subject to significant fluctuation depending on the overall allocation of resources to Local Government and how this is apportioned to individual local authorities within the model.

1.9.3 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. The Government has used a measure termed Settlement Funding Assessment (SFA) as a proxy for the share of Revenue Support Grant and national Business Rates that the local authority is due. On this measure, the indicative position is that the 2010/11 equivalent SFA provided £1,642 of funding for every household in the city. Since then, the number of Coventry households has increased as overall resources have been cut and the equivalent funding per household figure for 2019/20 has fallen by more than £950 over the period to under £700.

1.9.4 Notwithstanding the resource cuts for Coventry, the Council's participation in the West Midlands Business Rates Pilot has enabled it to reduce the impact of this. 99% of Business Rates income is being 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.

1.9.5 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 to Government in contrast to the top-up payment that it used to receive from Government under previous funding arrangements. This tariff payment increased to £9.5m in 2018/19 and now stands at £19.6m for 2019/20. This 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. This shift reflects a combination of cuts to Government funding for local government and to a limited degree, 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 assessment 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 more self-sufficient.

1.9.6 The Government has announced previously the establishment of 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.

1.9.7 In overall terms specific revenue grant funding has increased between 2018/19 and 2019/20 from £402m to £410m 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 £189m in 2018/19. Housing Benefit Subsidy payments have been estimated at £114m, whilst other significant grants include Public Health (£21m), adult social care funding (£33m*) including the Improved Better Care Fund, New Homes Bonus (£5m) and assumed Adult Education funding (£6m).

*An additional Winter Pressures grant has been announced for 2019/20 amounting to £1.551m. The Grant conditions require this to be pooled into the Better Care Fund via the Improved Better Care Fund.

1.9.8 The Council's capital and revenue programmes, including treasury and commercial activities are managed in parallel through consolidated planning, in year monitoring and year end processes, within the context of the Medium Term Financial Strategy. The Constitution, including the Financial Procedure Rules, set out thresholds that determine the level at which financial approval is required by officers or the appropriate member forum, up to Council. Central to the approach is the the principal that recommendations are supported by appropriate business cases.

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 that have occurred to the financial proposals 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 2.9%.

2.1.2 The report seeks approval for a 2019/20 Capital Programme of £195.3m compared with the initial 2018/19 programme of £262m. 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 Treasury Investment Strategy and Policy **(Appendix 5),** the Commercial Investment Strategy **(Appendix 6) and** the Prudential and Investment Indicators (**Section 2.4.9** and **Appendix 7**).

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 27th November 2018 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 2019/20 but indicate that a financial gap will arise based on known current conditions fo subsequent years.

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

	Appx 1 Line Ref	2019/20 £m	2020/21 £m	2021/22 £m
Pre-Budget Report Position		**0.6**	**16.75**	**23.9**
Our Future Workforce (Workforce Reform)	2	1.9	0.0	0.0
2019/20 Adult & Children's Social Care Funding	2a	(2.65)	0.0	0.0
2019/20 Adult Social Care Winter Pressures Funding	2b	(1.55)	0.0	0.0
New Homes Bonus	2c	(1.35)	0.0	0.0
Housing & Homelessness	3	1.0	0.0	0.0
Loss of Coventry & Warwickshire Business Rates Pool Surplus	4	(0.4)	0.0	0.0
2019/20 Adult & Children's Social Care	7a	1.15	0.0	0.0
2019/20 Adult Social Care Winter Pressures	7b	1.55	0.0	0.0
Community Support Grants	7c	0.15	0.15	0.15
Waste Disposal	7d	0.8	0.8	0.8
Godiva Festival	7e	0.4	0.0	0.0
Inflation Contingency	10	0.4	0.0	0.0
2018/19 Coventry & Warwickshire Business Rates Pool Surplus	14	0.3	0.2	0.1
Coventry and Solihull Waste Disposal Company Dividends	16a	(2.3)	(1.3)	(1.3)
Final Budget Position		**0.0**	**16.6**	**23.65**

2.3 <u>Capital Strategy and Expenditure Programme</u>

2.3.1 Under the Prudential Code authorities are required to produce a Capital Strategy that covers a broad range of capital related issues including: capital expenditure and resourcing; borrowing and liabilities, and their repayment through Minimum Revenue Provision; loan commitments and guarantees; treasury and commercial investments. These areas are covered either in this section or elsewhere in this report where appropriate (e.g. the Treasury Management Strategy or Commercial Investment Strategy).

2.3.2 In **Appendix 4** there are proposals for a Capital Programme of £195.3m and contains a number of strategically significant schemes. This compares with the current projected 2018/19 programme of £174m and continues a period of high sustained programme spend in comparative terms. A full 5-year programme is detailed in **Appendix 4** with the main 2019/20 planned expenditure as follows:

- £68.5m 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.
- £39.2m for the next phases of the grant funded National Battery Manufacturing Development facility.
- £10.1m investment in Sports and Leisure facilities, including the final build phase for the Destination Leisure Facility and completion of the 50m pool at the Alan Higgs Centre.
- A £8.5m programme in 2019/20 within the Education and Skills Portfolio, seeing the start of the Secondary School Strategy.
- £18.7m of Growth Deal and European funding to support economic growth and Small & Medium Size Enterprises within the sub-region.
- £22.3m for the start of the delivery phase 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.
- £7.3m for the planning and preparatory stages of City Centre South and Friargate regeneration projects - the redevelopment of a major part of the City Centre and a second Friargate building funded by the WMCA.
- Investment within the Commercial Investment Strategy over the course of the Capital Programme in terms of £3.7m of loans to external organisations.

2.3.3 The 2019/20 Programme requires £50.3m of funding from Prudential Borrowing, £28.5m of which relates to previous approvals for the City Centre Destination Leisure Facility, Car Parks and Whitley Depot redevelopment. A further £21.8m relates to non-scheme specific borrowing resulting from spending decisions made in previous years. Over the course of the future 5 year programme set out, the Council is set to incur £131m 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 2019/20 Capital Programme is £135m of Capital grants as follows.

Table 3: Capital Grant Funding

Grant	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £m
Disabled Facilities Grant	4.6	3.4	3.4	3.4	0.0	**14.8**
Department for Transport	18.7	8.4	5.0	10.0	12.5	**54.6**
Education Funding Agency	6.9	17.7	3.2	2.4	2.4	**32.6**
ERDF	1.2	1.7	0.9	0.0	0.0	**3.8**
Growth Deal	18.7	14.3	0.0	0.0	0.0	**33.0**
Heritage Lottery Fund	0.8	0.3	0.1	0.0	0.0	**1.2**
Innovate UK	39.2	10.0	0.0	0.0	0.0	**49.2**
West Midlands Combined Authority	24.7	117.5	77.4	33.8	27.3	**280.7**
Sports England	0.4	0.0	0.0	0.0	0.0	**0.4**
Ministry of Housing, Communities & Local Government	3.1	9.7	0.0	17.5	17.6	**47.9**
Private Sector Contribution for Whitley South	14.8	11.0	0.7	0.0	0.0	**26.5**
All Other Grants & Contributions	2.1	1.1	0.7	1.0	6.6	**11.5**
TOTAL PROGRAMME	**135.2**	**195.1**	**91.4**	**68.1**	**66.4**	**556.1**

2.3.5 The programme is based on an approach to the capitalisation of expenditure set out within the acounting policies section of the Council's Statement of Accounts. This approach is based on proper accounting practices, amended as required by local government capital finance regulations. In broad terms assets are treated as capital where they have a useful life of longer than one year and are not intended for sale during the normal course of business.

2.3.6 **Forecast Capital Expenditure and Resourcing 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 is not only one of the largest in recent years 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 or, less likely, to be accelerated into 2019/20 for individual projects.

A summary of the proposed programme including existing commitments and funding sources is outlined below. This includes expenditure rescheduled into 2019/20 as a result of the 2018/19 budgetary control process. Full details of the proposed programme are included in **Appendix 4.**

Table 4: 2019/20 – 2022/23 Capital Programme (Expenditure & Funding)

Expenditure	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Portfolio:						
Strategic Finance and Resources	2,650	1,400	1,000	900	900	**6,850**
Education and Skills	8,711	25,312	3,889	3,114	3,014	**44,040**
Jobs and Regeneration	137,416	171,273	84,721	108,655	62,931	**564,996**
City Services	28,747	23,864	7,226	6,762	5,904	**72,503**
Public Health and Sport	15,092	3,780	3,657	3,498	230	**26,257**
Housing and Communities	1,954	355	0	0	0	**2,309**
Policing and Equalities	750	4,000	0	0	0	**4,750**
TOTAL PROGRAMME	**195,320**	**229,984**	**100,493**	**122,929**	**72,979**	**721,705**

Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2022/23 £'000	Total £'000
Management of Capital Reserve	2,670	700	304	200	200	**4,074**
Capital Unringfenced Receipts	2,850	5,900	1,400	250	0	**10,400**
Capital Ringfenced Receipts	640	230	0	0	0	**870**
Prudential Borrowing	50,265	24,671	3,337	50,640	2,507	**131,420**
Grant & Contributions	135,177	195,069	91,417	68,074	66,373	**556,110**
Capital expenditure (from) revenue account	2,366	2,716	3,380	3,269	3,269	**15,000**
Section 106	1,352	698	655	496	630	**3,831**
TOTAL RESOURCES	**195,320**	**229,984**	**100,493**	**122,929**	**72,979**	**721,705**

2.3.7 Leasing
The City Council does not plan to acquire plant and equipment via operating leases. However, it may do so where it provides value for money compared with other forms of funding.

2.3.8 Generation of Capital Receipts
In order to generate resources to fund new capital investment the Council is able to dispose of property assets and will seek to do so in particular where these yield low or no rental income. As capital receipts, the proceeds from such disposals can only be used to fund new capital expenditure or repay debt, but cannot ordinarily be used to fund revenue expenditure. The following table sets out the Council’s forecast capital receipts flows although these are subject to significant volatility given the nature of activity in this area.

Table 5: Forecast Capital Receipts

	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	£2023/24 £000s
Forecast Balance Brought Forward	16,601	12,166	6,686	4,886	4,236
Forecast New Receipts	4,695	3,550	0	0	0
Total Receipts	**21,296**	**15,716**	**6,686**	**4,886**	**4,236**
Committments	(9,130)	(9,030)	(1,800)	(650)	(400)
Receipts Carried Forward	12,166	6,686	4,886	4,236	3,836

2.3.9 Guarantees, Loan Commitments and Other Liabilities

The Council currently provides a small number of guarantees to third parties, for example in respect of long term pension liabilities. One benefit of this type of arrangement is that a smaller pension contribution can be secured for the organisations in question, as a consequence of the Council's longer term credit strength. Such guarantees can be historic, arising through the Council's past relationships with those organisations. In providing guarantees the Council is accepting risk, and each is reviewed on a case by case basis, taking into account the overall level of risk exposure.

