Public Document Pack

Coventry City Council

Agenda

Cabinet

Time and Date
10.00 am on Tuesday, 25th February, 2020

Place
Committee Room 3 - Council House

Public business

1. **Apologies**

2. **Declarations of Interest**

3. **Exclusion of Press And Public**

   To consider whether to exclude the press and public for the item(s) of private business for the reasons shown in the report.

4. **Council Acting as Charitable Trustees for War Memorial Park** (Pages 3 - 10)

   Report of the Deputy Chief Executive (Place)

5. **Council Tax Setting Report 2020/21** (Pages 11 - 18)

   Report of the Director of Finance and Corporate Services

6. **Budget Report 2020/21** (Pages 19 - 86)

   Report of the Director of Finance and Corporate Services

7. **Acquisition of a Commercial Asset** (Pages 87 - 98)

   Report of the Deputy Chief Executive (Place)

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

Private business

9. **Acquisition of a Commercial Asset** (Pages 99 - 116)

   Report of the Deputy Chief Executive (Place)

   (Listing Officer: A Walster, tel: 024 7697 2335)

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

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

Monday, 17 February 2020

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Tel: 024 7697 2642 / 2643, Email: lara.knight@coventry.gov.uk / michelle.salmon@coventry.gov.uk

Membership:

Cabinet Members:
Councillors K Caan, G Duggins (Chair), P Hetherton, A S Khan (Deputy Chair), T Khan, K Maton, J Mutton, M Mutton, J O'Boyle and P Seaman

Non-voting Deputy Cabinet Members:
Councillors P Akhtar, R Ali, B Gittins, G Lloyd and D Welsh

By invitation:
Councillors A Andrews and G Ridley (non-voting Opposition representatives)

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

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

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Coventry City Council

Public report
Cabinet Report

Cabinet

25th February 2020

Name of Cabinet Member:
Cabinet Member for Equalities and Policing – Councillor AS Khan

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

Ward(s) affected:
Earlsdon

Title:
Cabinet acting as Charitable Trustees for War Memorial Park

Is this a key decision?
No.

Executive Summary:

This report seeks agreement of Cabinet sitting as the Charitable Trustees to agree the introduction of car parking charges at the area of the War Memorial Park edged in red on Appendix A.

By virtue of a conveyance dated 27th January 1921 The War Memorial Park is held on trust by the Council and therefore any decisions relating to it must be made on the basis of and acting in the capacity as sole charitable trustee and what is in the best interests of the charity alone.

Where a local authority is trustee of an asset held on charitable trust, it is essential to ensure that the asset is held and applied in accordance with the particular charitable purpose to which it was conveyed to the local authority.

Where the local authority is the sole trustee, it is the corporate body ("authority itself") which is the trustee and as such guidance from the Charity Commission states that responsibility for decision-making and oversight rests with the Councillors. In exercising the obligation as charity trustee, the decision takers must ensure that their decisions are only taken on the basis on what is in the interest of the charity and not that what is in the best interest of the local authority.

It has become apparent that the car park at the War Memorial Park is being used by persons who are not particularly visiting the park for the purposes of recreational activities which is the basis upon which the park is held. This therefore presents an opportunity in the best interest of the War Memorial Park, for parking charges to be introduced to be applied to those persons who utilise the availability of parking spaces for purposes contrary to which the land is held.

Recommendations:

It is recommended that Cabinet:

1. In its role as charitable trustee of the War Memorial Park, agrees in principle to the introduction of parking charges in the area of the War Memorial Park (identified in Appendix A of this report) subject to:

    - An independent Charities Act report recommending that the intended charges represents best value to the charity.

2. Delegated Authority be granted to the Director of Streetscene and Regulatory Services following consultation with the Cabinet Member for Equalities and Policing to finalise the charging structure which shall include undertaking the appropriate due diligence and completion of any necessary legal process

List of Appendices included:

Appendix A – Plan of the car parking area

Background Papers

None

Other useful documents:

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?

No

Report title:

Cabinet acting as Charitable Trustees for War Memorial Park

1. Context (or background)

1.1 The Council holds the legal title to the War Memorial Park by virtue of a conveyance dated 27 January 1921. The land was transferred to the Council to be held 'to the use' of the Corporation and its successors and assigns *'to be maintained by the Corporation and dedicated in perpetuity as a public park or Recreation Ground for the people or for use for Agricultural Shows Flower Shows or similar purposes with a right to charge for admission'* the wording of this conveyance clearly settled the land (including the War Memorial Park) on charitable trust and as such the Council is now the sole corporate trustee of the Trust.

1.2 In the absence of any other trust document the conveyance is the sole governing document of the charity which it created.

1.3 Where the Council is the sole trustee it is essential to ensure that the assets are held and applied in accordance with the charity's particular purpose.

1.4 For a body to be a charity it must be independent i.e. it must exist and operate solely for charitable purposes not as a means of carrying out the policies or directions of the local authority.

1.5 Any income received from any agreement can only be used toward furthering the purpose upon which the charity was provided and cannot be used for the local authority's general purposes and any income received from the asset must be kept separate from that of the Council and accounted for separately.

1.6 Currently the Council's constitution has no provision for decisions relating to the Council acting in its capacity as a corporate trustee being delegated to either officers or a committee and therefore it is necessary for this report to be brought to Cabinet for a decision to be made.

2. Options considered and recommended proposals

Option 1 – Cabinet acting in capacity of Charitable Trustees approves the introduction of car parking charges at the War Memorial Park (Recommended)

2.1 The introduction of the car parking charges will not affect the ability of the Council acting in their capacity as Charitable Trustees to comply with the objectives stated in the Conveyance as the charges will only seek to regulate the use of the car parks and not the use of the park itself. Furthermore, any consideration received as part of the introduction of the car parking charges from the War Memorial Park will be spent on furthering the objectives to which the land was entrusted to the Council pursuant to the conveyance referred to above.

Option 2 – Retain Status Quo.

2.2 If Cabinet, acting as Charitable Trustees do not agree to the introduction of the car parking charges at the War Memorial Park then the Charity could lose the potential income generated from the introduction of such charges.

3.0 Results of consultation undertaken

3.1 The disposal referred to in this report is not being made to a connected person and as such no order will be required from the Charity Commission prior to the arrangement being put in place.

4. Timetable for implementing this decision

4.1 It is anticipated that the introduction of the car parking charges is likely to commence in the summer of 2020.

Comments from Director of Finance and Legal Services

5.1 Financial implications

Any net consideration (once the costs of implementation and administration have been deducted) received for War Memorial Park car parking will enable the park to move towards being maintained on a financially self-sufficient basis and as such will contribute to enhancement of the park. Subject to approval of this report, the proposed configuration of car parking charges is set out in the Budget Report on the same agenda as this report.

5.2 Legal implications

Land held as Charitable Trustee

Local authorities are empowered by Section 139 of the Local Government Act 1972 to receive and hold gifts on charitable trusts. The local authority is currently the sole corporate trustee for this charity.

The Council as trustee has a legal duty to operate the charity in accordance with the charity's governing document and strictly in furtherance of its stated objects. The management of the charity should be kept separate, as far as possible, from the business of the local authority. Equally, the finances of the trust must be kept separate from those of the Council.

Where the Council is a trustee of a charity, it is the corporate body, acting in accordance with its usual procedures, which is 'the trustee'. While ongoing management may be delegated to officers, responsibility for decision making and oversight must rest with the councillors.

6. Other implications

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

6.1.1 The introduction of car parking charges will ensure that the War Memorial Car Parks remain available for park and recreational users. Net revenue raised from commuters will assist in making the War Memorial Park more financially self-sufficient, thereby protecting investment for the medium term.

6.2 How is risk being managed?

6.2.1 The report seeks the introduction of car parking charges at the War Memorial park and as such does not pose any risk which are required to be managed

6.3 What is the impact on the organisation?

6.3.1 There are no impacts on the organisations as the introduction of car parking charges will generate income for the War Memorial Park which can be reinvested into the better enhanced use of the War Memorial Park by residents of the city.

6.4 Equalities / EIA

6.4.1 An Equality Impact Assessment has not been undertaken as the proposal concerns the introduction of car parking charges.

6.5 Implications for (or impact on) the environment

6.5.1 The impact will be positive as any income received will further enhance the use of the War Memorial Park.

6.6 Implications for partner organisations?

6.5.2 The City Council will work with the Friend of the War Memorial Park on the introduction of Car Parking charges.

Report author(s):
Andrew Walster – Director of Streetscene and Regulatory Services

Directorate:
Place

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Contributor/approver name	**Title**	**Directorate or organisation**	**Date doc sent out**	**Date response received or approved**
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Names of approvers for submission: (officers and Members)				
Oluremi Aremu	Major Projects Lead Lawyer	Place	17.02.2020	17.02.2020
Paul Jennings	Finance Manager (Place Directorate)	Place	17.02.2020	17.02.2020
Councillor AS Khan	Cabinet Member for Equalities and Policing		17.02.2020	17.02.2020

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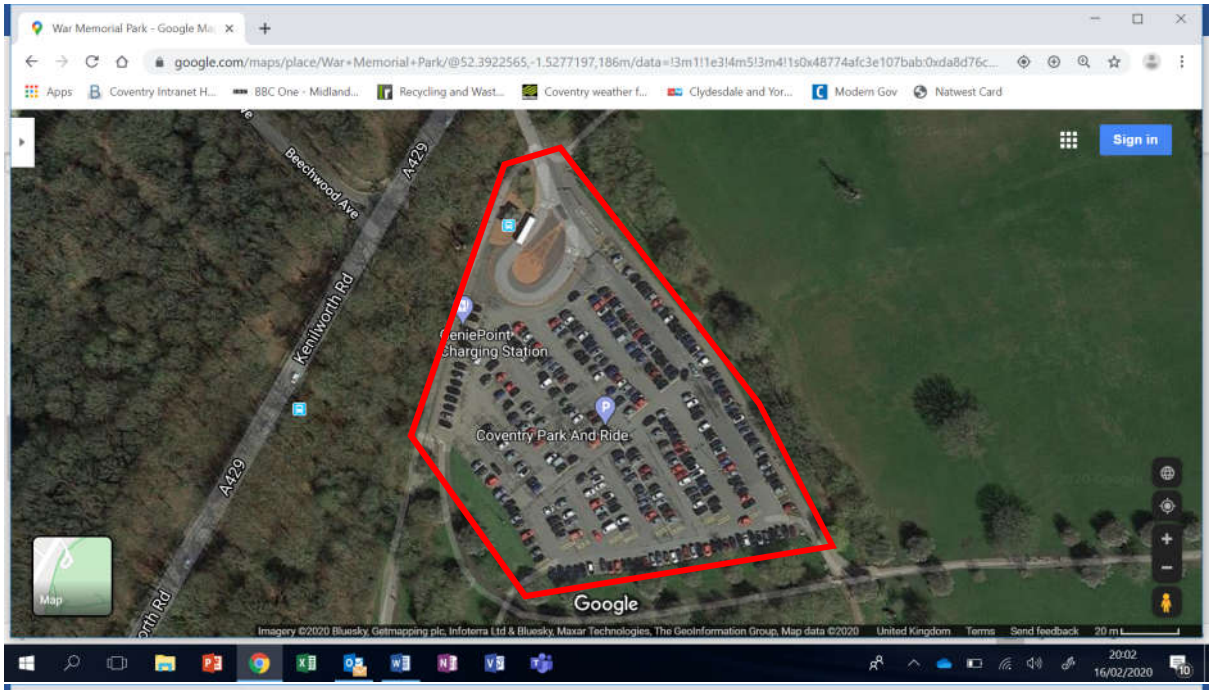
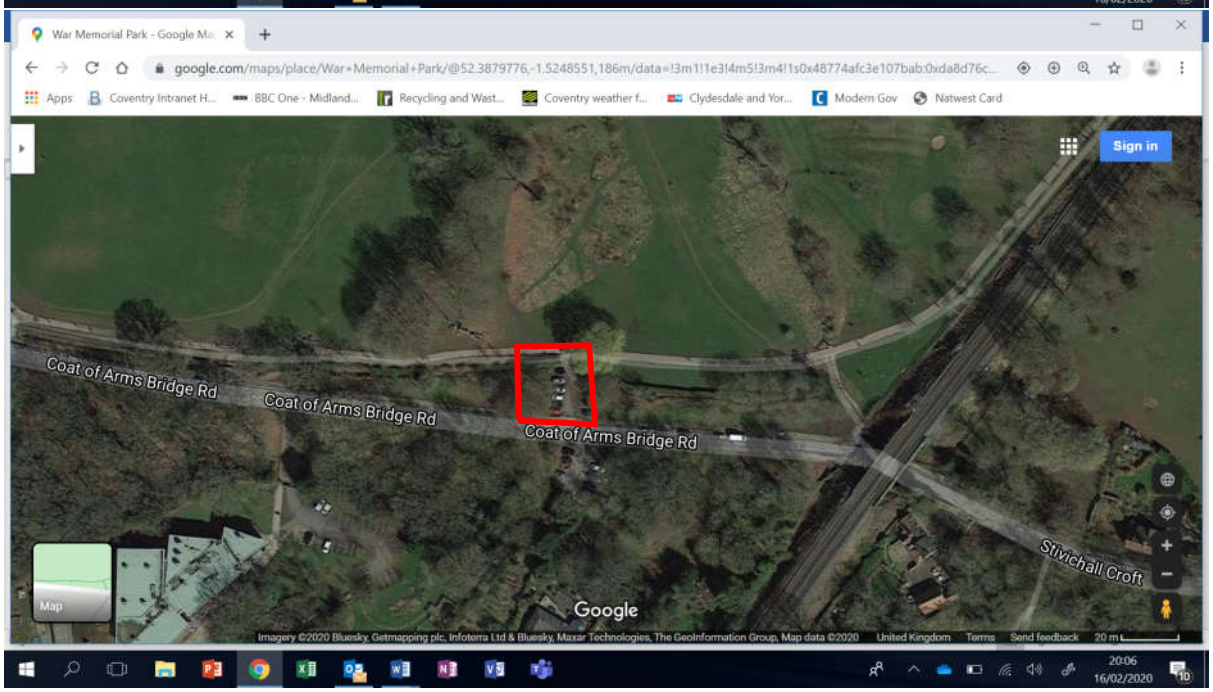
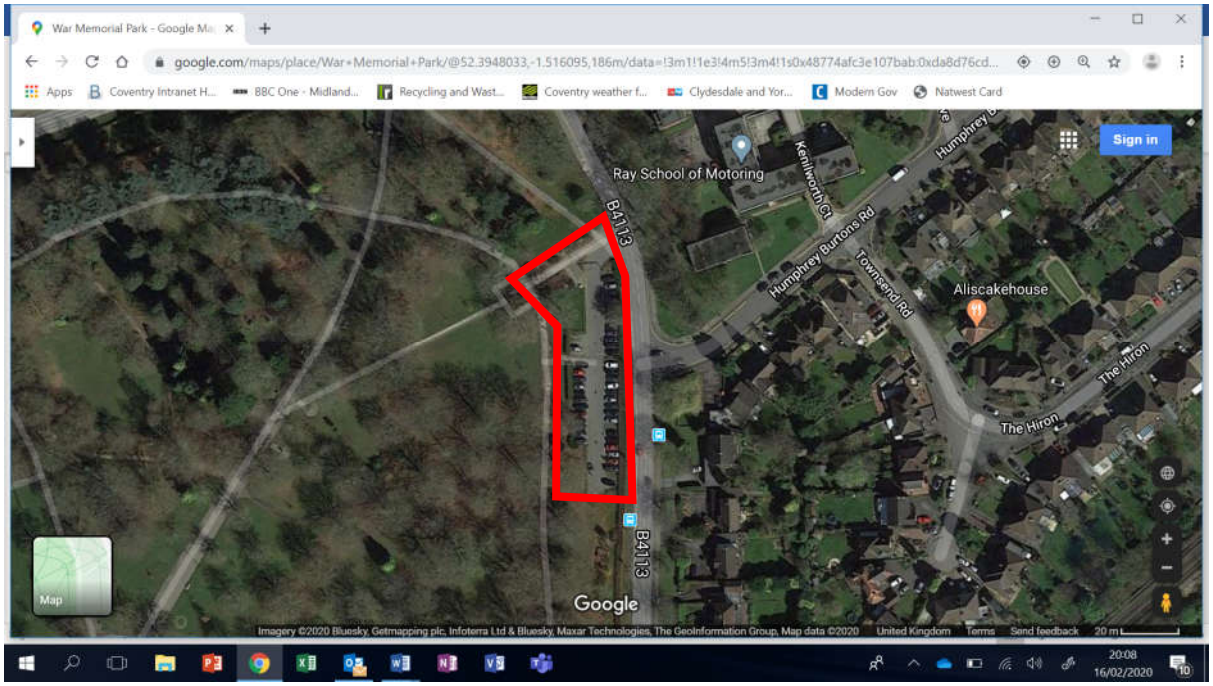
Appendix A – War Memorial Car Parks