Where the Council has commited to make a loan, but has yet to make the advance, for example in making a forward treasury investment or in agreeing a loan facility to be advanced over time, such loan commitments are taken into account in managing the Council's overall investment exposure.

The Council's long term liabilities comprise two main elements: the long term borrowing set out in the Treasury Management Strategy (section 2.4) and the pension fund deficit of £542m (31st March 2018). The pension deficit crystalises over time as payments to members become due. However, the net position on the pension fund tends to fluctuate year on year, being dependent on a number of variables, including life expectancy levels, inflation and investment returns. Contributions are set in order to manage the deficit over the longer term, reflecting the nature of the liability.

2.3.10 Capital Financing Requirement

Taking into account the planned programme set out in the Table 4 above, the estimated Capital Financing Requirement (CFR), representing the underlying need to borrow for capital investment purposes, is detailed in the following table below:

Table 6 : 2019/20 Capital Financing Requirement (including PFI & Finance Leases)

Forecast CFR Movements	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Opening CFR - 1st April	**441.9**	**479.2**	**487.9**	**472.6**	**503.8**
Capital Spend met form borrowing	50.3	24.7	3.3	50.6	2.5
Minimum Revenue Provision	-11.5	-14.5	-16.9	-17.7	-19.4
Other	-1.5	-1.5	-1.7	-1.7	-2.0
Closing CFR - 31st March	**479.2**	**487.9**	**472.6**	**503.8**	**484.9**

Over the 5 years from 1st April 2019, it is forecast that the CFR will increase by c£43m or approximately 10% reflecting the the level of the borrowing required to meet the capital programme, less amounts set aside to repay debt as MRP.

2.3.11 Revenue Budget Implications
The revenue cost of the proposed Capital Programme, in the form of net interest on debt, plus the amount set aside as MRP to repay debt is the total general fund capital financing cost. It is forecast that these financing costs will increase from £29.6m in 2018/19 to £36.8m in 2021/22, reflecting the increased capital expenditure to be resourced by borrowing. Due to the long term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the coming years will extend for up to 50 years, in line with the Council's Minimum Revenue Provision (MRP) policy set out in Section 2.4.6.

2.3.12 The Section 151 Officer considers that the capital strategy, including the capital expenditure programme and resourcing as set out in this report, is prudent, affordable and sustainable, and that the level of borrowing and commercial investment income are proportionate to the resources available to the Council.

2.4 Treasury Management Strategy
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.

2.4.1 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 7**);
- A Minimum Revenue Provision (MRP) statement detailing the way it calculates the prudent provision for the repayment of borrowing (**Section 2.4.5**).

2.4.2 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

2.4.3 Interest Rate Forecast
Following the increase in the Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England has emphasized that any future increases in the bank rate will be slow and steady.

2.4.4 Borrowing
Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2019 is as follows:

Table 7: Estimated Long Term Borrowing at 31st March 2019

Type of Debt	Total £m
PWLB	190.5
Money Market Loans	38.0
Stock Issue	12.0
Transferred Debt (other authorities)	11.7
PFI, Finance Lease & Other	65.1
Total Long Term Liabilities	**317.3**

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 and any other UK public sector body – 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 Capital Programme and the increase in the underlying need to borrow represented by the Capital Financing Requirement each set out in this report, the Council may need to borrow in the coming year. The issues that the City Council will take into account in its approach to borrowing will 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.

Taking account of interest rates, the level of investment balances, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2019/20 and future years, the Section 151 Officer will undertake the most appropriate form of borrowing depending on prevailing interest rates at the time.

2.4.5 **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. In total, the amount to be treated as overpayment of MRP is £35,724k to 2015/16.

- 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. In total, the amounts to be treated as overpayments are : £7,847k (voluntary revenue provision to 2015/16) and £28,948k (voluntary capital receipts set aside to 2015/16).

2.4.6 **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 be maintained in the forthcoming year.

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 2018/19 the amount held in these investments has ranged between £10m and £50m;
- 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 2018/19 the amount held in these investments has ranged between £35m and £85m.
- 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 2018/19 the amount held in these investments has ranged between £0m and £10m

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 increased from £6m to £10m. Similarly, for secured investments which are not subject to "bail in", the maximum limit will be increased from £12m to £20m. These limits were established through advice from the Council's Treasury advisors using an estimate of the Council's maximum investment balance for 2019/20, including investments temporarily used to meet cashflow needs (total £200m). 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.

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 an increased £10m 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 BBB+ or better with any investments in companies rated below A- being classified as non-specified investments, subject to a limit of £10m;

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 an increased £10m 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 £10m.

Separately, the City Council holds investments or provides loans for non treasury purposes, within the context of the Commercial Investment Strategy (Section 2.5 and Appendix 6).

2.4.7 **Treasury Management Advisors** - The authority employs consultants, currently Arlingclose, 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.

2.4.8 **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.

2.4.9 **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 7a** indicator 1 highlights the revenue impact of the proposed capital programme. This shows 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 12.63% in 2018/19 to 16.39% in 2021/22. This increase reflects the increased levels of prudential borrowing funded spend within the proposed capital programme.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in **Appendix 7a**, include:

- Authorised Limit (Indicator 5) - 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 6) - 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 2) - 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 2019/20 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 9, 10 & 11) - 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 10, 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 2018 (Indicator 7) and the adoption of the Treasury Management Code (Indicator 8).

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 for the changes required.

2.5 Commercial Investment Strategy

2.5.1 The proposed Commercial Investment strategy is set out in Appendix 6 and the associated Commercial Investment Indicators in Appendix 7b. In summary, the key issues addressed in the strategy, which is designed to ensure strong risk management arrangements and that the level of commercial investments is proportionate in the context of the Council's overall finances, are:-

- The need to explicitly consider the balance between the security, yield and liquidity, both at strategic and scheme business case level. The guidance focuses on security in terms of the value of the asset invested in, and the ability of the authority to get back any sums invested; yield as the financial return on the investment, either as capital value or income generated, and liquidity as the ability to access liquid or cash funds from the assets when required;
- The need to consider the proportionality of the investments to the authority. The context is the concern that authorities might overstretch themselves relative to their capacity to manage the risk;
- Setting processes that ensure that the risk assessment of commercial investments is robust;
- Ensuring that there is clarity about the contribution that the investments make to the authority, both in terms of financial return, but also in service or policy terms.

2.5.2 In addition, the statutory and CIPFA guidance seek to stop authorities borrowing to fund commercial investments purely for profit, particularly where borrowing is seen as disproportionate to the size of the authority. This is also described as borrowing in advance of need. The bulk of City Council commercial investment is focused on the city or region, and as such it will often have a service dimension, for example growth or economic development objectives rather than being purely for profit.

2.5.3 In respect of the various types of investment that the Council makes, the strategy sets out the approach to ensuring that the requirements are met, through a combination or policies, processes and investment indicators. Specific indicators include exposure limits in 2019/20 for service loans and shares, at £32m and £50m respectively (Appendices 6 & 7b). Revision of these limits would require the approval of Council.

3. Results of consultation undertaken

3.1 The proposals in this report have been subject to public consultation. 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 2019. 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 2019/20 revenue and capital budget supported by the Council Tax Report that will be considered alongside this one.

5.1.1 Financial implications - Medium Term Position

This report sets out proposals that will deliver a balanced budget for 2019/20 which marks 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 subsequent years 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 it 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 Financial Implications – Reserves

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 2019/20 will not be known until finalisation of the 2018/19 accounts and reserve levels will be reviewed at that time. The total revenue reserve balances available to the Council at the end of 2017/18 stood at £67m. Other reserve balances set aside to fund capital schemes stood at £31m. Explanations for the balances were set out in the Council's Financial Outturn Report considered by Cabinet in June 2018. The level of balances is set out in the table below.

Table 8: 2017/18 Reserve Balances

	Balance at 31st March 2017	(Increase)/ Decrease	Balance at 31st March 2018
	£000	£000	£000
Council Revenue Reserves			
General Fund Balance	(3,134)	(1,568)	(4,702)
Private Finance Initiatives	(11,308)	527	(10,781)
Potential Loss of Business Rates Income	(1,970)	(1,444)	(3,414)
Early Retirement and Voluntary Redundancy	(8,261)	0	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
City of Culture	0	(5,050)	(5,050)

Kickstart Project	(2,986)	(2,082)	(5,068)
Adult Social Care	(18)	(4,780)	(4,797)
Leisure Development	(894)	(705)	(1,599)
Public Health	(740)	134	(606)
Troubled Families	(686)	200	(486)
Insurance Fund	(1,786)	191	(1,595)
Management of Capital	(5,566)	(766)	(6,332)
Other Corporate	(973)	375	(598)
Other Directorate	(5,839)	(1,355)	(7,194)
Other Directorate funded by Grant	(2,785)	592	(2,194)
Total Council Revenue Reserves	**(51,346)**	**(15,731)**	**(67,077)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(20,489)	(3,489)	(23,978)
Capital Grant Unapplied Account	(9,737)	2,558	(7,179)
Total Council Capital Reserves	**(30,226)**	**(931)**	**(31,157)**
School Reserves			
Schools (specific to individual schools)	(18,126)	(1,464)	(19,590)
Schools (for centrally retained expenditure)	(4,493)	(249)	(4,742)
Total School Reserves	**(22,619)**	**(1,713)**	**(24,332)**
Total Overall Reserves	**(104,191)**	**(18,375)**	**(122,566)**

Separately, balances owned by the Council's local authority maintained schools and outside the Council's control, stood at £24m at 31st March 2018.

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 reserves 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. For these reasons it is not appropriate to apply reserves on a regular basis to support the revenue position.

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 2019/20 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 2019/20 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.
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 and Corporate Leadership Team.
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 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 inevitably carries some risk. The major financial risks 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 2019/20. 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 **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, the publication of which has been delayed several times and is now planned for 2019. Locally, this has been recognised and addressed to some degree by additional grant resources that have been made available by Government. 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. In addition, Public Health Grant has been cut by £3.65m (16%) between 2015/16 and 2019/20. The grant for 2020/21 is still to be confirmed but based on recent reductions a further 2.6% reduction is anticipated.

5.1.4.4 **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. It has become the most dynamic area of budgetary change for the Council and rising costs in this area are part of a national trend. The Council is now implementing a range of solutions that are required over the medium term and in the interim the budget has directed some further resources to deal with the medium term impacts. These solutions include increasing the provision of accommodation for homeless households in the city (at Caradoc Hall), recommissioning Homeless Services, approving arrangements to allow the Council to implement the Homelessness Reduction Act, adopting a new Private Sector Housing Enforcement Policy and approving the Council’s participation in the West Midlands Combined Authority Housing First Pilot, The success of these measures will dictate the extent to which the Council can control and then reduce the costs of housing and homelessness over the medium term.

5.1.4.5 **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:

- Friargate – Joint work with an external developer to regenerate a new business district.
- A range of significant highway and city centre infrastructure projects including the Whitley South and A46 link road projects to improve major transport routes.
- Development of the Coventry Station Master Plan alongside a range of partners to deliver transformational improvements to Coventry Railway Station.
- Construction and equipping of a National Battery Manufacturing Development Facility via a joint venture arrangement

- 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.
- New regeneration projects aimed at remodelling and updating the city centre

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.

5.1.4.6 **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.

5.1.4.7 **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 2019/20. The longer term changes represent a resource risk for the Council and the buoyancy of local Business Rates and Council Tax is fundamental for its financial sustainability. However, due to the nature of accounting for these local income sources, the risk applies to future years such that the 2019/20 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 2019/20 budget by mid-March 2019. 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 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 will 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.

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 Council has begun to consider plans to address the financial gaps that exist for the years after 2019/20 but this work is at a relatively early stage. To the extent that these involve savings in employee costs the Council may need to consider further early retirement and voluntary redundancy requirements at that point.

6.4 Equalities / EIA

The savings contained in this year's final Budget report are virtually all either technical in nature or involve income generation proposals. No equality impact has been identified 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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Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Position Carried Forward from 2018/19	**0**	**20,767**	**23,549**	
	Non-Achieved Savings				
1	Children's Services	1,500	0	0	This assumes non-achievement of previously approved savings in relation to staffing (£1m) and supported accommodation (£0.5m) in 2019/20 only with these savings then anticipated to be delivered from 2020/21 onwards. The proposal does not make any allowance for any further cost pressures or increases in the number of Looked After Children. Item 2a below assumes that the cost shown here will be met from the newly announced one-off Adult and Children's Social Care Funding Grant.
2	Our Future Workforce (Workforce Reform) **(Change to Pre-Budget Position)**	4,442	0	0	The initial savings profile for the Council's previous Workforce Reform programme increases to £5m in 2019/20. The Pre-Budget Report was based on initial elements of the programme being in place for 2019/20 including the new staff parking scheme with other elements of the programme, essentially a new pay and reward model, not being in place until part-way through the year (resulting in a £2.5m shortfall in delivery of the planned saving). The updated assumption here is that the model will be not now be implemented until 2020/21 meaning a further £1.9m savings shortfall.
	Total Non-Achieved Savings	**5,942**	**0**	**0**	
	Government Grant Resources				

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
2a	2019/20 Adult & Children's Social Care Funding **(Change to Pre-Budget Position)**	(2,650)	0	0	One-off social care grant announced for adult and children's services. The Government's description of the purpose of the grant is to ensure that adult social care pressures do not create additional demand on the NHS and for councils to use it to improve their social care offer for older people, people with disabilities and children. The Council will use £1.5m of this funding to support the costs shown at item 1 above. The remainder will be available to support the other intended purposes of the grant in line with item 7a below.
2b	2019/20 Adult Social Care Winter Pressures Funding **(Change to Pre-Budget Position)**	(1,551)	0	0	One-off social care grant announced for adults' social care services. The Government's description of the purpose of the grant is to for councils to spend it on adult social care services to help councils alleviate winter pressures on the NHS. The funding will be available to support the intended purposes of the grant in line with item 7b below.
2c	New Homes Bonus **(Change to Pre-Budget Position)**	(1,348)	0	0	The Pre-Budget Report financial position had been based on the assumption that the Government intended to amend the New Homes Bonus (NHB) scheme, reducing the 0.4% baseline of housing growth below which no bonus is paid. The estimated impact was that the Council would lose in excess of £1m of NHB grant. However, the Government has decided not to make any change to the baseline resulting in the resources re-established here.
	Total Government Grant Resources	**(5,549)**	**0**	**0**	

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Expenditure and Income Pressures				
3	Housing and Homelessness **(Change to Pre-Budget Position)**	3,900	3,400	3,600	This item has been updated to reflect the 2018/19 Quarter 3 Budget monitoring report which contains an estimated cost of supporting families and individuals in temporary and supported accommodation that is £6.1m above 2017/18 budget levels (an increase of £1m on the figure reported at Pre-Budget). Significant work is being undertaken to address the underlying reasons for this but at the same time service pressures continue to grow in this area. At this point it is necessary to continue to make budgetary allowance at exisitng levels. This proposal therefore adds to the amounts planned in 2018/19 budget setting (£2.2m reducing to £1.5m across 2019/20 to 2021/22) with an assumption that the £6.1m level next year falls to £5.1m in 2020/21.
4	Loss of Coventry & Warwickshire Business Rates Pool Surplus **(Change to Pre-Budget Position)**	0	400	400	The Council has an income budget of £400k currently to take account of any surplus generated from the Coventry and Warwickshire Business Rates Pool, of which the Council is a member. Tha assumption here is that the pool will not continue under the revised national Business Rates model from 2020/21. In a change to the pre-Budget position however, the Warwickshire authorities' application for Business Rates Pilot status in 2019/20 has been rejected by Government. This has delayed the dissolution of the Pool. Therefore it is assumed that the current budgeted pool surplus will be available to the Council for 1 further year.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
5	ICT Software and Telephony Systems	798	798	798	This incorporates three separate cost pressures. The Council's 3 year Microsoft Enterprise Agreement licences are due to expire on 31st March 2019 with an associated increase in cost. The £250k financial pressure relating to the renewal of this volume licensing agreement was reported to Cabinet on 30th October 2018 as part of the re-procurement. The existing corporate telephony system is being transferred to Microsoft Skype. Skype licences can be procured as part of the Microsoft Enterprise Agreement. The £365k expected increase to licence costs associated with this was reported to Cabinet on 30th October 2018. As part of the upgrade to the existing corporate telephony system, work will also be required on the telephony system supporting the Customer Service Centre. The expected £183k increased cost of this is currently unfunded.
6	Insurance	250	250	250	Significant savings have been made against the Council's insurance premia over the last 3-4 years. However, increasing numbers of claims made against the Council, together with the loss of significant schools insurance premium income following their conversion to academies, has resulted in new pressures. This can be partially offset by a use of earmarked insurance reserves, but additional ongoing funding of an estimated £0.25m is required to ensure this is sustainable
7	HGV Drivers - Market Related Pay	220	220	220	Following the inability to retain drivers within the service, and the resulting increased cost of employing agency staff in order to ensure front line service delivery, HGV drivers have received one-off reserve funded market supplements. This has enabled the service to manage its HGV driver compliment more effectively so it is proposed to make the increased payment a permanent arrangement.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
7a	2019/20 Adult & Children's Social Care **(Change to Pre-Budget Position)**	1,150	0	0	Expenditure anticipated to match the one-off social care grant announced for adult and children's services at item 2a above.
7b	2019/20 Adult Social Care Winter Pressures **(Change to Pre-Budget Position)**	1,551	0	0	Expenditure anticipated to match the one-off social care grant announced for adults' social care services at item 2b above..
7c	Community Support Grants **(Change to Pre-Budget Position)**	153	153	153	The existing CSG scheme helps vulnerable people with crisis awards (usually a same day funding for food or utilities) and support awards (white goods, furniture etc to enable people resettle into the community). In December 2018 the Cabinet Member for Strategic Finance & Resources approved extra temporary funding in this area. This proposal extends this on a permanent basis reflecting increased demand for services that partly reflects greater homelesness and complements the Council's efforts to help people move out of temporary accommodation.
7d	Waste Disposal **(Change to Pre-Budget Position)**	819	819	819	The Council is experiencing additional costs as a result of a range of factors within the service. This includes growth is the volumes of domestic and commercial waste, site management costs and landfill penalties. These are partly the result of growth in the number of households in the city and expansion of the commercial waste service. The costs will in part be offset by additional commercial waste income and dividends received from the Coventry and Solihull waste Disposal Company.
7e	Godiva Festival **(Change to Pre-Budget Position)**	379	0	0	Additional costs reflecting the likely cost of holding the Godiva Festival on a similar basis to 2018. This reflects the recent additional festival security and infrastructure costs as well as the increased costs in the market for music artists. The Council is committed to holding the festival on an annual basis but will review its ongoing financial envelope prior to setting the 2020/21 Budget.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Total Expenditure and Income Pressures	**9,220**	**6,040**	**6,240**	

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Expenditure - Policy Options				
8	UK City of Culture 2021 City Readiness	1,500	1,800	2,200	This reflects a five year city readiness and legacy programme totalling £6.1m per the report to Council on 4th September 2018. This provisionally incorporates time-limited service enhancements and additional capacity in the areas of: Culture, Heritage and Sports; Business, Jobs and Skills; Planning and Building Control; Licensing & Regulatory Services; Cleaning and Greening; Public Realm, Infrastructure and Highways; Traffic Management; Property Services; and Programme and Project Management.
9	Street Cleansing	107	107	107	An amendment to the 2018/19 Budget Setting Report increased the street cleansing budget to incorporate one neighbourhood cleansing team and two barrow operatives. This was included initially on a one-off basis subject to review for 2019/20 Budget Setting. Although fly-tipping continues to be a significant issue in parts of the city, this initiative has enabled the service to reduce response times to these incidents over the past year. The proposal here is for the increase to be made as a permanent addition to the Budget.
	Total Expenditure Policy Options	**1,607**	**1,907**	**2,307**	

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Technical Savings				
10	Inflation Contingencies **(Change to Pre-Budget Position)**	(1,126)	(1,030)	(1,030)	This reflects the latest estimate of planned for amounts for pay awards and inflation costs compared with previous medium term estimates.
11	One-Off Availability of Early Retirement/Voluntary Redundancy	(2,000)	0	0	The Council maintains an ongoing budget of £2.5m to fund redundancy costs and the pension strain cost of early retirement decisions. A likely low level of ER/VR costs in 2019/20 will enable the use of the budget as a time limited saving against the bottom-line.
12	Council Tax and Business Rates Collection Fund and Tax-Base	(3,000)	0	0	This incorporates resources available from the actual 2017/18 Council Tax surplus and projected 2018/19 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.
13	Asset Management Revenue Account	(21)	(737)	327	The AMRA revenue budget position reflects current forecasts of the level of capital financing costs (reflecting the profile of capital spend), the level of income from investing the Council's cash balances and the impact of the Council's Minimum Revenue Provision (MRP) policy.
14	2018/19 Coventry & Warwickshire Business Rates Pool Surplus **(Change to Pre-Budget Position)**	0	0	0	See line 4 above.The Pre-Budget proposal to use £0.6m of 2018/19 Pool surplus to provide a phased offset of the previously anticipated income loss in future years is not now required given the change in circumstances in 2019/20. Therefore it has been removed in the final Budget proposals.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
15	2018/19 Adult Social Care Resources	(1,000)	0	0	Planned underspend of 2018/19 Adult Social Care resources applied as a contribution from reserves in 2019/20.
16	Delay Use of Capital Receipts by one year	3,000	(3,000)	0	The 2017/18 Budget approved the use of £3m of capital receipts to replace revenue funding of the Capital Programme in 2019/20. This item proposes to delay this contribution for one-year. This enables greater focus on the medium term position and the need to further consider the Council's requirement to apply capital receipts for longer-term income generating purposes.
16a	Coventry and Solihull Waste Disposal Company Dividends **(Change to Pre-Budget Position)**	(2,333)	(1,333)	(1,333)	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.
	Total Technical Savings	**(6,480)**	**(6,100)**	**(2,036)**	