Appendix A – War Memorial Car Parks



Coventry City Council

Public report
Cabinet Report

Cabinet	**25 February 2020**
Council	**25 February 2020**

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

Director Approving Submission of the report:
Director of Finance and Corporate Services

Ward(s) affected:
All

Title:
Council Tax Setting Report 2020/21

Is this a key decision?
Yes - Council is being recommended to approve the Council Tax levels for 2020/21

Executive Summary:

This report calculates the Council Tax level for 2020/21 and makes appropriate recommendations to the Council, consistent with the Budget Report 2020/21 on the same agenda. The report recommends a 3.9% 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 2020/21 Band D Council Tax that is calculated through this process has increased by £63.93 from the 2019/20 level.

Each year the Government determines the maximum Council Tax increases that local authorities can set without triggering a referendum. For 2020/21 the Secretary of State has published a report which proposes that the rise in Coventry City Council's Council Tax must be below 4% in 2020/21 to avoid triggering a referendum, comprising a 2% precept for expenditure on adult social care and maximum 2% for other expenditure. At the time of writing the Secretary of State's report is subject to parliamentary approval. The recommendations within the Budget Report 2020/21 are based on a proposed increase in Council Tax of 3.9%, including a 2% Adult Social Care Precept.

At the time of writing this report the precept from the Police and Crime Commissioner and the precept from the Fire and Rescue Authority have not been confirmed. The provisional figures provided in this report are based on indicative figures. A report, with confirmed final figures, will be presented at the Council meeting on the 25 February 2020.

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 2020/21, as approved by Cabinet on 7 January 2020, in accordance with Regulations made under Section 31B of the Local Government Finance Act 1992 ("the Act"):

a) 83,905.5 being the amount calculated by the Council as its Council Tax base for the year for the whole Council area;

b)

Allesley	337.6
Finham	1,552.2
Keresley	239.7

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 2020/21 in accordance with Sections 31A, 31B and 34 to 36 of the Act :

(a) £744,281,523 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) £602,900,440 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) £141,381,083 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) £1,685.00

$$\frac{(2)(c)}{(1)(a)} = \frac{£141,381,083}{83,905.5}$$

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) £40,590 being the aggregate amount of all special items referred to in Section 34(1) of the Act. *(Parish Precepts);*

(f) £1,684.52 $= (2)(d) - \frac{(2)(e)}{(1)(a)} = £1,685.00 - \frac{£40,590}{83,905.5}$

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	£1,684.52
Allesley	£1,720.44
Finham	£1,698.27
Keresley	£1,714.22

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	1,123.01	1,146.96	1,132.18	1,142.81
B	1,310.18	1,338.12	1,320.87	1,333.28
C	1,497.35	1,529.28	1,509.57	1,523.75
D	1,684.52	1,720.44	1,698.27	1,714.22
E	2,058.86	2,102.76	2,075.67	2,095.16
F	2,433.20	2,485.08	2,453.06	2,476.10
G	2,807.53	2,867.40	2,830.45	2,857.03
H	3,369.04	3,440.88	3,396.54	3,428.44

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 2020/21 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	108.37	41.20
B	126.43	48.07
C	144.49	54.93
D	162.55	61.81
E	198.67	75.54
F	234.79	89.27
G	270.92	103.01
H	325.10	123.61

(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 2020/21 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	1,272.58	1,296.53	1,281.75	1,292.38
B	1,484.68	1,512.62	1,495.37	1,507.78
C	1,696.77	1,728.70	1,708.99	1,723.17
D	1,908.88	1,944.80	1,922.63	1,938.58
E	2,333.07	2,376.97	2,349.88	2,369.37
F	2,757.26	2,809.14	2,777.12	2,800.16
G	3,181.46	3,241.33	3,204.38	3,230.96
H	3,817.75	3,889.59	3,845.25	3,877.15

(5) That the Council determines that its relevant basic amount of Council Tax for 2020/21 is not excessive in accordance with the principles set out in the Secretary of State's report, 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 – 25 February 2020

Report title:
2020/21 Council Tax Setting Report

1. Context (or background)

1.1 The purpose of this report is to seek approval for the City's 2020/21 Council Tax. The total planned spending (Gross Expenditure) in 2020/21 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 2020/21 are proposed in the 'Budget Report 2020/21' 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 4% in 2020/21 to avoid triggering a referendum, comprising a 2% precept for expenditure on adult social care and maximum 2% for other expenditure. The recommendations within the Budget Report 2020/21 are based on a proposed increase in Council Tax of 3.9%, including a 2% Adult Social Care Precept.

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 25 February 2020.

2. Options considered and recommended proposal

2.1 The total Band D Council Tax in 2019/20 was £1,833.74. The figures calculated in this report represent a 3.9% increase from the 2019/20 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 2019/20 %	Proportion of total bill %
Coventry City Council	1,684.52	3.9	88.3
Police and Crime Commissioner for the West Midlands	162.55	6.6	8.5
West Midlands Fire Authority	61.81	2.0	3.2
Total Coventry Council Tax	1,908.88	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 £1,181.14, 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	152	0.1	1,060.49	795.36
A	Up to £40,000	6/9	53,748	39.6	1,272.58	954.44
B	£40,001 to £52,000	7/9	41,034	30.3	1,484.68	1,113.50
C	£52,001 to £68,000	8/9	22,988	16.9	1,696.77	1,272.58
D	£68,001 to £88,000	9/9	9,369	6.9	1,908.88	1,431.66
E	£88,001 to £120,000	11/9	4,613	3.4	2,333.07	1,749.79
F	£120,001 to £160,000	13/9	2,264	1.7	2,757.26	2,067.94
G	£160,001 to £320,000	15/9	1,366	1.0	3,181.46	2,386.10
H	Over £320,000	18/9	103	0.1	3,817.75	2,863.31
			135,637	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 2020.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

A £1m increase or decrease in either the City Council's 2020/21 Council Tax requirement or Government grant, would lead to a £11.92 increase or decrease in Band D Council Tax (£7.37 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 £83,906.

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 2020/21 Report, Council 25 February 2020.

6.4 Equalities/ECA

No further implications

6.5 Implications for (or impact on) climate change and the environment

No further implications

6.6 Implications for partner organisations?

No further implications

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Contributor/approver name	**Title**	**Directorate or organisation**	**Date doc sent out**	**Date response received or approved**
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Names of approvers: (officers and members)				
Lara Knight	Governance Services Co-ordinator	Place	30/01/20	05/02/20
Carol Bradford	Corporate Governance Lawyer	Place	30/01/20	04/02/20
Barry Hastie	Director of Finance and Corporate Services	Place	10/02/20	10/02/20
Councillor John Mutton	Cabinet Member (Strategic Finance and Resources)		11/02/20	12/02/20

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Coventry City Council

Public report
Cabinet

Cabinet 25th February 2020
Council 25th February 2020

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

Director Approving Submission of the report:
Director of Finance and Corporate Services

Ward(s) affected:
All

Title:
Budget Report 2020/21

Is this a key decision?
Yes - The report sets the Council's Revenue Budget for 2020/21, the Capital Programme for 2020/21 to 2024/25 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 19th November 2019 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 2020/21 incorporating the following details:

- Gross budgeted spend of £744m (no change from 2019/20).
- Net budgeted spend of £239m (£7m and 3% higher than 2019/20) funded from Council Tax and Business Rates less a tariff payment of £19.9m due to Government.
- A Council Tax Requirement of £141.4m (£6.2m and 4.6% higher than 2019/20), reflecting a City Council Tax increase of 3.9% detailed in the separate Council Tax Setting report on today's agenda.
- A number of new expenditure pressures, savings and income generation proposals within Council services.
- A Capital Strategy including a Capital Programme of £232.7m including expenditure funded by Prudential Borrowing of £33.1m.
- An updated Treasury Management Strategy, Capital Strategy and a Commercial Investments Strategy.

The financial position in this Budget Report is based on the Final 2020/21 Local Government Finance Settlement and incorporates a funding position which broadly matches that of 2019/20. This position contains significant uncertainty for the period after 2020/21 which will be subject to medium-term spending decisions by the new Government. Decisions are awaited on whether this will include a revised allocation model within the Local Government sector and a new national Business Rates retention model. As a result it is impossible to provide a robust financial forecast at this stage and the Council has included some prudent planning figures. Initial assumptions indicate the likelihood that 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.

2020/21 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 Council 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 3.9% and this position has been maintained for the final proposals in this report. This incorporates an increase of 1.9%, which is within the Government's limit of 2% and above which a referendum would need to be held, plus a further 2% relating to the Adult Social Care Precept. This proposed increase will be the equivalent of around 90p a week for a typical Coventry household.

In broad terms the Government Settlement has maintained the level of resources available to the Council to support its financial position through a combination of Council Tax and retained Business Rates less a tariff payable back to Government. Set against this is the need for the Council to reflect a range of inflationary pressures, the non-achievement of some savings plans and the emergence of new expenditure pressures, the bulk of which reflect socio-demographic trends across the country. This combination of results has left the Council needing to address a significant financial gap which 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.

The proposals do not provide the Council with a balanced medium term position beyond 2020/21. Local government still awaits the setting out of a medium term funding settlement from Government and the Council's current medium term bottom line incorporates a combination of future inflationary and service pressures, uncertain specific grant resources and potential resource reductions through the Fair Funding review. The current assumptions on future funding are purely speculative at this stage and the possibility remains that the position could be somewhat better than planned currently (with a lower probability that they could be worse). The Council will need to take stock through 2020 as Government thinking emerges on the changes to local government finance. The initial approach will however be dictated by a need to make significant further savings from or generate further income within Council services. The Council is developing a transformation programme under the banner of 'One Coventry' with key strands incorporating more commercialisation of services, an enhanced digital approach and Place Based services (how services are delivered across the city).

It is not yet clear on what basis any forthcoming national proposals for local government finance will be established but it is highly likely to continue to include a Business Rates retention model beyond 2020/21. This adds further impetus to the need for the Council to continue to support the vibrancy and growth of the city to provide for a secure level of Business Rates income and move towards greater self-sufficiency. The recommended Capital Programme proposals are designed to help achieve this and amount to £232.7m in 2020/21. The proposals reflect the Council's

ambitions for the city and include the completion of the UK Battery Industrialisation Centre, extensive public realm works in the city centre, significant redevelopment of Coventry Railway Station, early works on two new buildings within the Friargate district of the city, progression of the extensive UK Central & Connectivity programme and continuation of the Whitley South Infrastructure projects. Over the next 5 years the Capital Programme is estimated to be £703m as part of on-going massive investment delivered by and through the City Council.

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 2020/21 revenue budget of **£744m** in **Table 1** and **Appendix 3,** established in line with a 3.9% 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 £232.7m for 2020/21 and the future years' commitments arising from this programme of £703m between 2020/21 to 2024/25 detailed in **Section 2.3** and **Appendix 4**.

(5) Approve the proposed Treasury Management Strategy for 2020/21 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 2020/21 in **Section 2.5** and **Appendidx 6** and the Commercial Investment Indicators detailed in **Appendix 7b**.

(7) Approve a new scheme within the Capital programme for the refurbishment of St Marys Guildhall at a total cost of £3m funded from Prudential Borrowing as outlined in paragraph 2.3.3.