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
	Savings - Policy Options				
	Place Directorate				
17	Financial Management Structure	(150)	(250)	(250)	10% Reduction in Financial Management staffing cost. achieved from the more visible business partnering (BP) teams which support Directors & senior managers directly. It is considered feasible to recover the cost of an additional post (one already charged to projects) from charging for some discreet BP services within the Council, saving £50k.
18	Property Ground Leases	(150)	(300)	(300)	Detailed review of Property Ground Leases to optimise return
19	New Union Street Offices	(50)	(50)	(50)	Letting of New Union Street Offices to external customer
20	Lythalls Lane Industrial Estate	(100)	(100)	(100)	Post implmentation review of Lythalls Lane industrial estate investment to maximise growth
21	Property Compliance Team	(100)	(100)	(100)	Property compliance team income levels achieving in excess of budget
22	Property and Project Management Property Surveyors	(50)	(50)	(50)	Recovery of staff time costs from capital disposals proceeds and potential reconfiguration/growth of team.
23	City Centre Rents	(250)	(250)	(250)	Ahead of the proposed City Centre South development, void rent/rate liabilities have emerged for a number of Council owned properties. This pressure was budgeted for within 2018/19 Budget Setting. However, the current progress on the scheme implies a delayed estimated income loss in comparison with previous plans.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
24	Acquisition of Income Earning Assets	(250)	(250)	(250)	Generate an income stream from the re-investment of capital receipts In line with the Medium Term Financial Strategy, focussing on property assets that offer an appropriate level of financial return.
25	Economic Development Service (EDS)	(25)	(25)	(25)	Modest target for additional grant income to offset corporately funded salary costs
26	Coombe Abbey Hotel High Wire	(20)	(20)	(20)	Increased dividend from Coombe Abbey Hotel as a result of CAPL collaboration re High wire (net of hotel borrowing costs)
27	Traffic Enforcement Existing Activity	(275)	(275)	(275)	Improve recovery rates in parking enforcement to allow the income from existing bus gate/lane enforcement action of to be made available to support the budget setting process.
28	Coombe Abbey Park Limited	(500)	(750)	(1,000)	The Council's purchase of a 100% shareholding in CAPL was funded from capital receipts as part of 2017/18 Outturn. This enables any dividends generated to be made available to support the Council's bototm line. The initial estimate is for a forecast dividend of £0.5m in 2019/20 but with an expectation that this will increase in later years.
29	Whitley Depot Rebuild	0	(227)	(227)	Per the report to Council on 10th July 2018, the project to replace and consolidate the costly administration buildings at Whitley Depot and Jackson Road onto one site will make on-going running cost savings in excess of c£0.2m.
30	Property and Project Management Green Team	(25)	(25)	(50)	Modest cost reduction and/or income growth. Potential reconfiguration/growth of team
31	Planning Income	(300)	(300)	(300)	Additional income generation from increased planning activity resulting from successful inward investment

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
32	Fleet & Waste Commercial Activity	(250)	(250)	(250)	Commercialisation opportunity resulting from collaborative working with Nuneaton & Bedworth Council to deliver their Domestic Recycling service.
33	Pest Control Commercial Activity	(30)	(30)	(30)	Pest Control commercial business expansion and collaboration with neighbouring authorities. Growth of the charged for services eg wasps, mice following growth within and in some cases outside of Coventry are helping to reduce the subsidy of this area for non charged for services e.g. rat infestations.
34	Parks Play, Catering and Parking Income	(30)	(50)	(60)	Increasd play, catering and parking offer in City parks to generate net income benefit
35	Parking Enforcement	(25)	(50)	(50)	Undertake additional parking enforcement during peak evenings
36	ANPR Vehicle	(25)	(40)	(40)	Procure an Automatic Number Plate Recognition car to capture offences (parking on school zig-zags, red lines, taxi ranks) and assist with enforcement issues (residents' parking).
37	Legal Services	(50)	(50)	(50)	Redesigning duty provision to externalise on an hourly rate as opposed to standby cost, reconsider cost of Copyright Licence and not recruiting to part time posts, vacant as a result of reduced hours. Potential risk to on call provision - to be accepted by Social Care, risk in not complying with copyright requirements and reduction in staff may require external advice at cost.
38	Operational Property Rental Opportunities	(140)	(140)	(140)	Consider Operational Property rental opportunities to external clients - i.e. NHS, 312 and Moathouse.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
39	Property Services & Project Management Income Growth	(50)	(75)	(100)	Potential reconfiguration/growth of team
40	Commercial Waste Service Growth	(50)	(125)	(125)	Further commercial waste expansion/growth opportunitiess resulting from a major review of the service to ensure its competitiveness in the market and fitness for purpose. A number of new contracts have been won and others are in train which should yield growth in contribution as indicated
41	Commercialisation of Godiva Festival	(50)	(50)	(50)	Consider options including charging for parking and increased sponsorship/naming rights revenue.
42	Godiva Festival Merchandising	(25)	(25)	(25)	Create 'Friend of Godiva Festival' (e.g. wristbands) or wider merchandising offers
43	Additional Bus Lane Enforcement	(60)	(120)	(120)	Install additional cameras to enable enforcement of existing bus lanes.
	People Directorate				
44	Early Payment Discount from Suppliers	(25)	(50)	(75)	A scheme of early payments to suppliers in return for a discount is available.
45	Public Health External Contract Savings	0	(200)	(200)	The majority of Public Health contracts have now been let so limited re-procuremenet opportunities exist without invoking a contract variation. The Sexual Health Contract is available for re-tender or the existing contract could be extended. Early work has begun with the encumbent provider to see whether savings can be achieved through service transformation avoiding the need to retender at that point.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
46	Looked After Children Transport	(130)	(130)	(130)	This underspend has arisen as a result of a review a number of years ago which lead to tighter criteria and management in to transport of LAC. This underspend has supported the Children's budgetary control position over a number of years.
47	School Redundancies	(100)	(100)	(100)	This underspend has arisen as a result of tighter criteria and management in relation to the situations when the Council would pick up school redudancy costs. The Council does still have a statutory requirement to pick up redudancy costs for maintained schools in some cases, so if it were to give this budget up there would need to be an agreement to provide funding from reserves as and when required. The potential for school restructures has been enhanced as a result of the national school funding reform, where Coventry schools are largely on the funding floor.
48	Premature Retirement Costs (Schools)	(200)	(200)	(200)	This budget relates to the costs of former retirement/redundancy decisions where ongoing pension enhancements were agreed. There are no new commitments against this, so the costs (although subject to inflation) will continue to reduce over time. The Council currently makes a contribution to this budget from the DSG - historic commitments of £300K. DfE have set out their intentions to reduce historic commitments from 2020/21 so there is a risk that there will be a pressure here in the future.
49	Reduction in future additional Council Core Funding for Adult Social Care Pressures	(1,000)	(1,000)	(1,000)	Following the Councils decision to further invest in Adult Social Care to manage ongoing pressures, the Government injected significant further grant to support the pressure. The current requiremenet for additional Council resources in the next financial year has reduced due to the additional grant resources.

Appendix 1 Budget Financial Proposals

		2019/20 £000	2020/21 £000	2021/22 £000	
50	Public Health - Managing the risk of Payment by Results	(150)	(150)	(150)	A number of Public Health contracts include elements based on payments by results. Historically these have not all been achieved contributing to year end surpluses. The ability to deliver this will be dependent upon provider performance.
51	Restructure of ICT Services	(85)	(85)	(85)	The ICT service is restructuring to meet the changing needs of the organisation.
52	Income Generation Safeguarding	(20)	(50)	(85)	Income generation on provision of training for Designated Safeguarding Lead, Governors, Early Years & School Reviews.
53	Early Years Training	0	(40)	(40)	Saving from ending direct delivery and commissioning training through the Teaching School
54	Outdoor Education Service	0	(32)	(32)	Maximise income (Duke of Edinburgh). We would need to ensure that this would not have a detrimental impact on the overall traded income for Dol-y-moch.
	Total Savings Policy Options	**(4,740)**	**(6,014)**	**(6,384)**	
	Overall Financial Position	**0**	**16,600**	**23,676**	

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Appendix 2

CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS 2019/20

FEBRUARY 2019

1. Introduction

1.1. Between December 2018 and February 2019, the Council undertook an eight week period of consultation on its budget proposals for 2019/20 to 2021/22, 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 2019/20 budget. 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 29 respondents who 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 local businesses 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 and 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 the UNISON Trades Union.

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

Feedback from the on line survey and written feedback

3.4. There were comments from respondents on specific proposals included in the pre-Budget Report in relation to enforcement activity in the areas of parking (5 in favour, 2 against), bus lanes (2 in favour, 1 against) and the purchase of an Automatic Number Plate Recognition (ANPR) vehicle (3 in favour). There were two comments in support of the proposals to charge for parking at the Godva Festival. Other than these there were individual comments in support of the proposals in relation to street cleansing and parks and against proposals for pest control charging and the Council Tax increase.

3.5. Respondents were asked what they thought the Council could do differently to reduce costs. Support was expressed for undertaking further traffic and street enforcement activity (5), reducing the number of councillors or the cost of their allowances (4), reducing the level of senior pay or the management structure (4), focussing only on mandatory services (3), increasing productivity and reducing waste (3), charging students or their landlords for Council Tax (3), increase activity to identify and fine fly tipping (3), charging for entry to Godiva Festival (3), be more commercial (2), incorporate volunteering more within Council services (2) and open another redundancy and retirement programme.

3.6. A response from the Federation of Small Businesses (FSB) supported increased parking enforcement in principle where it can help address and tackle instances where access to business premises is being restricted for small business owners as a result of illegal parking obstructions. However the response urged that any increase in parking enforcement is proportionate with a concern that high parking charges and aggressive enforcement make it harder for individuals to visit small businesses, thereby restricting local growth, investment and job opportunities. This is particular the case regarding high streets and the city centre where small businesses rely on strong footfall. The FSB welcomed the fact that Coventry city centre already has over 450 free parking spaces from 6pm. Alongside the additional parking enforcement during peak times they would like to see consideration given to extending the free parking hours or increasing the number of spaces to help encourage footfall and improve the evening economy in the centre.

3.7. The response from UNISON expressed concern over: future financial estimates given the potential impact of a hard Brexit; the union's view of expectations of job losses and increasing pressure on union members based on work volumes; and a perception of valuable services having been cut so dramatically that support for the most vulnerable in the city is spasmodic and difficult to access. UNISON doubted that a new pay and grading structure could be realised within 6 months and stated that it would not support the diminution of terms and conditions. A number of other questions and requests for information were raised. On individual Pre-Budget proposals questions or challenges were raised regarding Looked After Children cost pressures, the costs and benefits of the Caradoc Hall homelessness project, the Council's responsibility to all homeless not just those to which it has a legal duty, the long-term financial benefit of the City of Culture and a challenge to charges at the Godiva Festival.

4. Feedback from Consultation Meeting with the Chamber of Commerce

4.1. A presentation was given on the Council's financial proposals and future. Discussion and questions included issues around homelessness, the Station Masterplan plans, and any potential impact of austerity on the City of Culture plans. Comments were supportive of the refurbishment of public leisure facilities in the city and the business model for providing these. The plans to demolish Coventry Point were well received and there was discussion around the future of the City Centre South project and the need to ensure that a sustainable model is pursued.

Summary of Responses from the Council's Public Budget Consultation – January 2018

Priority / Theme	Comments	
Tell us if any of the proposals in the Appendix are likely to have an impact on the services you receive?		
Enforcement	• Better enforcement of bad parking would be great, particularly contraventions to the road vehicle lighting regulations such as cars parked on junctions at night • I agree with the enforcement of residents' only parking in the city, particularly central, and enforcement of existing bus lanes; however, signposting of bus lanes needs to be clearer with both existing and additional cameras. • I think that ANPR to capture motorists who park on or near schools zig zags, is a good idea as long as it is backed up by traffic wardens on the street, any additional help in enforcing parking rules is a great help. • The proposals seem very sensible and in terms of the ANPR about time too. • There will be greater resistance to the parking enforcement leading to greater requests for resident parking zones and private companies increasing costs for parking off street. • Why and for what end will cameras be useful monitoring bus lanes when most of these have been suspended indefinitely? • I am not opposed to increased bus lane enforcement, but some of the bus lanes are very hard to comply with where they end, near to junctions. • The ANPR car is an excellent idea and should be focused on schools were pupil safety is seriously compromised and traffic flow is inhibited by illegal parking.	Residents/Organisations
Godiva Festival Parking	• Paying for parking at Godiva Festival is a good idea, but needs to be managed (good marketing, opportunity to pay in advance/cashless, ensuring strong and enhanced parking enforcement takes place on surrounding streets to mitigate effect on residents).	Residents

Priority / Theme	Comments	
	• I support the initiative to charge for car parking at the Godiva Festival. I parked there this year and was surprised that it was free.	
Pest Control	• We already receive a poor response for residential Pest Control services - if the emphasis is proposed to be even more focused on commercial customers, the residential/domestic customers are likely to receive an even worse service.	Residents
Efficiency and Reduction in 'Waste'	• The council do not need any new initiatives, it could balance its budget by rationalising existing unwanted and unnecessary services and be much more efficient at collecting money properly due to it.	Residents
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?		
Enforcement	• Using car reg plate recognition to fine fly tippers. Choose a member of the public as a 'my street' representative to look after general litter and report fly tipping or rubbish outside houses on their street offering them reduced council tax. • A specialist anti fly tipping/Posting Team within street enforcement focusing on 'series and serial' offenders more than the litany of day to day issues would likely generate more income in fixed penalty notices and prosecutions as they would have increased time for the investigations. • The amount of dog fouling on public parks seems to have risen, this could be because Neighbourhood Enforcement Officers are tied up dealing with rough sleepers. More patrols of parks would generate more fixed penalty tickets.	Residents
Other Comments	• Concentrate on mandatory services, and those for our residents. • The costs attributed to software licensing are obscene! Given the availability for a number of years now of free and good quality alternatives to popular commercial products such as Microsoft Office I'm surprised the council has not seized upon this opportunity make significant cost savings. • There is an extraordinary amount of properties in the city claiming Single Persons Discount when they are not entitled. Investing in more enforcement professionals would likely generate a large amount of income.	Residents

Priority / Theme	Comments	
	• It is absolutely clear that City Centre South is dead in the water. The Council needs to bring forward a new vision for the city centre that is less dependent on chain retailers.	
Efficiency and Reduction in 'Waste'	• Collect all Council tax, reduce benefit fraud, make better use of empty buildings - make money out of them, reduce senior pay, cut expenditure on agency staff and services. • Work more efficiently, prevent the waste which occurs across departments, reduce large employment termination awards. • There are a number of capital projects that are wasteful and give an impression of extravagance at a time of austerity. • The Council could stop allowing extra lines of management and awarding managers un-deserved pay grade increases.	Residents
Costs of Democracy	• Have less councillors, even them out to two each ward.	Residents
Godiva Festival	• Charge entry at Godiva instead of parking as might also avoid anti-social behaviour if some have to pay. • Charge for the Godiva festival as well as for the parking. • We should not charge to park at Godiva as this will result in local roads being swamped, we should charge a modest entry fee to the festival site itself, no-one will object to a £2 entry fee.	Residents
Do you have any other comments you would like to make?		
	• The city centre looks great again. Good planning. • Enhancing spend to save and capital programme, purchasing and building commercial property and promoting the city as a great place to live/work/visit. • Some bus lanes have been converted back into regular traffic lanes for usage by all vehicles over the past few years. It wouldn't be cost effective to install enforcement cameras if the remaining bus lanes are subject to review and may subsequently be removed in medium term. • The very poorest in our city must be protected as best we can. Taking additional funds from those that can afford it i.e. Car owners makes sense to me	Residents

Revenue Budget **Appendix 3**

2018/19 Restated * £'000	CABINET MEMBER PORTFOLIOS	Budget Decisions Brought Forward £'000	Pre-Budget and Final Budget Changes £'000	2019/20 Final Budget £'000
2,074	Policy and Leadership	1,677	7	1,684
8,719	Policing and Equalities	8,710	237	8,947
8,819	Strategic Finance and Resources	5,113	1,463	6,576
74,079	Children and Young People	72,467	1,688	74,155
15,220	Education and Skills	15,338	579	15,917
(4,372)	Jobs and Regeneration	(4,329)	186	(4,143)
28,173	City Services	29,913	989	30,902
75,934	Adult Services	82,215	(1,954)	80,261
1,153	Public Health and Sport	1,967	(54)	1,913
7,216	Housing and Communities	10,214	3,693	13,907
217,015	**TOTAL CABINET MEMBER PORTFOLIOS**	**223,285**	**6,834**	**230,119**
24,815	Borrowing and Investments	24,815	0	24,815
(19,765)	Contingencies & Corporate Budgets	(18,189)	(9,681)	(27,870)
14,573	Levies From Other Bodies	14,658	417	15,075
30	Parish Precepts	30	5	35
3,369	Revenue Contribution to Capital Spend	2,366	0	2,366
(5,247)	Contributions to / (from) Reserves	(14,669)	1,979	(12,690)
234,790	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**232,296**	**(446)**	**231,850**
	Financed by:			
(127,253)	Council Tax	(133,182)	(2,010)	(135,192)
(107,537)	Business Rates	(99,116)	2,458	(96,658)
(234,790)	**TOTAL RESOURCES**	**(232,298)**	**448**	**(231,850)**

* Restated to reflect changes in portfolios between years

2018/19 Restated * £'000	CABINET MEMBER PORTFOLIOS	Gross Expenditure £'000	Gross Income £'000	2019/20 Final Budget £'000
2,074	Policy and Leadership	1,817	(133)	1,684
8,719	Policing and Equalities	16,439	(7,492)	8,947
8,819	Strategic Finance and Resources	126,530	(119,954)	6,576
74,079	Children and Young People	82,631	(8,476)	74,155
15,220	Education and Skills	214,906	(198,989)	15,917
(4,372)	Jobs and Regeneration	18,513	(22,656)	(4,143)
28,173	City Services	59,140	(28,238)	30,902
75,934	Adult Services	133,431	(53,170)	80,261
1,153	Public Health and Sport	23,510	(21,597)	1,913
7,216	Housing and Communities	22,810	(8,903)	13,907
217,015	**TOTAL CABINET MEMBER PORTFOLIOS**	**699,727**	**(469,608)**	**230,119**
24,815	Borrowing and Investments	26,143	(1,328)	24,815
(19,765)	Contingencies & Corporate Budgets	814	(28,684)	(27,870)
14,573	Levies From Other Bodies	15,075	0	15,075
30	Parish Precepts	35	0	35
3,369	Revenue Contribution to Capital Spend	2,366	0	2,366
(5,247)	Contributions to / (from) Reserves	282	(12,972)	(12,690)
234,790	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**744,442**	**(512,592)**	**231,850**
	Financed by:			
0	Revenue Support Grant	0	0	0
(127,253)	Council Tax	0	(135,192)	(135,192)
(107,537)	Retained Business Rates	0	(96,658)	(96,658)
(234,790)	**TOTAL RESOURCES**	**0**	**(231,850)**	**(231,850)**

* Restated to reflect changes in portfolios between years

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Appendix 4: Capital 5 Year Programme by Cabinet Portfolio

CABINET MEMBER: STRATEGIC FINANCE & RESOURCES

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
ICT Operations Team	1,400	400	0	0	0	**1,800**
ICT	1,250	1,000	1,000	900	900	**5,050**
TOTAL APPROVED PROGRAMME	**2,650**	**1,400**	**1,000**	**900**	**900**	**6,850**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Management of Capital Reserve	2,330	400	0	0	0	**2,730**
Prudential Borrowing	320	430	0	0	0	**750**
Capital expenditure (from) revenue account	0	570	1,000	900	900	**3,370**
TOTAL RESOURCES	**2,650**	**1,400**	**1,000**	**900**	**900**	**6,850**

CABINET MEMBER: EDUCATION & SKILLS

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Basic Need	3,934	21,086	400	400	400	**26,220**
Condition	3,288	2,187	2,000	2,000	2,000	**11,475**
Devolved Formula Capital	414	414	414	414	414	**2,070**
Suitability/Access	100	100	100	100	0	**400**
Plas Dol-y-moch Expansion	0	550	0	0	0	**550**
SEND	775	775	775	0	0	**2,325**
Pathways to Care (Support to Foster Carers)	200	200	200	200	200	**1,000**
TOTAL APPROVED PROGRAMME	**8,711**	**25,312**	**3,889**	**3,114**	**3,014**	**44,040**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Management of Capital Reserve	200	200	200	200	200	**1,000**
Prudential Borrowing	0	550	0	0	0	**550**
Grant	6,853	17,654	3,189	2,414	2,414	**32,524**
Section 106	700	225	400	400	400	**2,125**
Resource Switch - Prudential Borrowing	958	6,683	100	100	0	**7,841**
TOTAL RESOURCES	**8,711**	**25,312**	**3,889**	**3,114**	**3,014**	**44,040**