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 2020/21 to 2024/25
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 25th 2020

Budget Report 2020/21

1. Context (or background)

1.1 This report seeks approval for the 2020/21 Revenue Budget and corresponding Council Tax rise, Capital Programme and Strategy, Treasury Management Strategy, Commercial Investment Strategy and associated investment and prudential indicators. The report includes detail of the resources retained as part of the 2020/21 Government funding allocation and forecasts of the Council's medium term revenue financial position. The revenue budget proposals in this report follow on from the Pre-Budget Report approved by Cabinet on 19th November 2019. They have been established in line with the Council's current Medium Term Financial Strategy and Council Plan,

1.2 The Government announced the Final Local Government Finance Settlement for 2020/21 on 6th February 2020. The settlement provides a core funding level that is consistent with 2019/20. This represents an improvement compared with the Council's previous financial estimates which assumed funding reductions going forward. No firm picture has been given for the period starting in 2021/22 and the Council's existing planning estimates assume further reductions. It is too early to say whether any further clarity will be brought to local government funding arrangements through this year but the Council will seek to refresh its assumptions based on updated information and current thinking as it emerges.

1.3 Although there have been indications that the period of year on year local government funding reductions has come to an end, it is too early to place any firm financial estimates on what this will mean for the Council's financial position. However, resources available to Coventry through the Local Government Finance Settlement had fallen by c£120m in the ten year period up to 2019/20 on a like for like basis. The context of the Council's financial position going forward therefore is that it is starting from a much lower financial base than it used to, at a time when demographic and demand led pressures exist across a range of services. This means that the Council will continue to need to identify efficient ways of working and more commercial, digital and streamlined approaches to service delivery.

1.4 At the conclusion of the 2019/20 Budget process the Council was projecting a 2020/21 budget deficit of £17m. However through the current Budget exercise it emerged that some existing savings plans planned for 2020/21 were unlikely to be delivered whilst new budget pressures have also arisen. This resulted in a projected budget shortfall in excess of £30m in 2020/21 rising in subsequent years. The Government Spending Round announced in September enabled the Council to revise its expectations of core Government funding levels and several funding streams in relation to social care, improving the financial position. These developments were incorporated within the Pre-Budget Report approved by Cabinet in November alongside the technical and service savings proposals which together produced a near balanced position.

1.5 In 2019/20 councils nationally had the flexibility to increase Council Tax by up to 3% without holding a local referendum on the matter. Additional flexibility to increase Council Tax in recognition of pressure on Adult Social Care (ASC) services over a three year period had already been utilised in 2017/18 and 2018/19 within Coventry so was not available locally in 2019/20. The 2020/21 Budget is based on a referendum limit of 2% with further ASC precept flexibility of 2% in line wih the Council Tax Report on today's agenda. The Pre-Budget Report was approved on the basis of a Council Tax rise of 3.9% - within the parameters of these flexibilities - 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. In August 2019, Cabinet approved capital funding as part of the city's Cultural Capital Investment Fund within a total City Council programme of enhancements to Cultural and Heritage assets of c£15.9m alongside other grant funding and investment opportunities that have already been secured through third parties up to a value of £47m that will also contribute to the readiness of cultural assets for 2021. Cabinet have been informed previously of the significant challenge in managing the number and size of complex and overlapping projects within a relatively compact city and tight timescale and these issues will inevitably continue to exist and increase over the coming 2 year period. 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£703m over the next 5 years. The city's aspiration continues to be 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. The national economic and political context, including the stucture of any future Business Rates Retention model, will play a factor in the degree to which this can be achieved over this period but the Council will continue to explore a range of options that increase the degree of control that it has over its own destiny.

1.8 Whilst local authorities have been required to have a treasury management strategy, more recent statutory government guidance has extended 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. The Council's arrangements in this regard are set out in the Capital Strategy, Commercial Investment Strategy and associated investment and prudential indicators referred to above.

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

2019/20 £000s		2020/21 £000s	Change from 19/20 £000s	Change from 19/20 %
(135,192)	**A: Council Tax Requirement**	**(141,381)**	**(6,189)**	**5%**
(116,276)	**B: Business Rates Income**	**(117,323)**	**(1,074)**	**1%**
19,618	**C: Tariff**	**19,938**	**320**	**2%**
(409,800)	**D: Specific Grants (see section 3.4)**	**(404,582)**	**5,218**	**1%**
(102,792)	**E: All Other Income**	**(100,934)**	**1,858**	**2%**

(231,850)	**Funding of Net Budget (A + B + C)**	**(238,766)**	**(6,916)**	**3%**

(744,442)	**Funding of Gross Budget (A + B + C + D + E)****	**(744,282)**	**160**	**0%**

Line A above reflects the city Council Tax increase of 3.9%, 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 No information is available currently about the level of resoures that will be available to the Council in future. This will be subject to decisions over the Government's spending plans and any changes in the Local Government Finance model which the Government is continuing to assess. The Council's medium term financial forecast reflected in Appenix 1 assumes some modest reductions in resources in future years although this cannot be used as a reliable indication at this stage.

1.9.3 The Council is in a similar position to many councils having experienced significant reductions in the resources it received from Government since 2010. In efforts to maximise the benefit realisable within the current system Coventry is currently a member both of the Coventry and Warwickshire Business Rates Pool and the West Midlands West Midlands Business Rates Pilot, the latter which enables the Council to retain 99% of Business Rates

1.9.4 As a result of lower resource settlements from Government and 99% Business Rates retention the Council needs to make a tariff payment <u>to</u> Government in contrast to the top-up payment that it used to receive <u>from</u> Government under previous funding arrangements. This tariff payment now stands at £19.9m for 2020/21, broadly in line with the previous year. This indicates that the Council is judged by Government to be earning a greater level of Council Tax and retained Business Rates (plus specific grants) than it requires for its assessed spending needs. This position reflects a combination of cuts to Government funding for local government and to a limited degree, indications that the Council has a degree of self-reliance (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 areas 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.

1.9.5 In overall terms specific revenue grant funding is expected to decrease between 2019/20 and 2020/21 from £410m to £405m. The headline reduction is due to a reduction in the total level of funding for LEA schools (including the Dedicated Schools Grant and Pupil Premium Grant). This is expected to be £173m, compared with £184m in 2019/20 with the decrease being the result of further schools moving to academy status. The total of all other grants has increased marginally. Housing Benefit Subsidy payments have been estimated at £114m, whilst other significant grants include adult social care funding (£39m) including the Improved Better Care Fund, Public Health (£22m), grants relating to Business Rates (£13m), Private Finance Initiative grants (£9m), Adult Education funding (£6m) and the New Homes Bonus (£5m).

1.9.6 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 since 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 3.9% which includes an Adult Social Care Precept of 2%.

2.1.2 The report seeks approval for a 2020/21 Capital Programme of £232.7m compared with the initial 2019/20 programme of £229.9m. 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 19th November 2019 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 summary and detailed changes since the Pre-Budget Report are shown in tables 2 and 3 below. These changes enable the Council to deliver a balanced budget for 2020/21 but indicate that a financial gap will arise based on known current conditions for subsequent years.

Table 2: Summary Changes to Pre-Budget Report Position

	2020/21 £m	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Pre-Budget Report Position	**0.8**	**28.1**	**37.6**	**42.0**
Resources	(3.9)	(6.4)	(4.4)	(6.0)
Expenditure Pressures	1.0	1.5	1.5	1.5
Technical Savings	(1.7)	(4.4)	(4.1)	0.0
Service Savings	1.3	0.2	0.2	0.2
Policy Spending Priorities	2.5	0.1	0.1	0.1
Final Budget Position	**0.0**	**19.1**	**30.9**	**37.8**

Table 3: Detailed Changes in Proposals Compared with the Pre-Budget Report Position

	Appx 1 Line Ref	2020/21 £m	2021/22 £m	2022/23 £m
Pre-Budget Report Position		**0.8**	**28.1**	**37.6**
Council Tax Collection Fund	2	0.3	(6.3)	(4.4)
New Homes Bonus	4	(1.8)	0.0	0.0
Adult Social Care Precept	3	(0.1)	(0.1)	(0.1)
Independent Living Fund	8	(2.3)	0.0	0.0
Coventry & Warwickshire Business Rates Pool	9	0.0	0.0	0.1
Dedicated Schools Grant Historic Liabilities	15	(0.5)	0.0	0.0
Housing and Homelessness	16	1.2	1.2	1.2
National Living Wage	20a	0.3	0.3	0.3
Superannuation Actuarial Review	22a	(1.7)	(4.4)	(4.1)
Building Cleaning	45	0.05	0.0	0.0
Public Health Keeping Coventry Warm	50	0.05	0.0	0.0
Community Capacity and Resilience Grants	52	0.05	0.0	0.0
War Memorial Park Charging for parking	53	0.2	0.2	0.2
War Memorial Park Charging for Water Feature	54	0.015	0.015	0.015
Bus Lane Enforcement	63	0.1	0.0	0.0
Highways Maintenance	67	0.85	0.0	0.0
Climate Change Strategy	69	0.1	0.1	0.1
City Wide Cleaning	70	2.1	0.0	0.0
Average Speed Cameras	71	0.3	0.0	0.0
Final Budget Position		**0.0**	**19.1**	**30.9**

2.2.2 Pension Contributions - The Council's arrangements with the West Midlands Pension Fund has been subject to a recent triennial review of superannuation payments covering

the period from 2020/21 to 2022/23. Discussions have been held with the Fund and its actuary on payments to the Fund for the next three years and final agreement will be reached shortly. This will incorporate a reduced superannuation rate of 22.9% which has been reflected in the proposals within this report. The Council is also negotiating with the Fund to pay all of its employer contributions for the next three years via a discounted one-off payment of c£100m in April 2020 which will be spread over three years in accounting terms. This mirrors a similar arrangement undertaken in 2017 and is one that a number of West Midlands authorities are likely to take advantage of. The financial impact of the final agreement will be incorporated into the Council's medium term financial position.

2.3 Capital Strategy and Expenditure Programme

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 £232.7m which contains a number of strategically significant schemes. This compares with the current projected 2019/20 programme of £215.9m 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 2020/21 planned expenditure as follows:

- £91m of investment in the City's Highways and Public Realm infrastructure. This includes the completion of the Whitley South bridge, UK Central and Connectivity programmes as part of the Strategic Transport Investment Programme, Public realm provision under City of Culture and Coventry Station Masterplan
- £39m for the final phases of the National Battery Manufacturing Development facility.
- £23m for the second phase (Building 2 and the Hotel) of the Friargate Business District and the redevelopment of a major part of the City Centre
- A £22m programme within the Education and Skills Portfolio, seeing the implementation of the One Strategic Plan and investment in secondary school provision.
- £14m for the Uk City of Culture including the planned refurbishment of St Mary's Guildhall
- £12m for the final round of Growth Deal Projects

2.3.3 As part of this Budget Report, approval is sought for a new capital scheme for the refurbishment of the St Mary's Hall complex at a total value of £5.2m (a further c£0.4m may be incurred depending on the extent of need for condition works). Very tight timescales demand commitment to early work on the scheme ahead of a more comprehensive formal report in March 2020, and on this basis outline approval to commence the scheme is being sought as part of this report. The scheme will include:

- Restoration of the medieval kitchen
- Conservation and improved display of the medieval tapestry
- Enhanced disability access
- Digitally interactive visitor engagement
- Condition maintenance works exterior conservation.
- Creation of a new feature bar that will be incorporated into the Great Hall

- Creation of a new purpose-built kitchen with facilities suited for large scale commercial catering
- The offer of a modern conferencing suite and facilities

Confirmed resourcing for the scheme will be provided by £2.2m of funding from the Arts Council and the Council's previously identified capital commitment to the City of Culture Capital Programme. At this stage a maximum of £3m could be provided from Prudential Borrowing financed by a business case supported from the anticipated extensive new commercial offer of the complex. Further grant funding is currently being sought to minimise the requirement for borrowing.

2.3.4 The 2020/21 Programme requires £33.1m of funding from Prudential Borrowing, £24.8m of which relates to previous approvals for the Coventry Station Masterplan, replacement vehicle programme, Whitley Depot, Lenton Lane Cemetery and the re-provision of bowls. A further £8.3m 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 £155m 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.

2.3.5 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 2020/21 Capital Programme is £179m of Capital grants as follows.

Table 4: Capital Grant Funding

Grant	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £m
Arts Council (DCMS)	8.4	0	0	0	0	**8.4**
Disabled Facilities Grant	4.4	3.4	3.4	3.4	3.4	**18.0**
Department for Transport	8.5	1.3	15.8	20.1	4.1	**49.7**
Education Funding Agency	14.4	3.5	6.9	5.5	1.7	**32.0**
Growth Deal	15.7	0	0	0	0	**15.7**
Heritage Lottery Fund	1.2	0.1	0.0	0.0	0.0	**1.3**
Highways England	1.0	1.3	0	0	0	**2.3**
Innovate UK	21.2	0	0.0	0.0	0.0	**21.2**
West Midlands Combined Authority	84.9	89.0	76.1	24.6	1.6	**276.2**
Private Sector Contribution	8.8	0.7	1.3	1	5.5	**17.3**
All Other Grants & Contributions	10.1	33.1	14.9	0	0	**58.1**
TOTAL PROGRAMME	**178.5**	**132.3**	**118.4**	**54.6**	**16.3**	**500.0**

2.3.6 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.

2.3.7 **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 2020/21 for individual projects.