CABINET MEMBER: JOBS & REGENERATION

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
UK Central + Connectivity	18,029	57,692	18,839	42,700	58,765	**196,025**
City Centre Regeneration	5,865	9,694	37,123	17,027	3,574	**73,283**
Friargate	1,500	24,863	24,863	47,767	592	**99,585**
Coventry Station Masterplan.	19,050	41,215	1,255	911	0	**62,431**
Coventry Station Masterplan	3,341	0	0	0	0	**3,341**
Nuckle 1.2	500	0	0	0	0	**500**
Growth Deal	17,522	9,139	0	0	0	**26,661**
Whitley South Infrastructure	23,463	11,033	698	0	0	**35,194**
Kickstart Office	168	0	0	0	0	**168**
ESIF - Business Support Phase 2	500	1,050	450	0	0	**2,000**
ESIF - Low Carbon Phase 2	580	537	329	0	0	**1,446**
ESIF - Innovation Phase 2	75	100	75	0	0	**250**
New Deal for Communities	60	100	104	0	0	**264**
London Road Cemetery	936	343	85	0	0	**1,364**
Growing Places	926	3,557	0	0	0	**4,483**
Whitley Depot Redevelopment	4,060	1,000	0	0	0	**5,060**
Duplex Fund	500	500	500	250	0	**1,750**
National Battery Manufacturing Development Facility - Faraday Challenge	39,241	10,000	0	0	0	**49,241**
Coombe Loan	1,100	450	400	0	0	**1,950**
TOTAL APPROVED PROGRAMME	**137,416**	**171,273**	**84,721**	**108,655**	**62,931**	**564,996**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Management of Capital Reserve	60	100	104	0	0	**264**
Prudential Borrowing	7,801	8,109	0	47,767	592	**64,269**
Grant	106,996	156,935	83,206	60,638	62,339	**470,114**
Capital expenditure (from) revenue account	247	44	11	0	0	**302**
Resource Switch - Prudential Borrowing	20,212	4,635	0	0	0	**24,847**
UnRingfenced Receipts	2,100	1,450	1,400	250	0	**5,200**
TOTAL RESOURCES	**137,416**	**171,273**	**84,721**	**108,655**	**62,931**	**564,996**

CABINET MEMBER: CITY SERVICES

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Highways Maintenance & Investment	6,807	5,681	2,369	2,369	2,369	**19,595**
Intelligent Mobility & Age Friendly Programme	1,010	0	0	0	0	**1,010**
Integrated Transport Programme	1,795	1,760	1,620	1,620	1,620	**8,415**
Housing Infrastructure Fund	3,000	9,728	0	0	0	**12,728**
Public Realm Phase 5	6,373	2,601	0	0	0	**8,974**
Nuckle 3	100	0	0	0	0	**100**
Vehicle & Plant Replacement	4,149	3,594	3,237	2,773	1,915	**15,668**
Lentons Lane Cemetery - Phase 2 Expansion	1,653	500	0	0	0	**2,153**
Multi Storey Car Parks	3,860	0	0	0	0	**3,860**
TOTAL APPROVED PROGRAMME	**28,747**	**23,864**	**7,226**	**6,762**	**5,904**	**72,503**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Prudential Borrowing	9,662	4,094	3,237	2,773	1,915	**21,681**
Grant	16,317	17,078	1,620	1,620	1,620	**38,255**
Capital expenditure (from) revenue account	2,119	2,102	2,369	2,369	2,369	**11,328**
Section 106	100	140	0	0	0	**240**
Resource Switch - Prudential Borrowing	549	0	0	0	0	**549**
UnRingfenced Receipts	0	450	0	0	0	**450**
TOTAL RESOURCES	**28,747**	**23,864**	**7,226**	**6,762**	**5,904**	**72,503**

CABINET MEMBER: PUBLIC HEALTH & SPORT

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
Play Areas	292	208	255	96	230		**1,081**
Coundon Hall Park - Drainage	11	0	0	0	0		**11**
Coventry on the Move in Parks Project Phase 1	80	0	0	0	0		**80**
City Centre Destination Leisure Facility	1,085	0	0	0	0		**1,085**
Alan Higgs Centre - 50m Swimming Pool	7,103	170	0	0	0		**7,273**
The Avenue Bowls Club	1,950	0	0	0	0		**1,950**
Disabled Facilities Grants (Better Care Fund).	4,571	3,402	3,402	3,402	0		**14,777**
TOTAL APPROVED PROGRAMME	**15,092**	**3,780**	**3,657**	**3,498**	**230**		**26,257**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
Management of Capital Reserve	80	0	0	0	0		**80**
Prudential Borrowing	9,763	170	0	0	0		**9,933**
Grant	4,946	3,402	3,402	3,402	0		**15,152**
Section 106	303	208	255	96	230		**1,092**
TOTAL RESOURCES	**15,092**	**3,780**	**3,657**	**3,498**	**230**		**26,257**

CABINET MEMBER: HOUSING & COMMUNITIES

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
Housing Policy (Siskin Drive)	65	0	0	0	0		**65**
Housing Venture	889	355	0	0	0		**1,244**
Temporary Acomodation	1,000	0	0	0	0		**1,000**
TOTAL APPROVED PROGRAMME	**1,954**	**355**	**0**	**0**	**0**	**0**	**2,309**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
Prudential Borrowing	1,000	0	0	0	0		**1,000**
Section 106	249	125	0	0	0		**374**
Ringfenced Receipts	640	230	0	0	0		**870**
Grant	65	0	0	0	0		**65**
TOTAL RESOURCES	**1,954**	**355**	**0**	**0**	**0**		**2,309**

CABINET MEMBER: POLICING & EQUALITIES

CAPITAL SCHEME	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
UK City of Culture 20/21	750	4,000	0	0	0		**4,750**
TOTAL APPROVED PROGRAMME	**750**	**4,000**	**0**	**0**	**0**		**4,750**

RESOURCES	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		Total £'000
UnRingfenced Receipts	750	4,000	0	0	0		**4,750**
TOTAL RESOURCES	**750**	**4,000**	**0**	**0**	**0**		**4,750**

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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 cash-flow 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 £50m, with specific "sub" limits of:

	£m
Total Long Term Investments	£30m
Total Investments without credit ratings or rated below A- (minimum BBB+)	£10m
Total Investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+ (minimum A-)	£10m

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	£10m 5 years	£20m 20 years	£10m 20 Years	£10m 20 years
AA+	£10m 5 years	£20m 10 years	£10m 10 Years	£10m 10 years
AA	£10m 4 years	£20m 5 years	£10m 5 Years	£10m 10 years
AA-	£10m 3 years	£20m 4 years	£10m 4 Years	£10m 10 years
A+	£10m 2 years	£20m 3 years	£10m 3 Years	£10m 5 years
A	£10m 13 months	£20m 2 years	£10m 2 Years	£10m 5 years
A-	£10m 6 months	£20m 13 months	£10m 13 months	£10m 5 years
None	£1m 6 months	n/a	£10m 5 years	£10m 5 years
Uk Government*	£Unlimited - 50 Years			
Local Authorities	£Unlimited - 50 Years			
Pooled funds and real estate investment trusts	£20m 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	£20m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£50m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£20m per country
Registered Providers	£50m in total
Unsecured investments with Building Societies	£20m in total
Loans to unrated corporates	£20m in total
Money Market Funds	£100m in total
Real estate investment trusts	£50m in total

Investment limits apply at the time the investment is made.

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
- Real estate investment trusts

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, these investments are covered by the commercial investment strategy (**appendix 6**)

Commercial Investment Strategy **Appendix 6**

This strategy is produced in line with statutory government guidance on Local Government Investments issued under the Local Government Act 2003. It sets out how commercial investments are managed, other than those covered by the Treasury Management Strategy (Section 2.4, Appendix 5), specifically covers investments in shares, loans provided by the Council and commercial property holdings.

The key areas covered in the strategy are:

- ***Transparency and democratic accountability***;
- ***Contribution of investments*** to achieving the objectives of the Council;
- Consideration of the balance between the ***security, liquidity and yield*** of investments
- The need to assess ***security and the risk of loss*** when making or holding an investment;
- The need to determine the ***liquidity*** of investments, including the determination of the maximum periods for those investments, and how funds can be accessed when needed;
- The ***proportionality*** of the investments given the overall size of the authority;
- The authorities approach ***borrowing purely in order to profit*** from an investment or “borrowing in advance of need” as it is referred to in the guidance;
- The need to ensure that members and statutory officers have the appropriate ***capacity, skills and culture*** to make informed decisions in respect of investments;
- The use of technical ***indicators*** to assess risk and return.

The Council’s Commercial Investments

The Council holds the following commercial investments:

- **Shares in companies,** with the main holdings being in 3 companies: the Coventry & Solihull Waste Disposal Company, Birmingham Airport and Coombe Abbey Park Limited. In total, shares held by the Council had a value of £95m as at 31/03/2018. The bulk of this represents increases in the value of the shares rather than cash funds invested. An estimated £20.8m of the £95m represents capital funds invested over time. Share dividend income totalled £7.8m in 2017/18. In addition, the purchase of shares for £10m in Friargate Development in 2018/19 will add to the Council’s total share portfolio.

  One of the risks of investing in shares is that they fall in value, meaning that the initial investment may not be recovered. In order to limit this risk, an upper limit of £50m (Indicator 4) is set on the sum invested in shares, excluding any change in the value of shares already held.
- **Commercial property** holdings across Coventry, including offices, shops and retail units assembled over many years. In total, commercial property held by the Council had a value of £174.3m as at 31/3/2018 with net rental income totalled £11.9m in 2017/18. The fair value of commercial property is assessed annually, with the top 50 commercial property assets plus 33% of the remainder of the portfolio being reviewed. In terms of overall value c85% of the total value of the portfolio is reviewed annually.

  The statutory guidance on investments requires authorities to consider whether the fair value of commercial property assets provides security for the capital invested; essentially whether the value is greater than the cost. Of the total value of commercial property of

£174.3m approximately £100m represents increases in value over the past 20 years, indicating that the authority does have security in the terms set out in the guidance.