A summary of the proposed programme including existing commitments and funding sources is outlined below. This includes expenditure rescheduled into 2020/21 as a result of the 2019/20 budgetary control process. Full details of the proposed programme are included in **Appendix 4.**

Table 5: 2020/21 – 2024/25 Capital Programme (Expenditure & Funding)

Portfolio Expenditure	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Policy and Leadership	13,535	2,097	217	0	0	**15,849**
Strategic Finance & Resources	2,229	1,000	1,000	1,000	1,000	**6,229**
Education & Skills	22,266	20,864	7,197	5,678	1,652	**57,657**
Jobs & Regeneration	134,822	101,947	150,409	44,798	52,587	**484,563**
City Services	52,886	42,085	10,589	5,581	4,869	**116,010**
Adult Services	4,402	3,402	3,402	3,402	3,402	**18,010**
Public Health & Sport	2,504	308	34	23	684	**3,553**
Housing & Communities	100	1,310	0	0	0	**1,410**
TOTAL PROGRAMME	**232,744**	**173,013**	**172,848**	**60,482**	**64,194**	**703,281**

Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Management of Capital Reserve	1,504	418	200	200	0	**2,322**
Capital Unringfenced Receipts	10,919	645	200	125	125	**12,014**
Capital Ringfenced Receipts	0	920	0	0	0	**920**
Prudential Borrowing	33,141	25,290	50,656	2,185	43,762	**155,034**
Grant	178,548	132,276	118,389	54,580	16,254	**500,047**
Capital Expenditure from Revenue	3,687	3,030	3,369	3,369	3,369	**16,824**
Section 106	4,945	10,434	34	23	684	**16,120**
TOTAL PROGRAMME	**232,744**	**173,013**	**172,848**	**60,482**	**64,194**	**703,281**

2.3.8 Leasing

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

2.3.9 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 Council has sought to use its receipts actively in recent years both to fund the purchase of new income generating assets (e.g. the B&M Store site) or to support priority capital projects such as the cultural capital investment programme. The following table sets out the Council's forecast capital receipts flows and expenditure commitments although these are subject to significant volatility given the nature of activity in this area.

Table 6: Forecast Capital Receipts

	2020/21 £000s	2021/22 £000s	2022/23 £000s	£2023/24 £000s
Forecast (Receipts Brought Forward)/Receipts Shortfall	(7,264)	1,935	4,900	5,500
Forecast New Receipts	(4,060)	(12,300)	0	0
Total Receipts	**(11,324)**	**(10,365)**	**4,900**	**5,500**
Commitments	13,259	15,265	600	125
Receipts Shortfall/(Receipts Carried Forward)	**1,935**	**4,900**	**5,500**	**5,625**

Known current commitments or those planned for the near future are expected will exhaust existing levels of receipts within 2020/21. It is important to stress that the final position is likely to be somewhat better than projected at this stage both because a prudent view of future receipts has been included and because expenditure commitments are unlikely to all be incurred to the timescale indicated. As a last resort and after any appropriate review of existing commitments, any temporary shortfall would need to be filled from existing uncommitted revenue or capital reserves, from budgetary underspends or from borrowing, where this is consistent with the expenditure incurred. The key point to

note at this stage is that the Council will not be able to enter into any further commitments involving capital receipts until and unless further capital receipts are identified above those included above.

2.3.10 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 liability of £554m (31st March 2019). 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 (see Section 2.2.2).

2.3.11 Capital Financing Requirement

Taking into account the planned programme set out in the Table 5 above, the estimated Capital Financing Requirrement (CFR), representing the underlying need to borrow for capital investment purposes, is detailed in the following table below:

Table 7 : 2020/21 Capital Financing Requirement (including PFI & Finance Leases)

Forecast CFR Movements	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening CFR - 1st April	**440.3**	**474.2**	**492.5**	**500.4**	**531.3**
Capital Spend met from borrowing	46.8	33.1	25.3	50.7	2.2
Minimum Revenue Provision	-11.5	-13.4	-15.7	-17.9	-19.5
Other	-1.3	-1.5	-1.7	-1.7	-2.0
Closing CFR - 31st March	**474.2**	**492.5**	**500.4**	**531.3**	**512.0**

Over the 5 years from 1st April 2020, it is forecast that the CFR will increase by c£72m or approximately 16% reflecting the the level of the borrowing required to meet the capital programme, less amounts set aside to repay debt as MRP.

2.3.12 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 £30.3m in 2020/21 to £36.5m in 2022/23, 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 2.4.5.

2.3.13 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

The Council's treasury management adviser Arlingclose is forecasting that the Bank Rate will remain at 0.75% until the end of 2022. However, there are risks associated with this forecast and there is a good chance that the Bank Rate may fall, given the recent general election, the need for greater clarity on Brexit & the continuing global economic downturn

2.4.4 Borrowing

Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2020 is as follows:

Table 8: Estimated Long Term Borrowing at 31st March 2020

Type of Debt	Total £m
PWLB	190.4
Money Market Loans	38.0
Stock Issue	12.0
Transferred Debt (other authorities)	10.2
PFI, Finance Lease & Other	65.2
Total Long Term Liabilities	**315.8**

The above table indicates that the Council has previously raised the majority of its long term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now consider other options when borrowing over the long term, including banks, pensions, and local authorities while also investigating the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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 & Leases - under accounting rules, liabilities to make payments under PFI schemes and certain 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); 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 or vehicles set up by local authorities to enable joint local authority bond issues such as the UK Municipal Bonds Agency plc which was established in 2014 as an alternative to the PWLB. It plans to issue bonds on the capital markets & lend the proceeds to local authorities.

Given the Capital Programme and the increase in the underlying need to borrow represented by the Capital Financing Requirement and the pension prepayment being

made in April, all 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 2020/21 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 2019/20 the amount held in these investments has ranged between £0m and £30m;
- 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 2019/20 the amount held in these investments has ranged between £30m and £70m.
- 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 2019/20 the amount held in these investments has ranged between £1m 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 maintained at £10m. Similarly, for secured investments which are not subject to "bail in", the maximum limit will be maintained at £20m.

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 a £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 A- or better;

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

f) Registered providers are included on the counterparty list with a £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 13.05% in 2019/20 to 16.28% in 2022/23. 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 2020/21 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 50% 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. This limit has increased from 40% in 2019/20 as a result of the pension prepayment whereby there is a strong likelihood of short term borrowing being used to fund this due to low short term interest rates and the short term nature of the payment.
- Other indicators highlight Planned Capital Spend (Indicator 4), Actual Debt at 31st March 2019 (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 and set appropriate indicators to illustrate this, as recently re-emphasised by CIPFA in informal guidance to local authorities. The context is the concern that authorities might overstretch themselves relative to their capacity to manage the risk. Investments in commercial assets are proportionate to the size of the Council, with income from such investments respresenting 3.1% (forecast 2020/21) of Net Service Expenditure (Indicator 7) and with an asset value of £399m or representing 28.9% of the Council's Total assets (Indicator 1)
- 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 2020/21 for service loans and shares, at £53m and £50m respectively (Appendices 6 & 7b). Revision of these limits would require the approval of Council. The limit of £53m for service loans includes a significant increase over the 2019/20 limit of £32m. This is due the inclusion of major development schemes already approved that may entail the Council providing its investment via loans, depending on the final agreed structures, including the UK BIC battery plant and Materials Recycling Facility (MRF) developments.

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**. Those changes that have provided budget flexibility (in particular relating to New Homes Bonus, the Independent Living Fund and the Superannuation Actuarial Review) have provided the opportunity to consider a number of new spending proposals and the removal/reduction of some savings proposals. Several of these changes to savings proposals align closely with comments made most frequently within the consultation.

4. Timetable for implementing this decision

4.1 Many of the individual expenditure and savings identified within this report may be implemented from 1st April 2020. 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 2020/21 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 2020/21. The new funding arrangements that were planned by Government to be put in place for 2020/21 have not occurred so the Council is still planning within a state 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 seek to deliver several key transformation programmes that are being developed under the banner of One Coventry.

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 2020/21 will not be known until finalisation of the 2019/20 accounts and reserve levels will be reviewed at that time. The total revenue reserve balances available to the Council at the end of 2018/19 stood at £82m. Other reserve balances set aside to fund capital schemes stood at £23m. Separately, balances owned by the Council's local authority maintained schools and outside the Council's control, stood at £26m at 31st March 2019. Explanations for the key balances were set out in the Council's Financial Outturn Report considered by Cabinet in June 2019. The level of balances is set out in the table below.

Table 9: 2018/19 Reserve Balances

	Balance at 31st March 2018	(Increase)/ Decrease	Balance at 31st March 2019
	£000	£000	£000
Council Revenue Reserves			
General Fund Balance	(4,702)	(5,575)	(10,277)

Adult Social Care	(4,798)	1,264	(3,534)
Public Health	(606)	(182)	(788)
Troubled Families	(486)	(609)	(1,095)
Leisure Development	(1,599)	265	(1,334)
Kickstart Project	(5,068)	3,790	(1,278)
City of Culture	(4,750)	0	(4,750)
Potential Loss of Business Rates Income	(3,414)	(4,321)	(7,735)
Redundancy and Early Retirement	(8,261)	(1,809)	(10,070)
Commercial Developments	0	(4,000)	(4,000)
Insurance Fund	(1,595)	(103)	(1,698)
Management of Capital	(6,332)	933	(5,399)
Private Finance Initiatives	(10,781)	612	(10,169)
Other Directorate	(7,194)	(2,295)	(9,489)
Other Directorate funded by Grant	(2,193)	629	(1,564)
Other Corporate	(5,298)	(3,291)	(8,589)
Total Council Revenue Reserves	**(67,077)**	**(14,692)**	**(81,769)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(23,978)	2,511	(21,467)
Capital Grant Unapplied Account	(7,179)	5,285	(1,894)
Total Council Capital Reserves	**(31,157)**	**7,796**	**(23,361)**
Schools Reserves			
Schools (specific to individual schools)	(19,590)	(718)	(20,308)
Schools (related to expenditure retained centrally)	(4,742)	(1,342)	(6,084)
Total Schools Reserves	**(24,332)**	**(2,060)**	**(26,392)**
		0	
Total Reserves	**(122,566)**	**(8,956)**	**(131,522)**

All of the balances above are held for a clear identifiable purpose and have existing planned expenditure commitments against them or 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.

CIPFA's recently published Resilience Index contained results indicating that the Council's overall level of reserves placed it in the middle of the pack compared to similar authorities. The Council's level of unallocated reserves (in effect its general fund or working balance) places it in just within the highest risk quartile. A different indicator showing the change in this balance demonstrates that the Council has increased these reserves in recent years, moving it away from what was a lower ranking last year.

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 2020/21 and is no longer approaching the minimum acceptable level for a Council of this size. 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 2020/21 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. These 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 four 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 participate 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.

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 new resources are not used effectively to deliver corporate objectives and that on-going spending and income is not controlled to budgets. Operational management arrangements and quarterly monitoring reports in compliance with the Council's budgetary control rules will address this issue specifically.

5.1.4.1 **Housing and Homelessness** – This area of activity has become the most dynamic area of budgetary change for the Council in recent years. and rising costs in this area are part of a national trend with increasing numbers of people needing to be housed. The Council is now implementing a range of solutions that are required over the medium term and successive budgets have directed further resources to deal with the medium term impacts. 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 and/or manage any further pressure in this area.

5.1.4.2 **Children's Social Care Services –** The increased volume of cases, cost of individual placements and delays in the delivery of Children's placement transformation continues to represent a large and volatile service and budget pressure. Children's Transformation Board continues to monitor the progress of Looked After Children placement transformation. This work will continue 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 yet to be addressed by promised Government reform. Locally, this has been recognised and addressed to some degree by additional grant resources that have been made available by Government and a medium term Adult Social Care financial plan put in place within the Council's budget. Nevertheless, this area of activity is naturally difficult to predict and the Council needs to continue to ensure an appropriate balance between the budget available and the level of activity in line with Council policy.

5.1.4.4 **Major Infrastructure Projects –** The Council is involved in a number of major infrastructure projects around the city that give it some exposure to a degree of financial and reputational risk. These include, but are not restricted to projects such as:

- 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.
- Very significant Public Realm regeneration projects aimed at remodelling and updating the city centre

These projects all carry different balances of risk including project overrun, over-spending, expectation to meet funding gaps and reputational damage from any of these and other factors. 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 are externally funded or have self-funding business cases that keep the Council's financial costs to a minimum. Any decisions to move away from this base position would need to be made on a case by case basis within the Council's existing resource constraints.

5.1.4.5 **Commerical Projects –** The Council is involved in or investgating a range of major commercial acivities. These can include some of the risks outlined for the infrastructure projects above as well as some additional risk from the commercial performance of each venture. These include, but are not restricted the following projects:

- Friargate – Joint work with an external developer to regenerate a new business district.
- Construction and equipping of the UK Battery Industrialisation Centre via a joint venture arrangement.
- Development of City Centre South, working with a major development partner to regenerate a large area of the city centre.
- Financial arrangements made on commercial terms to help support local organisations and the Council's direct investment in Coombe Abbey Park Limited.
- Development of a Material Recycling Facility within the city.

These projects are subject to a range of ownership and company structure arrangements, complex legal and financial transactions, a risk that commercial pay-back targets (for instance to finance prudential borrowing decisions) are not achieved and a wider risk that projects do not deliver their fundamental purpose (where this is different to specific financial targets). As above, in making decisions to pursue these projects the Council is clear that its involvement is consistent with its overarching objectives. In addition, the Council undertakes significant due diligence and ensures that self-funding business cases support any expenditure to keep the Council's financial costs (and risk) to a minimum. Nevertheless, to the extent that these projects are commercial ventures it must be recognised that their future financial performance will always be subject to a degree of risk.

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** – there have been delays to previously indicated changes to local government finance including the overall local government funding settlement, a fair funding review (the share of local government resources allocated to the Council), 75% Business Rates retention and announcement of future specific grant regimes, especially those for adult social care. 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 2020/21 budget estimates are secure.

5.2 Legal implications

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2020/21 budget by mid-March 2020. 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 other key financial risks are identified in section 5.1.

6.3 What is the impact on the organisation?

There are only a small number of savings proposals that will impact upon the number of staff employed by the Council in future. The savings proposals, transformation programmes, large Capital Programme and adoption of commercially based projects mean that the Council will have to continue to adapt to meet the challenges that it faces in terms of the way it works.

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 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

The Council is due to update its Climate Change Strategy in 2020 to support the commitment it has made to respond to the climate change agenda. This wil be funded by an expenditure proposal within this Budget Report. There are two savings proposals for street lighting that should improve the Council’s overall energy efficiency .