- **Loans provided** by the Council ("service loans"), totalling £9.5m as at 31/3/18. The main loans are: Coombe Abbey Park Ltd (£4.8m); local residents under the Kickstart scheme (£1.9m) and Culture Coventry Trust (£0.8m). In addition, during 2018/19 further loans totalling £10.3m have been approved to be provided over the coming years including: Friargate (£5m); Allan Higgs Centre (£1.2m), Coombe (£1.95m). This would increase the Council's total loan exposure to over £16m at the end of 2018/19.

  The main risk when making service loans is that the borrower will be unable to repay the principal lent and interest due. In order to limit this risk, and ensure that total exposure to such loans remains proportionate to the size of the authority an upper limit of £32m (Indicator 5) is set on the sum invested , excluding any change in the value of service loans already held.

Transparency and Democratic Accountability

In line with the Investment Guidance, the Strategy will be prepared annually and will be approved by Council, with any material changes being presented to Council for approval. As part of the wider Budget Report incorporating the related treasury management and capital strategies, this strategy will be openly available on the Council's website. In addition, there is extensive reporting in respect of commercial investments within the Statement of Accounts. The Council's constitution, through the application of approval thresholds, ensures that investment schemes are considered for approval at the appropriate level, taking into account materiality.

Contribution to the Objectives of the Council

The Council invests in commercial assets to support the wider provision of local and regional public services, including to stimulate economic growth and develop employment opportunities. Investments made within the city or region have a service dimension that those made outside of the region are unlikely to have. Under this Strategy the Council's investment are primarily focused on the city and the immediate region supporting service objectives.

In addition, as commercial investments the Council seeks a financial return through income generated from interest on loans, dividends and rents, as well as through disposal proceeds when assets are sold.

Security, Liquidity and Yield

Strategic plans including financial plans embodied within the Medium Term Financial Strategy, as well as Business Cases for individual investments, will include the consideration of the security, yield and liquidity of the investments, together with the associated risk management arrangements and the proportionality of the investment within the Council's wider financial standing.

Risk Assessment

For each category of investment the Council assesses the risk of loss before making commercial investments and whilst holding such investments as set out below:

Investment Type	Approach to Risk Assessment
Shares	• Reviewing the underlying Business Plan of the organisation, including the assumptions about the market in which the company operates. In understanding the market in which the organisation operates external advice will often be needed; • Assessing the financial strength of the organisations through the use of independent credit assessments and ratings (where available) , and the review of published accounts and financial reports; • Considering governance issues, including potentially those set out in audit or external advice reports of the organisation; • Considering risk management including the identification of risk issues through an organisation's statement of accounts and internal risk registers where appropriate. Once shares have been acquired, the Council manages its interest as a shareholder through a number of routes including: Board membership/appointment; monitoring of financial and other reporting information; operation of shareholder panels.
Commercial Property	• Undertaking a detailed financial and operational due diligence assessment, prior to acquiring commercial property assets, identifying the relevant risks (e.g. financial, operational). The assessment includes condition, mechanical and electrical surveys, a review of the occupational leases, title investigations etc to ensure that the Council has full knowledge of the asset to be acquired. The financial assessment includes consideration of full life costs, including capital investment requirements, the level and security of income and potential alternative use returns; • Using the Council's extensive local market knowledge developed through its longstanding ownership and management of commercial property within the city; • Credit rating assessments (e.g. through Dun and Bradstreet) are carried out on the tenants of the properties that are being acquired in order to determine the strength of the covenant and security of forecast income. Once acquired properties are then managed by the Council's Commercial Property Management Team, whilst financial performance, including yields etc is monitored through the Council's developing property performance review arrangements.
Service Loans	• Reviewing the underlying business case for the loan, including where appropriate project or wider organisation business plans. This will include consideration of relevant market information; • Seeking security through asset specific or other legal charges;

	• Assessing the financial strength of the organisation through the use of independent credit assessments and ratings (where available) and the review of published accounts and financial reports; • Including appropriate financial covenants in loan agreements ; • Managing the potential budgetary impact of any risk of loss, for example by the "up front" resourcing of any capital spend through the use of capital receipts rather than borrowing. Once provided, service loans are managed in order to minimise the chance and mitigate the impact of any default. Loans are administered to ensure the timely payment of interest and principal, and long term security of the Council's interest. Monitoring information is provided by borrowers, at a level appropriate to the individual loan, including for example, statutory financial and management reporting information. Loans are assessed under IFRS9 for impairment, using the "expected credit loss model".

As appropriate, the local authority will use external advisors to assess the market, legal, financial and technical advice in respect of all investment types. In order to monitor and maintain the quality of the advice the authority will:

- identify appropriate providers, where appropriate procuring through a competitive process;
- ensure clarity about: its needs, the scope and specification of works, resources required, outputs and timescales;
- ensure oversight of the contract, strong communication and post contract review.

Liquidity of Investments

Where resources need to be generated this requirement is managed through the Council's wider processes, including the Medium Term Financial Strategy (MTFS). This can, for example, take the form of identifying savings within spending programmes or the use of reserves, although ultimately it could entail the sale of assets. Where asset sales are required, the MTFS based corporate approach ensures that the need to realise resources can be focused across the Council's entire asset base rather than being restricted to specific assets. This strategic approach helps maximise flexibility and the potential to realise value from asset disposals, in a timely manner.

As ordinary shares have no defined maturity or repayment period, liquidity will depend on the ability to sell the shares at any point in time and therefore the market at the time of sale. Consequently no maximum investment or maturity periods are set. Similarly, the liquidity of a particular property purchased as an investment will depend on the market at the point of sale.

The terms of service loans provided by the Council will include provision for the repayment of the loan, thereby determining liquidity. Loan durations will vary and will in part be determined by the purpose of the particular loan, and the underlying spend being financed, with for example a loan to finance the construction of a building being repayable over a longer maximum term than a loan for the purchase of equipment.

Proportionality

The Council generated total commercial income of £20.5m in 2017/18 (loan interest £0.8m, share dividends £7.8m and net property rents £11.9m). Whilst a significant cash sum contributing to the balancing of the Council's budget, this figure represents 3% of the Council's net service expenditure and contrasts to other income sources such as fees and charges which, at approximately £63m (2018/19), represents 10% of net service expenditure. In expanding the generation of commercial income the Council will seek to ensure that investments are diversified across different commercial asset types in order to manage risk. However, it is inevitable that Council investment will be focused in local areas in a way that is unlikely to be the case for national investors, reflecting the service dimension of investment decisions.

Borrowing to Fund Commercial Investment Purely for Profit

In line with good practice, the authority will only borrow to resource investment in commercial assets where the business case is strong, where it is prudent to do so in the long term, and on the basis that the risk is proportionate to the authority's wider financial structure. Where commercial investments are made within the city or region, such investments will help contribute to the authority's service objectives, for example in promoting economic regeneration and growth, or developing employment opportunities.

In order to proactively manage risk the authority will make Minimum Revenue Provision on such investments where they are resourced from borrowing, rather than relying on the value within the asset to cover the long term debt impact of the investment.

Capacity, Skills and Culture

The City Council ensures that it has the capacity, skills and culture to effectively manage its commercial investments and the associated risk in a number of way, including, by ensuring that:

- Qualified and experienced internal staffing resources are available in key areas including property management, finance and legal services. External advisors are employed where specialist advice is unavailable internally e.g. in assessing business value in making significant share acquisitions;
- Investment proposals are subject to robust appraisal and business cases assessments covering key areas e.g. security, yield and liquidity over the long term or full life of the investment, beyond the duration of the Council's Medium Term Financial Strategy. The assessment of the business case is included at the appropriate level of detail in reports seeking member approval to the investment;
- The Council's constitution sets out clear and strong governance structures for the approval of financial transactions, including the thresholds for approval by Cabinet Member, Cabinet or Council etc. These arrangements are fundamental in ensuring that investment proposals are considered in the context of the Council's strategic objectives;
- The role of the Section 151 Officer is key in providing input into the consideration of investment proposals, from the initial detailed business case assessment through to approval by the relevant Cabinet Member, by Cabinet or Council. Where necessary, for example due to potential conflicts of interest, the role of Section 151 is undertaken by another appropriately qualified and experienced officer;
- The development of this Commercial Investment Strategy, and associated indicators, will help embed the proactive management of investments and associated risks into the

Council's day to day activities. At a senior officer level, the Capital Investment Group established in 2018, will be central to this;

- Strong in-year financial monitoring, including to Cabinet and Council continues as a cornerstone of the management of the Council's finances and associated risks. The development of commercial property portfolio financial reporting continues as a management tool, highlighting, for example, financial yield relative to asset value.

Commercial Investment Indicators

A number of indicators are produced to support the strategy. The prime focus of the indicators is the management of risk and the demonstration of proportionality of the investments in the context of the Council's overall finance and asset base. In addition to the indicators set out, a number of others are used to support the day to day management of the investment portfolio. For example, extensive use is made of performance indicators in managing the Council's Investment Property portfolio.

Where data is not available, for example because the recommended indicator is inconsistent with the way that local authorities generally record data and manage their finances, then alternative indices are used instead, for the same purpose. The commercial investment indicators are summarised below and set out in detail in Appendix 7b:

- **Investment Category Value (Indicator 1)**. This indicator is designed to demonstrate risk exposure by indicating the value of commercial assets compared to all city council assets. Commercial assets are forecast to be 24% of total city council assets in 2019/20.

- **Debt Funding per Investment Category (Indicator 2)**. Although historic borrowing is not identifiable to specific investments, the Council's underlying borrowing requirement, in the form of the Capital Financing Requirement, was 31% of total council assets by current value (as at 31/03/2018), indicating that assets provide 3 times cover for the underlying borrowing requirement.

- **Rate of Return per Investment Category (Indicator 3)**. Although rate of return is not calculated net of capital financing costs for the reasons referred to above (see Indicator 2), an alternative, based on gross income is used. In addition, the return is stated as a % of current value rather than historic cost as detailed data is not held on the latter. The total rate of return on commercial investments is 7.3%.

- **Service Loans (Indicator 4) and Shares (Indicator 5).** Unlike other commercial investment indicators these two indicators represent limits above which the city council should not invest. These can only be varied with the approval of Council and are referred to in the earlier section "The Council's Commercial Investments" in which the investment types are covered in greater detail.

- **Debt: Net Service Expenditure/NSE (Indicator 6) and Commercial Income: Net Service Expenditure/NSE (Indicator 7).** These indicators demonstrate the proportionality, both of the level of the Council's debt and of its reliance on commercial income. Debt represents 59% of NSE and commercial income 3.4%.

The use of indicators will be reviewed through the first year of the strategy and refined to maximise the usefulness in managing commercial investments.