6.6 Implications for partner organisations?

None

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Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Position Carried Forward from 2019/20	**16,720**	**23,796**	**30,370**	**34,370**	
	Resources					
1	Local Government Settlement	(13,705)	(12,597)	(13,233)	(18,927)	Latest estimate based on Spending Round.
2	Council Tax Collection Fund Surplus **(Change to Pre-Budget Report)**	(1,644)	(6,269)	(4,377)	(5,974)	This is the 2018/19 Council Tax Collection Fund surplus which is available to support the 2020/21 Budget and assumed tax-base resources available in future years.
3	Council Tax Referendum cap at 2%	1,288	2,660	4,121	5,676	This reflects the assumed Council Tax referendum cap reducing from 3% to 2%. The Council's previous assumption had been a cap of 3%. Therefore there is a reduction in the assumed level of Council tax income.
4	New Homes Bonus **(Change to Pre-Budget Report)**	(3,498)	0	0	0	New Homes Bonus has been confirmed at a higher level than previously assumed. A further review of the scheme is expected for 2021/22 onwards so no additional resources have been assumed beyond 2020/21.
5	Adults' and Children's Social Care Grant (2019/20 Local Government Settlement)	(2,650)	0	0	0	The Spending Round indicates that this funding will continue at the 2019/20 level. The initial assumption is that this will not be available in future years.
6	New Adults & Children's Social Care Grant	(6,781)	0	0	0	This is the allocation of additional resources for Adults' and Children's social care announced in Spending Round. The initial assumption is that the funding will not be available in future years.
7	Adult Social Care Precept (**Change to Pre-Budget Report**)	(2,719)	(2,719)	(2,719)	(2,719)	The 2% Adult Social Care precept will provide resources to support future expenditure within the Adult Social Care medium term financial plan.
8	Independent Living Fund **(Change to Pre-Budget Report)**	0	2,300	2,300	2,300	The assumption within the Pre-Budget Report was that this grant funding stream may potentially not be available from 2020/21. The Government settlement has now confirmed its availability for 2020/21 but not at this stage for later years.
9	Coventry & Warwickshire Business Rates Pool **(Change to pre-budget Report)**	(400)	0	100	100	The Technical Consultation has indicated that no new Business Rates Pilots will be announced for 2020/21. One impact of this is that the Coventry and Warwickshire Business Rates Pool should continue for a further year. The current budgeted amount of Business rates pooling gain had therefore been assumed for one further year.
	Total Resources Change	**(30,109)**	**(16,626)**	**(13,808)**	**(19,544)**	

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Non-Achieved Savings					
10	Workforce Strategy	4,442	4,442	4,442	4,442	This removes the savings assumption made in previous Budgets on the basis that there are no existing proposals to deliver this. Work is under way to bring future Workforce Strategy proposals and any savings resulting from this will be introduced in a future Budget.
	Total Non-Achieved Savings	**4,442**	**4,442**	**4,442**	**4,442**	
	Expenditure Pressures					
11	Inflation Assumptions **(Change to Pre-Budget Report)**	2,792	7,822	6,424	7,486	Incorporates 2% CPI forecast for pay and contracts, 5% for energy and 1% for some other Council budgets. The 2020/21 estimate has changed marginally compared with the Pre-Budget Report.
12	Adult Social Care	1,813	3,462	8,458	11,530	This reflects anticipated market pressure, demographic growth and inflation on social care contracts including those connected to increases in the National Living Wage. It also incorporates an Adult Social Care Funding Strategy approach which allocates resources to the financial year in which they are required.
13	Children's Social Care (Looked After Children & Supported Accommodation)	2,000	2,000	2,000	2,000	There are continuing pressures within Children's social care budgets resulting from the number and cost of placements.
14	SEND (Special Educational Needs and Disability) Transport	1,300	1,300	1,300	1,300	The 2019/20 budgetary control position reflects a forecast overspend on SEND transport driven by a significant increase in demand (but proportionate to the number of Special School Placements and Education, Health and Care (EHC) Plans.
15	DSG Historic Liabilities **(Change to Pre-Budget Report)**	404	900	900	900	Costs currently being funded by Dedicated Schools Grant for which it is anticipated DSG may be reduced in 2020/21. Following further assessment it is anticipated that the level of reduction will be lower than initially anticipated for 2020/21.
16	Housing & Homelessness **(Change to Pre-Budget Report)**	3,600	3,600	3,600	3,600	The 2019/20 budgetary control position reflects a forecast overspend within Housing and Homelessness budgets driven by increased demand, activity transferring to the Council from the previously outsourced contract and a delay in more cost efficient Temporary Accommodation solutions being available. This line assumes that these costs will continue beyond 2019/20.

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
17	Waste Disposal	495	879	1,279	1,679	Assumes growth in waste per household, housing numbers and waste disposal gate fee.
18	ICT Licences	150	150	150	150	Anticipated increase in computer system licence costs.
19	Godiva	200	200	200	200	Estimated cost of providing the Godiva Festival on an annual basis, taking account of higher costs of staging the festival and measures to increase income generation.
20	West Midlands Combined Authority (WMCA) Business Rates Growth Contribution	900	1,050	1,200	1,350	The original funding model for the WMCA Devolution Deal included funding from West Midlands councils from the assumed growth in Business Rates. The Council initially agreed a time-limited budget allocation pending the changes to the local government funding arrangements. Given that these have been further delayed this proposal builds in an ongoing contribution.
20a	National Living Wage **(Change to Pre-Budget Report)**	300	300	300	300	Reflects the additional cost of the National Living Wage on Adult Social Care contracts.
	Total Expenditure Pressures	**13,954**	**21,663**	**25,811**	**30,495**	
	Technical Savings					
21	Exit Costs (Reduction in existing £2.5m Budget)	(1,500)	(1,500)	(1,500)	(1,500)	The Council holds a current budget of £2.5m for exit costs, primarily the costs of redundancy and early retirement decisions. Given a significant reduction is such costs in recent years and the fact that the Council also holds a reserve to fund these costs, the proposal here is to reduce the ongoing budget to £1m for exit costs.
22	Street Lighting PFI Re-Financing	(100)	(100)	(100)	(100)	The Council and its partner organisations within the Street Lighting Private Finance Initiative project are approaching the final stages of renegotiating the contract to release a financial benefit.
22a	Superannuation Actuarial Review **(Change to Pre-Budget Report)**	(1,664)	(4,370)	(4,122)	0	The Council's pension arrangements have been subject to a triennial review which has identified an improvement in the overall pension funding position. In overall terms the rate of employer pension contributions will reduce in 2020/21enabling the Council to make savings in employee budgets.
	Total Technical Savings	**(3,264)**	**(5,970)**	**(5,722)**	**(1,600)**	

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Service Savings Policy Options					
	Adult Social Care					
23	Adult Social Care Internally Provider Services	(45)	(45)	(45)	(45)	Cease weekend provision at Maymorn day centre for dementia (Cabinet - 9th July)
24	Adult Social Care Digitalisation	(350)	(500)	(500)	(500)	Digitise Adult Social Care Operations
25	Adult Social Care Internally Provided Services Delivery Models	0	(300)	(625)	(625)	Review alternative delivery models for the provision of Internally provided adult social care services. For example, Telecare services
26	Adult Social Care Therapy	(50)	(100)	(100)	(100)	Increasing therapy input into adults with disabilities to reduce long term demand
27	Adult Social Care Financial Assessment Process Digitalisation	(30)	(60)	(60)	(60)	Introduce digitised approaches to Financial Assessment process
28	Adult Social Care Community Purchasing	(200)	(400)	(600)	(600)	Reduce residential placements and increase people supported at home (at maximum saving this equates to a reduction of 30 from current activity including off-set for alternative care costs).
	Business Investment and Culture					
29	Place Directorate Management and Support	(15)	(15)	(15)	(15)	Consolidate Directorate Management & Support function
30	Corporate Sponsorship & Advertising	(100)	(150)	(200)	(200)	Review of Corporate Sponsorship & Advertising opportunities
	Children's Services					
31	Looked After Children Joint Commissioning	0	(240)	(240)	(240)	Joint Commissioning - Redesign of process & governance to ensure the appropriate level of funding is reclaimed from partners towards the cost of Looked After Children placements.
32	Children's Services Section 17 Payments	(35)	(35)	(35)	(35)	Section 17 - Review of expenditure incurred to ensure tighter controls, and enhanced decision making.
33	Children's Services Responsive Services & Quality and Assurance	(56)	(169)	(169)	(169)	Minor review of responsive services and quality and performance

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Finance and Corporate Services					
34	Treasury Management Investments	(100)	(100)	(100)	(100)	Improved treasury management returns through amendment to the Council's Investment Strategy
35	Registrars Income Generation	(50)	(50)	(50)	(50)	Increased Income generation within the registrars service
	Housing and Transformation					
36	ICT & Digital Provision of Mobile Handsets	0	(125)	(125)	(125)	Remove provision of Corporate Mobile handsets and use dual sim capability within officers' own mobiles
37	Citivision	(35)	(35)	(35)	(35)	Digitise Citivision reducing printed circulation
38	Housing Services	0	0	(250)	(250)	Reduce capacity across Housing to reflect delivery of other schemes/approaches
39	Consolidation of ICT Systems	0	0	(250)	(250)	Reduction of IT costs linked to user reduction/Consolidation of Systems
40	Communications Team	(50)	(50)	(50)	(50)	Restructure of Communications team
41	Human Resources and Organisational Development	(150)	(350)	(500)	(500)	A review of the HR service is to be completed to ensure resources are matched to the future business need and commercial opportunities are maximised.
42	Transformation Team	0	0	(150)	(150)	Restructure of Transformation Team
	Project Management and Property Services					
43	Friargate Floor Space	(300)	(480)	(480)	(480)	Rationalise floor space occupied at Friargate and let a floor
44	Operational Property	0	(250)	(500)	(500)	Further rationalisation of operational property
45	Building Cleaning **(Change to Pre-Budget Report)**	0	(50)	(50)	(50)	Reduce cleaning standards across Corporate property. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
46	Commercial Property Income	(1,000)	(2,000)	(2,500)	(2,500)	Ringfence and reinvest £30m-£40m in capital receipts from non income earning assets into income earning assets

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Public Health and Wellbeing					
47	Migration Services	(450)	(450)	(450)	(450)	The Council provides support to recipients of migration services from across all services. This reflects a contribution from the grant towards the other services provided across the Council.
48	Public Health Lifestyles Service	0	(20)	(20)	(20)	The Lifestyles service is a relatively new service and there are options to look at further developing the self care support element within the contract as well as further targeting of coaching and specialist interventions
49	Public Health Blood Borne Virus Testing	(27)	(27)	(27)	(27)	Remove Public Health Grant Funding for GP Blood Borne Virus testing services
50	Public Health Keeping Coventry Warm **(Change to Pre-Budget Report)**	0	(50)	(50)	(50)	Remove Public Health Grant Funding for Keeping Coventry Warm Scheme. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
51	Corporate Insight & Engagement function	(153)	(153)	(153)	(153)	Restructure of Corporate Insight & Engagement function
52	Community Capacity and Resilience Grants **(Change to Pre-Budget Report)**	0	(50)	(50)	(50)	Reduction of Community Capacity & Resilience grants. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
	Streetscene and Regulation					
53	War Memorial Park Charging for Parking **(Change to Pre-Budget Report)**	(120)	(120)	(120)	(120)	The revised proposal is to offer three hours free parking for all. After this charges will apply equivalent to those that apply in city centre car parks. Users of the Park and Ride service will face a £1 flat parking fee in addition to bus fares.
54	War Memorial Park Charging for Water Feature **(Change to Pre-Budget Report)**	0	(15)	(15)	(15)	Commercialise the WMP water feature by levying a charge to offset the ongoing maintenance costs. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
55	Pet Cemetery	(10)	(10)	(10)	(10)	Provision of a pet cemetery and burial service using an appropriate redundant recreational area within the City
56	Bereavement Services - Funeral Director Service	0	(160)	(160)	(160)	Diversification into Funeral Director service through growth or acquisition
57	Bereavement Services Fees	(50)	(100)	(150)	(150)	Increase bereavement fees in line with top quartile
58	Licensing Charges	(100)	(100)	(100)	(100)	Review of licensing services/charges

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	Transportation and Highways					
59	Street Lighting Replacement Cycle	(20)	(20)	(20)	(20)	Extend replacement cycle of street lamps
60	Highways Inspection Digitalisation	0	(25)	(50)	(50)	Digitalisation of highways information capture
61	Increased Recovery of Parking/Bus Gate Fines	(65)	(130)	(130)	(130)	Increased recovery of parking/bus gate fines linked to return of back office function
62	Traffic Management NRSWA Service	(82)	(82)	(82)	(82)	Insource of NRSWA (New Roads & Street Works Act) service currently provided externally
63	Bus Lane/Gate Enforcement **(Change to Pre-Budget Report)**	0	(60)	(60)	(60)	Install cameras at 3 currently unenforced bus gates/lanes and enforce their use through issuing Penalty Charge Notices. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
64	Street Lighting **(Change to Pre-Budget Report)**	(250)	(250)	(250)	(250)	The revised proposal is to explore options of dimming street lights across the city. This replaces the previous option to switch street lights off on some routes at certain times.
65	Highways Drainage Design and Advice Service	(50)	(100)	(150)	(150)	Provide design and advice services relating to drainage for developments and planning requirements, potentially through arms length company
66	Car Park Charges	0	(100)	(200)	(300)	Review of parking charges for city centre car parks
67	Highways Maintenance **(Change to Pre-Budget Report)**	0	(350)	0	0	Manage revenue funded highways maintenance spend over 3 year period. As a change to the Pre-Budget Report this saving will not being implemented in 2020/21.
68	Residents Parking Charging	(300)	(400)	(500)	(500)	Review of residents parking charges/zones
	Total Service Savings Policy Options	**(4,243)**	**(8,276)**	**(10,376)**	**(10,476)**	

Appendix 1: 2020/21 Final Budget Financial Proposals (changes to existing budget)

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	New Policy Priorities					
69	Climate Change Strategy	100	100	100	100	This new budget will enable the development and initial implementation of an ambitious new Climate Change Strategy including work to engage and agree actions with stakeholders, create an invest to save model and a plan to grow income and investment including development of grant bids.
70	City Wide Cleaning	2,100	0	0	0	A city-wide operation in both neighbourhoods and arterial routes across the City involving: targeted skip collections in and around fly tipping hot spots; targeting misused bins across the City and a complete emptying service prior to a clean street operation; greatly enhanced Coventry Clean Streets neighbourhood cleaning and fly-tipping removal; and cleaning and clearing of main trunk roads.
71	Average Speed Cameras	300	0	0	0	Funding to establish several new average speed zones in the city. This provides sufficient resources to pay for the initial equipment. The element of future revenue from fines that is available to the Council is expected to be sufficient to fund on-going running costs.
	Total New Policy Priorities	**2,500**	**100**	**100**	**100**	
	(Surplus)/Deficit Carried Forward to 2021/22 Budget Setting	**0**	**19,129**	**30,817**	**37,787**	

Appendix 2

CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS 2020/21

JANUARY 2020

1. Introduction

1.1. Between November 2019 and January 2020, the Council undertook an eight-week period of consultation on its budget proposals for 2020/2021, 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 2020/2021 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 engagement platform Let's Talk Coventry asking for people's views on the budget proposals. This survey was publicised through the Council website, Facebook and Twitter pages. There was a total of 117 respondents as well as several emailed 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 January 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 points 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 selection of the comments made during the consultation by key theme and the profile of respondents.

3.2. In addition to survey responses written responses were received from the TUC Trades Union, Unison and the Federation of Small Businesses

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.

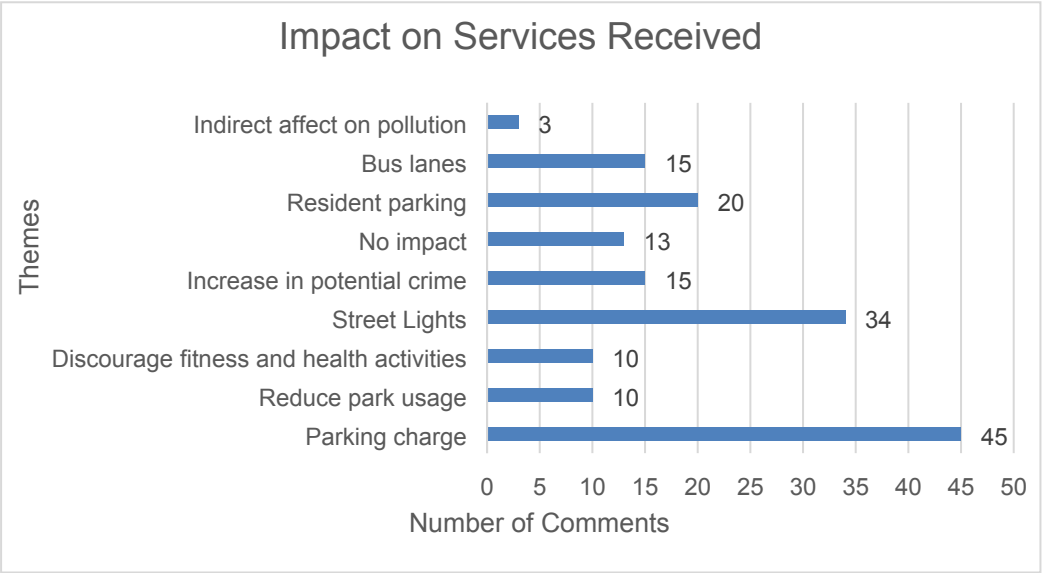
Feedback from the on-line survey and written feedback

3.4. Comments were received from respondents on specific proposals included in the pre-Budget Report. The graph below shows the comments received by theme. The majority of comments focused on the possibility of charging to park at the War Memorial Park, out of 45 responses only 1 of the respondents was in favour of this proposal. A large number of respondents pointed to the fact that the park is used for

health and recreational purposes and introducing a charge would reduce people's ability to use the park.

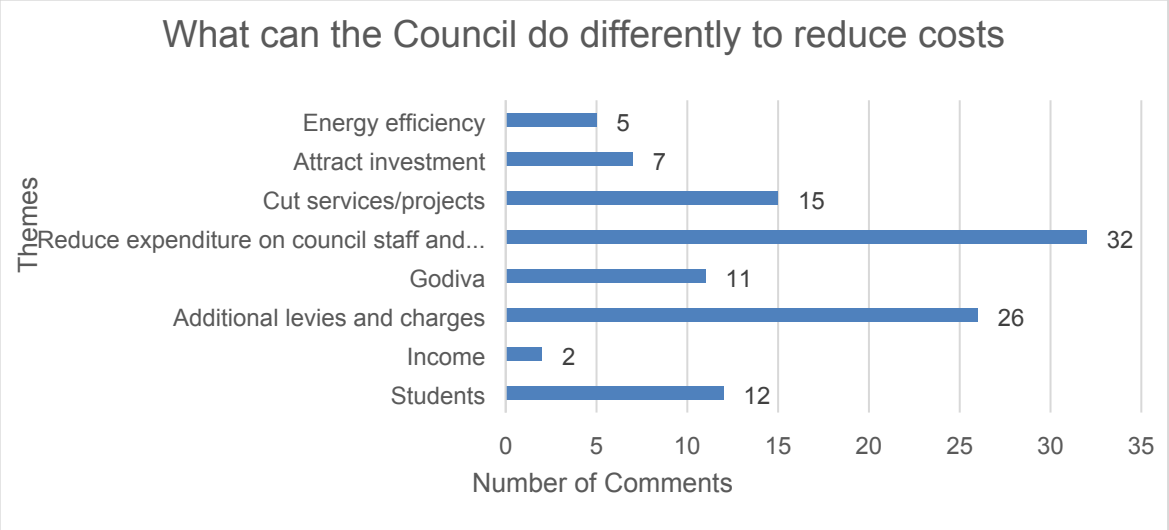
The proposal to turn off street lighting received the next highest amount of comments (34), all responses were not in favour of the proposal the majority stating that it would lead to increases in crime and perceptions that this would negatively affect personal safety.

In terms of the residents parking proposal there was a feeling that more information was needed before comments could be made as to what the impact would be.



3.5. Respondents were asked what impact they though the proposal might have on different equality groups, a large number of respondents felt that they would impact equally on all groups. The elderly (18) and the disabled (15) were mentioned as being potentially more affected by the proposals.

3.6. Respondents were asked what they thought the Council could do differently to reduce costs. The majority of comments centred on reducing expenditure on Council staff and Councillors.



Support was given to raising money through additional levies and charges, a number felt that there should be sliding scales of charges, where appropriate, and that those that can afford it can offer to pay more, others felt more should be done with ensuring council tax is collected and an additional strongly felt view was that students should pay council tax.

A number of respondents suggested that the city should be looking forward, rather than cutting costs, it should be making use of the two universities and investing in new technologies as well as investing in the city centre to make it an attractive destination for both businesses and residents.

3.7. A response from the Federation of Small Businesses supported the proposals around increased recovery of parking and bus gate fines, especially where illegal parking is causing obstruction to premises. In relation to parking charge increases they expressed concern about the impact this would have on high street retailers and independent businesses and suggest any changes should be undertaken in consultation with business owners. FSB does welcome the fact that the city has a number of free parking spaces after 6pm and would like to see enhanced signage and promotion of these. Concerns were also raised about the proposal to reduce the Highways maintenance budget and the impact this would have on small businesses that are heavily reliant on the local road network, potholes are a major concern and the FSB would like to see the budget maintained so repairs can be undertaken quickly. The FSB would welcome ongoing engagement with the Council.

3.8. The response from UNISON expressed concern over: the modelling of residential care provision especially the staffing model. They stated they would not support the removal of provision of corporate mobile phones as there should be no compunction to utilise personal devices for work purposes. A number of questions and requests for information were raised: how savings can be made with already stretched staffing in housing/HR and transformation staff, what the impact on staff will be with the potential rationalisation of space at Friargate, concern at the potential risk to health and safety with a reduction in cleaning staff, the impact on reduction to migrant services and removal of blood borne virus testing and whether the Coventry Warm scheme will cease or be funded by alternative partners.

3.9. The response from Coventry TUC suggested the Council should reject all spending and saving proposals and instead contact other Labour authorities and convene a conference to campaign for higher funding settlements. They also suggested that in the immediate future city council reserve and borrowing powers should be used to obviate the need for any cuts or increases in charges.

4. Feedback from Consultation Meeting with the Chamber of Commerce – January 15th

4.1. A presentation was given on the Council's financial proposals and future. Discussion and questions included issues around the redevelopment of the city centre and plans to attract new retail. Comments were supportive of the redevelopment of City Centre South and the idea that a new model focusing on leisure and housing needs to be looked at. Questions were raised about the supply and demand of student accommodation and whether supply might outstrip demand and information on the possibility of the introduction of a potential congestion charge.

Examples of Comments by Theme – January 2020

A full list of comments is available on request.

Priority / Theme	Comments
Charging at the War Memorial Park	• If you are going to introduce charges for parking at memorial, a number of people will park on surrounding streets which will increase difficulty parking for local residents • Charging for car parking at War Memorial Park should be free to users of the Park. At least 400,000 people use the Park annually (Citivision summer 2019). This is Coventry's best-used park, providing sport and recreational space for Coventrians of all ages and all ethnicities and a memorial to the 2,600 men of Coventry who gave their lives in World War 1 and those men and women who have died in all the armed conflicts since. It is of immense value to Coventry. The Park should be free at the point of use. • A car parking charge for all park users would discriminate against all residents of Coventry who are unable to access the Park by foot or bicycle. It would, in effect provide a high-quality park principally for the residents of Earlsdon and Cheylesmore. This cannot be equitable. • The implementation of parking charges will reduce overall use of the Park by the community it is meant to serve, which will adversely impact the health and wellbeing of the citizens of Coventry and surrounding areas. We believe that any such parking charges should be either zero or very nominal for the first 2-3 hours of parking at any of the War Memorial Park's car parks.
Street Lighting	• Turning off street lights will increase crime even further in coventry city. • Street lighting is essential especially in isolated area's the number of lamppost's has been reduced already and the ones that are left are in areas where they are needed. Surely with the amount of crime, stabbings, and rape in the Coventry area you should be looking at installing more street lighting not cutting down on it. As one of the older generation of this city I consider being able to see who is around and about my property at night and in the early hours is essential to my feeling safe and secure.
Residents Parking	• i would agree with all of the above proposals apart from residents parking charge! you are increasing council taxes how on earth can you propose residence have to also pay for the pleasure of parking in a road where they live! this is total madness. • resident parking charges - your report doesn't actually say what the changes are
Additional charges and levies	• It seems unfair to introduce cost-saving measures that penalise residents who have done nothing wrong. However, charges for incorrect use of bus lanes etc seems a fair way to raise revenue. • Chase up unpaid council tax - should be able to deduct @ source for those constantly offending • Start charging students Council Tax. The amount of student accommodation continues to increase, they should contribute towards to operation of our society. • Introduce a Pollution Tax to all city petrol stations. Lobby central government for an Emergency Fund to tackle Coventry's illegal air pollution levels. Improve and subsidise (ideally free) electric bus services and re-green areas of the city.

Priority / Theme	Comments
	• Have optional charges for things e.g. donate £5 for the bin collections etc. Donate £10 to improve parks. • Don't waste any more money on vanity projects • Stop wasting money on a variety of levels of management, stop duplication of activity with Council management • Please do protect the vulnerable - old people, children, single mothers, the disabled and refugees especially. I would willingly pay more council tax to help them and keep our remaining libraries and the Herbert Museum open too.
More information	• To take residents with you, is there a cheap way to let people know why savings are needed, constraints on what can be done etc.? • Not everyone is digitally active. Not everyone visits council premises on a regular basis to get a paper form. How else do they find out about Surveys and have the chance to participate? Have Outreach stands in supermarkets, the city centre, Wasps games, Blaze Ice Hockey Matches, etc., where people can complete paper forms. Have more Community Noticeboards - in the town centre etc, where honest information about the proposals/implications can be show in a visual manner, encouraging participation. Not everyone is aware of the nature of the reduction in Council Funding - they only hear about what they are going to lose. Not the background as to why. Find a way to let people know why the savings are needed. • It is interesting to note that there is no inclusion of the financial pressures that will result as part of the transition to a low carbon future. I would expect the council to have included budget allocation to deal with the climate crisis as it will impact every part of the council's services. • I would like to see Cllr's more involved in how funding is spent in each of their areas, they could how quarterly community sessions where residents too have some input in to how the funds were spent in the area. I would like to see more information on what is being done to improve our streets, be informed how we are supported business in the city new and old. I like that you are asking for opinions from residents - it would be nice to see a response from CCC to the comments.
Other Comments	• The City has 'Peace and Reconciliation' as its strap-line, but apart from the Cathedral and a few minor charities/ enterprises, it's not nearly well known enough. As a nation, many say we are divided and in need of a bold new way. Coventry has, time and time again, proven itself to be innovative and at the forefront of new ways of thinking and acting. Can we reclaim and capitalise on the legacy of Peace and Reconciliation in this time of national tension? • There is a real risk that some of the proposals will have a very detrimental effect on the quality of lives of many people. Reducing access to the War Memorial Park for the socially isolated and inflicting traffic and parking on the local residents changes one of the gems of the City to a public nuisance. Turning off lights will make all

Priority / Theme	Comments
	people feel less safe and less comfortable but will have a disproportionate effect on the elderly. These seemingly minor changes will have adverse impacts which are disproportionate to any financial gain for the Council. • Capitalise on the two Universities' reputation for technology by promoting the City as a high-tech, sustainable and environmentally innovative centre. This is where the future of investment and economics is heading.

Profile of Respondents

How are you responding to this consultation?

As a member of the public: 113
As a representative of an organisation: 3

How would you describe yourself?

Male: 48
Female: 53
In another way: 2
Prefer not to say: 8

Is your gender different from the gender you were assigned at birth, or are you in the process of reassigning it?

Yes	3
No	88
Prefer not to say	13

What age group are you in?

25-34: 17
35-44: 26
45-54: 23
55-64: 21
65-74: 20
75-84: 3
85 or over: 1

Which of the following best describes your ethnic background?