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Prudential & Investment Indicators

Appendix 7a

			Forecast 18/19 £000's	Forecast 19/20 £000's	Forecast 20/21 £000's	Forecast 21/22 £000's
	Prudential Indicators					
1	**Ratio of financing costs to net revenue stream:**					
	(a) General Fund financing costs		29,609	31,065	34,026	36,766
	(b) General Fund net revenue stream		234,452	231,815	224,597	224,350
	General Fund Percentage		12.63%	13.40%	15.15%	16.39%
2	**Gross Debt & Capital Financing Requirement**					
	Gross debt including PFI liabilities		372,708	403,900	412,545	391,839
	Capital Financing Requirement		441,870	479,238	487,883	472,677
	Gross Investments		-30,000	-75,000	-75,000	-75,000
3	**Capital Expenditure (Note this excludes leasing)**					
	General Fund		173,701	195,320	229,984	100,493
4	**Capital Financing Requirement (CFR)**					
	Capital Financing Requirement		441,870	479,238	487,883	472,677
	Capital Financing Requirement excluding transferred debt		428,820	467,564	477,722	464,181
5	**Authorised limit for external debt**					
	Authorised limit for borrowing		445,408	422,350	434,917	424,230
	+ authorised limit for other long term liabilities		67,745	65,213	62,805	59,951
	= authorised limit for debt		513,153	487,564	497,722	484,181
6	**Operational boundary for external debt**					
	Operational boundary for borrowing		425,408	402,350	414,917	404,230
	+ Operational boundary for other long term liabilities		67,745	65,213	62,805	59,951
	= Operational boundary for external debt		493,153	467,564	477,722	464,181
7	**Actual external debt**					
	actual borrowing at 31 March 2018	284,421				
	+ PFI & Finance Leasing liabilities at 31 March 2018	70,407				
	+ transferred debt liabilities at 31 March 2018	14,300				
	= actual external debt at 31 March 2018	369,128				
8	**CIPFA Treasury Management Code** ~ has the authority adopted the code?					Yes
9	**Interest rate exposures for borrowing**					
	Upper Limit for Fixed Rate Exposures		445,408	422,350	434,917	424,230
	Upper Limit for Variable Rate Exposures		89,082	84,470	86,983	84,846
10	**Maturity structure of borrowing - limits**		**actual**	**lower**	**upper**	
	under 12 months		7%	0%	40%	
	12 months to within 24 months		11%	0%	20%	
	24 months to within 5 years		6%	0%	30%	
	5 years to within 10 years		6%	0%	30%	
	10 years & above		70%	40%	100%	
11	**Investments longer than 364 days: upper limit**		18,000	30,000	30,000	30,000

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Prudential & Investment Indicators — Appendix 7b

Commercial Investment Indicators

1 Investment Category Value : Total Gross Asset Value (Current Value)

	2017/18 £000	2019/20 Ratio	2018/19 £000	2019/20 Ratio	2019/20 £000	2019/20 Ratio
Service Loans	9,469	0.7%	16,069	1.2%	32,000	2.5%
Service Shares	95,545	7.4%	105,545	8.2%	105,545	8.2%
Investment Property *	174,310	13.5%	174,310	13.5%	174,310	13.5%
Total Commercial Assets	**279,324**	**21.6%**	**295,924**	**22.9%**	**311,855**	**24.1%**
Total Council Assets *	**1,293,379**		**1,293,379**		**1,293,379**	

* assumes asset value is constant over the period

2 Debt Funding per Investment Category

Historic borrowing is not identifiable to specific investments. However, the Council's underlying borrowing requirement, in the form of the Capital Financing Requirement, was 31% of total council assets by current value (as at 31/03/2018), indicating that assets provide 3 times cover for the underlying borrowing requirement.

3 Rate of Return (on Gross Asset Current Value)

	2017/18 Income £000	2017/18 Return %	2018/19 Income £000	2018/19 Return %	2019/20 Income £000	2019/20 Return %
Service Loans	786	8.3%	786	4.9%	1,112	3.5%
Service Shares	7,805	8.2%	9,378	8.9%	8,828	8.4%
Investment Property	11,936	6.8%	11,299	6.5%	11,952	6.9%
Total Commercial Assets	**20,527**	**7.3%**	**21,463**	**7.3%**	**21,892**	**7.0%**

4 Service Loans : 2019/20 Upper Limit

Service Loans	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
	actual	forecast	forecast	forecast	forecast
Group Entities	4,477	4,477	5,577	6,027	6,427
Local Organisations	1,838	8,438	8,938	9,438	9,938
Service Users	3,154	3,154	3,154	3,154	3,154
Future Loans			14,331	14,381	14,481
Total Service Loans	**9,469**	**16,069**	**32,000**	**33,000**	**34,000**

5 Shares : 2019/20 Upper Limit (Capital Invested)

Shares	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
	actual	forecast	forecast	forecast	forecast
Group Entities	9,147	9,147	9,147	9,147	9,147
Local Organisations	11,650	21,650	21,650	21,650	21,650
Future Investment			19,203	19,203	19,203
Total Shares	**20,797**	**30,797**	**50,000**	**50,000**	**50,000**

Value of cash and other funds invested over time is estimated as £20,797k (as at 2017/18)

6 Debt : Net Service Expenditure

Debt : NSE	2017/18 £000	2018/19 £000	2019/20 £000
Net Service Expenditure	622,580	636,754	641,650
Gross Debt	369,128	372,708	403,900
Ratio	**59.29%**	**58.53%**	**62.95%**

7 Commercial Income : Net Service Expenditure

Commercial Income : NSE	2017/18 £000	2018/19 £000	2019/20 £000
Net Service Expenditure	622,580	636,754	641,650
Gross Investment Income	20,527	21,463	21,892
Ratio	**3.30%**	**3.37%**	**3.41%**

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Budget Report 2019/20

That the Recommendations from the Cabinet on 19 February, 2019 be moved with the specified alteration as follows:-

Budget Report 2019/20

The wording of all recommendations still stands.

In respect of Recommendation 1, that a reduced level of income of £60,000 be approved in respect of the Bus Lane Enforcement Budget in 2019/20 and £120,000 in subsequent years, funded by an equivalent contribution of £60,000 from reserves in 2019/20 only.

That the amendments be made to line 43 [page 75] and an additional line 43a [page 75] be inserted into Appendix 1 as follows:

~~43~~	~~Additional Bus Lane Enforcement~~	~~Install additional cameras to enable enforcement of existing bus lanes.~~	~~(60)~~	~~(120)~~	~~(120)~~
43a	Contribution from Reserves	Contribution from reserves to replace previous proposal on Bus Lane Enforcement income.	(60)	0	0

That the reduced income and the contribution from reserves be reflected in a revised Appendix 3 [page 85] shown overleaf.

Revenue Budget **Appendix 3**

2018/19 Restated * £'000	CABINET MEMBER PORTFOLIOS	Budget Decisions Brought Forward £'000	Pre-Budget and Final Budget Changes £'000	2019/20 Final Budget £'000
2,074	Policy and Leadership	1,677	7	1,684
8,719	Policing and Equalities	8,710	238	8,948
8,819	Strategic Finance and Resources	5,113	1,474	6,587
74,079	Children and Young People	72,467	1,695	74,162
15,220	Education and Skills	15,338	598	15,936
(4,372)	Jobs and Regeneration	(4,329)	187	(4,142)
28,173	City Services	29,913	994	30,907
75,934	Adult Services	82,215	(1,942)	80,273
1,153	Public Health and Sport	1,967	(52)	1,915
7,216	Housing and Communities	10,214	3,695	13,909
217,015	**TOTAL CABINET MEMBER PORTFOLIOS**	**223,285**	**6,894**	**230,179**
24,815	Borrowing and Investments	24,815	0	24,815
(19,765)	Contingencies & Corporate Budgets	(18,189)	(9,681)	(27,870)
14,573	Levies From Other Bodies	14,658	417	15,075
30	Parish Precepts	30	5	35
3,369	Revenue Contribution to Capital Spend	2,366	0	2,366
(5,247)	Contributions to / (from) Reserves	(14,669)	1,919	(12,750)
234,790	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**232,296**	**(446)**	**231,850**
	Financed by:			
(127,253)	Council Tax	(133,182)	(2,010)	(135,192)
(107,537)	Business Rates	(99,116)	2,458	(96,658)
(234,790)	**TOTAL RESOURCES**	**(232,298)**	**448**	**(231,850)**

* Restated to reflect changes in portfolios between years

2018/19 Restated * £'000	CABINET MEMBER PORTFOLIOS	Gross Expenditure £'000	Gross Income £'000	2019/20 Final Budget £'000
2,074	Policy and Leadership	1,817	(133)	1,684
8,719	Policing and Equalities	16,439	(7,491)	8,948
8,819	Strategic Finance and Resources	126,530	(119,943)	6,587
74,079	Children and Young People	82,631	(8,469)	74,162
15,220	Education and Skills	214,906	(198,970)	15,936
(4,372)	Jobs and Regeneration	18,513	(22,655)	(4,142)
28,173	City Services	59,140	(28,233)	30,907
75,934	Adult Services	133,431	(53,158)	80,273
1,153	Public Health and Sport	23,510	(21,595)	1,915
7,216	Housing and Communities	22,810	(8,901)	13,909
217,015	**TOTAL CABINET MEMBER PORTFOLIOS**	**699,727**	**(469,548)**	**230,179**
24,815	Borrowing and Investments	26,143	(1,328)	24,815
(19,765)	Contingencies & Corporate Budgets	814	(28,684)	(27,870)
14,573	Levies From Other Bodies	15,075	0	15,075
30	Parish Precepts	35	0	35
3,369	Revenue Contribution to Capital Spend	2,366	0	2,366
(5,247)	Contributions to / (from) Reserves	282	(13,032)	(12,750)
234,790	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**744,442**	**(512,592)**	**231,850**
	Financed by:			
0	Revenue Support Grant	0	0	0
(127,253)	Council Tax	0	(135,192)	(135,192)
(107,537)	Retained Business Rates	0	(96,658)	(96,658)
(234,790)	**TOTAL RESOURCES**	**0**	**(231,850)**	**(231,850)**

* Restated to reflect changes in portfolios between years

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Conservative Group Budget proposals

Council meeting on 19th February 2019

AMENDMENT

Budget Report 2019/20 - Amendment

	£000
New Spending Proposals	
Support for Libraries	60
Highways Resurfacing & Potholes	100
Fly Tipping	100
Road Safety Schemes	150
Traffic Enforcement - Additional ANPR Car	50
Reduction by 50% of foster carers Council Tax	127
Local Community Fund	62
Ward Forums	20
	669

Additional Savings	
Trades Union Facilities Time	(400)
Removal of Deputy Cabinet Members & Cabinet Reduced to 8 members	(44)
Citivision	(50)
Remove Policy Contingency	(75)
All Out Elections	(100)
	(669)

Proposed by: Cllr Ken Taylor

Gary Ridley

Seconded by: Cllr Gary Ridley