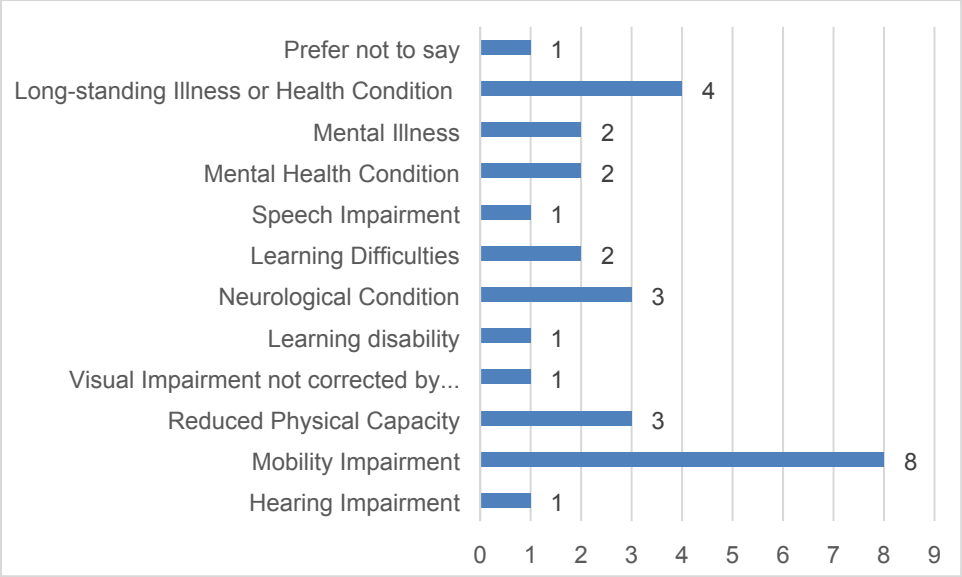
White British: 76
Asian or Asian British Indian: 4
Other Mixed or Multiple Ethnic Background: 3
Other White Background: 2
White Gypsy or Irish Traveler: 2
White Irish: 1
Arab:1
Other: 4
Prefer Not To Say: 13

Do you consider yourself to be a disabled person?

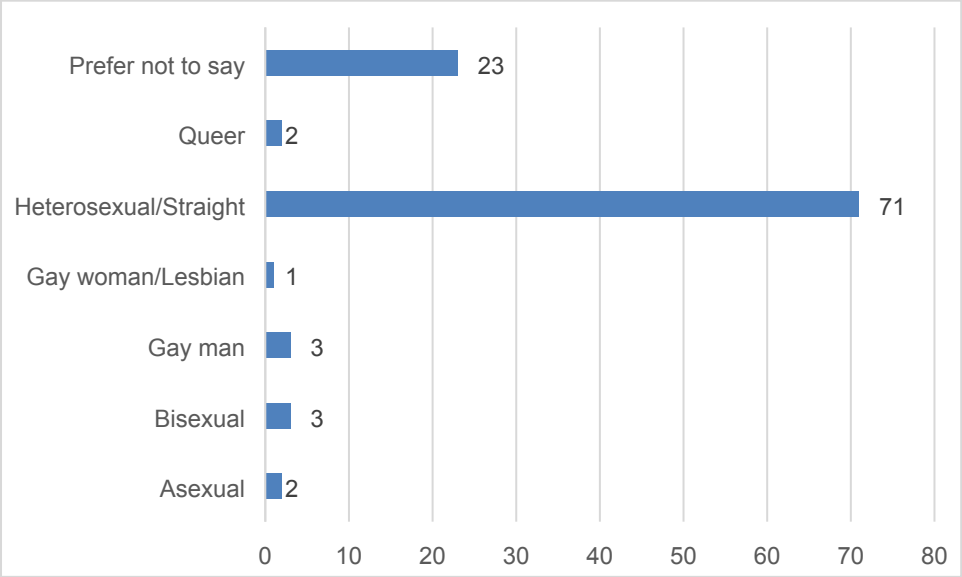
Yes: 13

No: 91

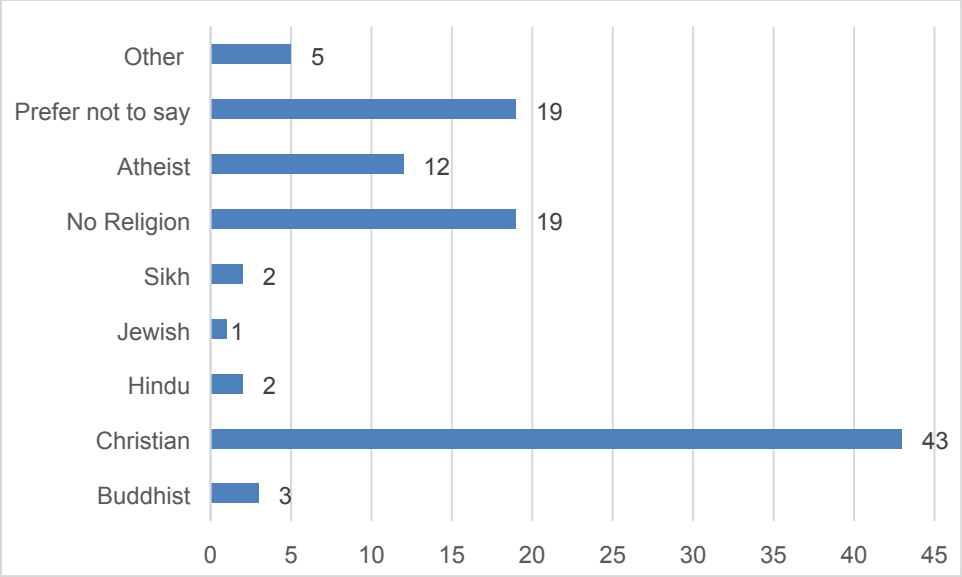
How would you describe your impairment? (Please choose as many as apply)



What is your sexual orientation?



Do you consider yourself to be?



Are you, or will you soon be, a care leaver?

Yes	6
No	99

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Revenue Budget **Appendix 3**

2019/20 Restated * £'000	CABINET MEMBER PORTFOLIOS £'000	Budget Decisions Brought Forward £'000	Pre-Budget and Final Budget Changes £'000	2020/21 Final Budget £'000
1,679	Policy and Leadership	1,696	(115)	1,581
8,899	Policing and Equalities	8,139	(223)	7,916
6,127	Strategic Finance and Resources	5,218	1,398	6,616
74,451	Children and Young People	70,333	2,581	72,914
15,092	Education and Skills	14,347	1,757	16,104
(4,202)	Jobs and Regeneration	(5,862)	(1,730)	(7,592)
30,704	City Services	33,115	2,471	35,586
80,061	Adult Services	80,231	129	80,360
1,824	Public Health and Sport	560	(243)	317
15,607	Housing and Communities	15,154	4,257	19,411
230,242	**TOTAL CABINET MEMBER PORTFOLIOS**	**222,931**	**10,282**	**233,213**
24,816	Borrowing and Investments	24,596	(200)	24,396
(27,934)	Contingencies & Corporate Budgets	(30,320)	2,419	(27,901)
15,075	Levies From Other Bodies	15,388	0	15,388
35	Parish Precepts	35	0	35
2,366	Revenue Contribution to Capital Spend	3,369	300	3,669
(12,750)	Contributions to / (from) Reserves	(11,377)	1,343	(10,034)
231,850	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**224,622**	**14,144**	**238,766**
	Financed by:			
(135,192)	Council Tax	(140,292)	(1,089)	(141,381)
(96,658)	Business Rates	(84,346)	(13,039)	(97,385)
(231,850)	**TOTAL RESOURCES**	**(224,638)**	**(14,128)**	**(238,766)**

* Restated to reflect changes in portfolios between years

2019/20 Restated * £'000	CABINET MEMBER PORTFOLIOS	Gross Expenditure £'000	Gross Income £'000	2020/21 Final Budget £'000
1,679	Policy and Leadership	1,645	(64)	1,581
8,899	Policing and Equalities	16,363	(8,447)	7,916
6,127	Strategic Finance and Resources	126,508	(119,892)	6,616
74,451	Children and Young People	79,614	(6,700)	72,914
15,092	Education and Skills	208,115	(192,011)	16,104
(4,202)	Jobs and Regeneration	13,524	(21,116)	(7,592)
30,704	City Services	59,790	(24,204)	35,586
80,061	Adult Services	128,917	(48,557)	80,360
1,824	Public Health and Sport	22,075	(21,758)	317
15,607	Housing and Communities	34,352	(14,941)	19,411
230,242	**TOTAL CABINET MEMBER PORTFOLIOS**	**690,903**	**(457,690)**	**233,213**
24,815	Borrowing and Investments	26,043	(1,647)	24,396
(27,933)	Contingencies & Corporate Budgets	7,847	(35,748)	(27,901)
15,075	Levies From Other Bodies	15,388	0	15,388
35	Parish Precepts	35	0	35
2,366	Revenue Contribution to Capital Spend	3,669	0	3,669
(12,750)	Contributions to / (from) Reserves	397	(10,431)	(10,034)
231,850	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**744,282**	**(505,516)**	**238,766**
	Financed by:			
(135,192)	Council Tax	0	(141,381)	(141,381)
(96,658)	Retained Business Rates	0	(97,385)	(97,385)
(231,850)	**TOTAL RESOURCES**	**0**	**(238,766)**	**(238,766)**

* Restated to reflect changes in portfolios between years

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Appendix 4: Capital 5 Year Programme by Cabinet Portfolio

CABINET MEMBER: JOBS & REGENERATION

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
UK Central + Connectivity	18,496	28,876	37,893	44,000	11,180	**140,445**
City Centre Regeneration	4,693	11,543	54,983	80	20	**71,319**
Friargate	17,843	37,998	47,767	593	41,262	**145,463**
Coventry Station Masterplan.	26,013	22,006	9,566	0	0	**57,585**
Growth Deal	11,581	0	0	0	0	**11,581**
Whitley South Infrastructure	6,404	0	0	0	0	**6,404**
Kickstart Office	90	0	0	0	0	**90**
European Structural & Investment Funds	860	599	0	0	0	**1,459**
Hale Street Regeneration	300	0	0	0	0	**300**
New Deal for Communities	50	218	0	0	0	**268**
Growing Places	3,694	0	0	0	0	**3,694**
Whitley Depot Redevelopment	4,183	117	0	0	0	**4,300**
Duplex Fund	650	400	200	125	125	**1,500**
UKBIC - National Battery Manufacturing Development Facility	39,155	0	0	0	0	**39,155**
Coombe Loan	660	190	0	0	0	**850**
Aquisitons Costs Loop Line (Loan)	150	0	0	0	0	**150**
TOTAL APPROVED PROGRAMME	**134,822**	**101,947**	**150,409**	**44,798**	**52,587**	**484,563**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Management of Capital Reserve	50	218	0	0	0	**268**
Prudential Borrowing	15,105	117	47,767	593	41,262	**104,844**
Grant	109,153	98,849	102,442	44,080	11,200	**365,724**
Section 106	75	2,118	0	0	0	**2,193**
Resource Switch - Prudential Borrowing	3,784	0	0	0	0	**3,784**
UnRingfenced Receipts	6,655	645	200	125	125	**7,750**
TOTAL RESOURCES	**134,822**	**101,947**	**150,409**	**44,798**	**52,587**	**484,563**

CABINET MEMBER: PUBLIC HEALTH & SPORT

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Play Areas	131	240	34	23	684	**1,112**
City Centre Destination Leisure Facility	435	0	0	0	0	**435**
Alan Higgs Centre - 50m Swimming Pool	170	0	0	0	0	**170**
The Avenue Bowls Club	1,768	68	0	0	0	**1,836**
TOTAL APPROVED PROGRAMME	**2,504**	**308**	**34**	**23**	**684**	**3,553**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Prudential Borrowing	2,373	68	0	0	0	**2,441**
Section 106	131	240	34	23	684	**1,112**
TOTAL RESOURCES	**2,504**	**308**	**34**	**23**	**684**	**3,553**

CABINET MEMBER: CITY SERVICES

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Highways Maintenance & Investment	7,547	2,419	2,369	2,369	2,369	**17,073**
Transportation S106	882	1,613	0	0	0	**2,495**
Integrated Transport Programme	1,953	1,020	1,092	1,620	0	**5,685**
Housing Infrastructure Fund	2,328	10,501	0	0	0	**12,829**
Transforming Cities Fund	275	6,248	2,750	0	0	**9,273**
Air Quality	2,011	3,266	1,806	0	0	**7,083**
ULEB	1,730	0	0	0	0	**1,730**
Public Realm Phase 5	26,314	5,000	0	0	0	**31,314**
Vehicle & Plant Replacement	3,866	3,679	2,572	1,592	2,500	**14,209**
London Road Cemetery	1,158	91	0	0	0	**1,249**
Lentons Lane Cemetery - Phase 2 Expansion	1,831	147	0	0	0	**1,978**
Multi Storey Car Parks	180	0	0	0	0	**180**
Commercial Waste Containers	553	0	0	0	0	**553**
Mixed Recycling Facility	2,258	8,101	0	0	0	**10,359**
TOTAL APPROVED PROGRAMME	**52,886**	**42,085**	**10,589**	**5,581**	**4,869**	**116,010**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Prudential Borrowing	6,669	11,927	2,572	1,592	2,500	**25,260**
Grant	42,173	26,515	5,648	1,620	0	**75,956**
Capital expenditure (from) revenue account	2,687	2,030	2,369	2,369	2,369	**11,824**
Section 106	882	1,613	0	0	0	**2,495**
UnRingfenced Receipts	450	0	0	0	0	**450**
TOTAL RESOURCES	**52,886**	**42,085**	**10,589**	**5,581**	**4,869**	**116,010**

CABINET MEMBER: HOUSING & COMMUNITIES

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Housing Venture	100	1,310	0	0	0	**1,410**
TOTAL APPROVED PROGRAMME	**100**	**1,310**	**0**	**0**	**0**	**1,410**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Section 106	100	390	0	0	0	**490**
Ringfenced Receipts	0	920	0	0	0	**920**
TOTAL RESOURCES	**100**	**1,310**	**0**	**0**	**0**	**1,410**

CABINET MEMBER: POLICY & LEADERSHIP

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
UK City of Culture	13,535	2,097	217	0	0	**15,849**
TOTAL APPROVED PROGRAMME	**13,535**	**2,097**	**217**	**0**	**0**	**15,849**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Prudential Borrowing	686	2,097	217	0	0	**3,000**
Grant	8,401	0	0	0	0	**8,401**
Resource Switch - Prudential Borrowing	634	0	0	0	0	**634**
UnRingfenced Receipts	3,814	0	0	0	0	**3,814**
TOTAL RESOURCES	**13,535**	**2,097**	**217**	**0**	**0**	**15,849**

CABINET MEMBER: ADULT SERVICES

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Disabled Facilities Grants (Better Care Fund).	4,402	3,402	3,402	3,402	3,402	**18,010**
TOTAL APPROVED PROGRAMME	**4,402**	**3,402**	**3,402**	**3,402**	**3,402**	**18,010**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Grant	4,402	3,402	3,402	3,402	3,402	**18,010**
TOTAL RESOURCES	**4,402**	**3,402**	**3,402**	**3,402**	**3,402**	**18,010**

CABINET MEMBER: STRATEGIC FINANCE & RESOURCES

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
ICT Operations Team	729	0	0	0	0	**729**
ICT	1,500	1,000	1,000	1,000	1,000	**5,500**
TOTAL APPROVED PROGRAMME	**2,229**	**1,000**	**1,000**	**1,000**	**1,000**	**6,229**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Management of Capital Reserve	1,229	0	0	0	0	**1,229**
Capital expenditure (from) revenue account	1,000	1,000	1,000	1,000	1,000	**5,000**
TOTAL RESOURCES	**2,229**	**1,000**	**1,000**	**1,000**	**1,000**	**6,229**

CABINET MEMBER: EDUCATION & SKILLS

CAPITAL SCHEME	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Basic Need	16,909	17,650	4,483	3,064	1,652	**43,758**
Condition	2,493	2,000	2,000	2,000	0	**8,493**
Devolved Formula Capital	414	414	414	414	0	**1,656**
Suitability/Access	100	100	100	0	0	**300**
SEND	2,150	500	0	0	0	**2,650**
Pathways to Care (Support to Foster Carers)	200	200	200	200	0	**800**
TOTAL APPROVED PROGRAMME	**22,266**	**20,864**	**7,197**	**5,678**	**1,652**	**57,657**

RESOURCES	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Management of Capital Reserve	200	200	200	200	0	**800**
Grant	14,419	3,510	6,897	5,478	1,652	**31,956**
Section 106	3,757	6,073	0	0	0	**9,830**
Resource Switch - Prudential Borrowing	3,890	11,081	100	0	0	**15,071**
TOTAL RESOURCES	**22,266**	**20,864**	**7,197**	**5,678**	**1,652**	**57,657**

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Appendix 5

COUNCIL INVESTMENT STRATEGY AND POLICY

1. Governance

In respect of investments, the key requirement of the government's "Guidance on Local Government Investments" initially issued on 12th March 2004 by the ODPM, and revised by Communities and Local Government (CLG) in April 2010, is for local authorities to draw up an annual investment strategy for the management of its investments. The strategy is to be approved by full Council.

2. Principles Governing Investment Criteria

The fundamental principle governing the City Council's investment criteria is the security of its investments, although investment return will be a consideration. The Council will ensure:

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counter parties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments, taking into account known and potential cashflow requirements.

3. Types of Investments Available to the City Council

Government guidance on local authority investments categorises investments as either specified or non-specified. Specified investments are:

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

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

The total limit for all non-specified investments is £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 trusuts	£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 authority's approach to ***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 4 companies: the Coventry & Solihull Waste Disposal Company, Birmingham Airport, Coombe Abbey Park Limited and Friargate JV Project Ltd. In total, shares held by the Council had a value of £111m as at 31/03/2019. The bulk of this represents increases in the value of the shares rather than cash funds invested. An estimated £31.3m of the £111m represents capital funds invested over time. Share dividend income totalled £9.2m in 2018/19.

  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 5) 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 £215.2m as at 31/3/2019 with net rental income of £11.6m in 2018/19. 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.

- **Loans provided** by the Council ("service loans") are forecast to total £21.1m as at 31/3/2020 with the main loans being: Coombe Abbey Park Ltd loans (£5.8m); Friargate Holdings 2 Ltd (£5.3m); local residents under the Kickstart scheme (£2.0m) and Culture

Coventry Trust (£0.6m). In addition, there are major development schemes already approved that may entail the Council providing its investment via loans, depending on the final agreed structures, including the UK BIC Battery plant and the Materials Recycling Facility (MRF) developments.

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 £53m (Indicator 4) 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 £21.6m in 2018/19 (loan interest £0.8m, share dividends £9.2m and net property rents £11.6m). Whilst a significant cash sum contributing to the balancing of the Council's budget, this figure represented 3.4% of the Council's net service expenditure and contrasts to other income sources such as fees and charges which, at approximately £73m (2018/19), represents 11% 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 case 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 29% of total city council assets in 2020/21.

- **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 36% of total council assets by current value (as at 31/03/2019), indicating that assets provide under 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 forecast to be 6.2% in 2019/20.

- **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 is forecast to represent 58.1% of NSE and commercial income 3.1% in 2020/21.

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

Summary Prudential Indicators

Appendix 7a

		Forecast 19/20 £000's	Forecast 20/21 £000's	Forecast 21/22 £000's	Forecast 22/23 £000's
1	**Ratio of financing costs to net revenue stream:**				
	(a) General Fund financing costs	30,251	32,841	34,910	36,522
	(b) General Fund net revenue stream	231,815	231,815	224,597	224,350
	General Fund Percentage	13.05%	14.17%	15.54%	16.28%
2	**Gross Debt & Capital Financing Requirement**				
	Gross debt including PFI liabilities	355,253	373,492	381,399	406,843
	Capital Financing Requirement	474,267	492,506	500,414	531,358
	Gross Investments	-75,000	-70,000	-70,000	-70,000
3	**Capital Expenditure (Note this excludes leasing)**				
	General Fund	215,967	232,744	173,013	172,848
4	**Capital Financing Requirement (CFR)**				
	Capital Financing Requirement	474,267	492,506	500,414	531,358
	Capital Financing Requirement excluding transferred debt	462,593	482,345	491,917	524,692
5	**Authorised limit for external debt**				
	Authorised limit for borrowing	422,350	439,540	451,966	487,697
	+ authorised limit for other long term liabilities	65,213	62,805	59,952	56,995
	= authorised limit for debt	487,564	502,345	511,917	544,692
6	**Operational boundary for external debt**				
	Operational boundary for borrowing	402,350	419,540	431,966	467,697
	+ Operational boundary for other long term liabilities	65,213	62,805	59,952	56,995
	= Operational boundary for external debt	467,564	482,345	491,917	524,692

7	**Actual external debt**	
	actual borrowing at 31 March 2019	298,516
	+ PFI & Finance Leasing liabilities at 31 March 2019	67,738
	+ transferred debt liabilities at 31 March 2019	13,050
	= actual external debt at 31 March 2019	379,304

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

9	**Interest rate exposures for borrowing**				
	Upper Limit for Fixed Rate Exposures	422,350	439,540	451,966	487,697
	Upper Limit for Variable Rate Exposures	84,470	87,908	90,393	97,539
10	**Maturity structure of borrowing - limits**	**actual**	**lower**	**upper**	
	under 12 months	22%	0%	50%	
	12 months to within 24 months	1%	0%	20%	
	24 months to within 5 years	3%	0%	30%	
	5 years to within 10 years	8%	0%	30%	
	10 years & above	66%	40%	100%	
11	**Investments longer than 364 days: upper limit**	30,000	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 (i)

	2018/19 £000	2018/19 Ratio	2019/20 £000	2019/20 Ratio	2020/21 £000	2020/21 Ratio
Service Loans	17,362	1.3%	22,230	1.6%	54,109	3.9%
Service Shares	110,809	8.0%	123,309	8.9%	129,517	9.4%
Investment Property	215,173	15.6%	215,173	15.6%	215,173	15.6%
Total Commercial Assets	**343,344**	**24.9%**	**360,712**	**26.1%**	**398,799**	**28.9%**
Total Council Assets *	**1,381,173**		**1,381,173**		**1,381,173**	

*** assumes asset value is constant over the period**

2 Debt Funding per Investment Category

The Council's underlying borrowing requirement, in the form of the Capital Financing Requirement as at 31/3/2019, was 36% (31% as at 31/03/2018) of total council assets by current value.

3 Rate of Return (on Gross Asset Value)

	2018/19 Income £000	2018/19 Return %	2019/20 Income £000	2019/20 Return %	2020/21 Income £000	2020/21 Return %
Service Loans **(ii)**	837	4.8%	902	4.1%	871	1.6%
Service Shares	9,191	8.3%	9,391	7.6%	7,355	5.7%
Investment Property	11,627	5.4%	12,197	5.7%	11,915	5.5%
Total Commercial Assets	**21,655**	**6.3%**	**22,490**	**6.2%**	**20,141**	**5.1%**

4 Service Loans : 2020/21 Upper Limit - Capital Invested (iii)

Service Loans	2018/19 £000 actual	2019/20 £000 forecast	2020/21 £000 forecast
Group Entities	10,234	10,952	10,202
Local Organisations	2,962	7,112	7,112
Service Users	3,057	3,057	3,057
Total Existing Loans	**16,253**	**21,121**	**20,371**
Future Loans		0	32,629
Total Loans Limit	**16,253**	**21,121**	**53,000**

5 Shares : 2020/21 Upper Limit - Capital Invested (iii)

Shares	2018/19 £000 actual	2019/20 £000 forecast	2020/21 £000 forecast
Group Entities	19,642	19,642	19,642
Local Organisations	11,650	11,650	11,650
Total Existing Shares (iv)	**31,292**	**31,292**	**31,292**
Future Investment		12,500	18,708
Total Shares	**31,292**	**43,792**	**50,000**

6 Debt : Net Service Expenditure

Debt : NSE	2018/19 £000	2019/20 £000	2020/21 £000
Net Service Expenditure	636,754	641,650	643,348
Gross Debt	379,304	355,253	373,492
Ratio	**59.6%**	**55.4%**	**58.1%**

7 Commercial Income : Net Service Expenditure

Commercial Income : NSE	2018/19 £000	2019/20 £000	2020/21 £000
Net Service Expenditure	636,754	641,650	643,348
Gross Investment Income	21,655	22,490	20,141
Ratio	**3.4%**	**3.5%**	**3.1%**

Notes:

(i) Current value includes revaluation changes, in addition to capital invested

(ii) Forecast income figures for 2019/20 & 2020/21 exclude interest on loans committed but not drawn down

(iii) Capital invested excludes revaluation changes

(iv) Value of cash and other funds invested over time is estimated as £31,292k (as at 2018/19)

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Coventry City Council

Public report
Cabinet Report

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet 25th February 2020
Council 25th February 2020

Name of Cabinet Member:
Cabinet Member for City Services – Councillor P Hetherton
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:
Acquisition of a commercial asset

Is this a key decision?

Yes -the proposals involve financial implications in excess of £1m per annum.

Executive Summary:

Officers have been exploring the commercial and financial viability of acquiring a commercial asset. The Council has entered into an exclusivity and confidentiality agreement to undertake due diligence to assess the commercial opportunities and business risks associated with acquiring this business. The acquisition presents several opportunities to add value to an internal service, that could only be delivered from acquiring these shares. The current owners have expressed a preference to complete the transaction by the end of the financial year (10th March 2020). The estimated acquisition price will be adjusted for net debt within the business and working capital. The final value will not be known until the legal documents have been agreed and due diligence has been completed on the management accounts for the current financial year.

This paper explores the options available to the Council in relation to the acquisition and the impact under each scenario. The recommended option in the report is for the Council to acquire shares in the commercial asset which also includes the business of related companies.

Recommendations:

The Cabinet is requested to recommend that the Council:

1) Approve the use of its powers under Section 12 of Local Government Act 2003 and Section 1 of the Localism Act 2011 to acquire the shares in the company as a commercial investment for the maximum value as disclosed in the Private report (including transaction costs), subject to any adjustments detailed in the report.

2) Approve the addition of the commercial investment as detailed in the Private report to the capital programme.

3) Delegate authority to the Director of Streetscene and Regulatory Services, Director of Finance and Corporate Services and City Solicitor and Monitoring Officer to agree detailed terms of the transaction with the Commercial Asset.

4) Delegate authority to the Director of Streetscene and Regulatory Services, Director of Finance and Corporate Services and City Solicitor and Monitoring Officer to enter into the relevant legal agreements and associated documents necessary to complete the transaction.

5) Approve the implementation of the governance structure and associated terms of reference for the Shareholder Panel and Board of Directors, as detailed in section 2.14 of the report

6) Delegate authority to Leader of the Council to approve the appointment of three Members onto the Shareholders Panel to represent the Council as sole shareholder of the Company.

Council is requested to:

1) Approve the use of its powers under Section 12 of Local Government Act 2003 and Section 1 of the Localism Act 2011 to acquire the shares in the company as a commercial investment for the maximum value as disclosed in the Private report (including transaction costs), subject to any adjustments detailed in the report.

2) Approve the addition of the commercial investment as detailed in the Private report to the capital programme.

3) Delegate authority to the Director of Streetscene and Regulatory Services, Director of Finance and Corporate Services and City Solicitor and Monitoring Officer to agree detailed terms of the transaction with the Commercial Asset.

4) Delegate authority to the Director of Streetscene and Regulatory Services, Director of Finance and Corporate Services and City Solicitor and Monitoring Officer to enter into the relevant legal agreements and associated documents necessary to complete the transaction.

5) Approve the implementation of the governance structure and associated terms of reference for the Shareholder Panel and Board of Directors, as detailed in section 2.14 of the report

6) Delegate authority to the Leader of the Council to approve the appointment of three Members onto the Shareholders Panel to represent the Council as sole shareholder of the Company.

List of Appendices included:
None

Background papers:
None

Other useful documents
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 – 25th February 2020

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Report title: Acquisition of a Commercial Asset

1. Context (or background)

1.1 Councils are increasingly looking for opportunities to generate an ongoing revenue stream through capital investment to help bridge the gap in relation to the cost of providing services and the funding available to deliver them. CCC has been no different in seeking commercial returns through growth in its traded services to looking externally at other avenues for income generation.

1.2 The Commercial asset is a going concern company that has achieved year on year growth in their turnover position, which has increased by 35% over 4 years and is forecast to continue with this trend this year. The current owners have decided to sell the business and the Council has entered into an exclusivity and confidentiality agreement to consider the transaction.

1.3 This report recommends the Council takes proactive action to acquire shares in the commercial asset, with a view to developing an action plan for the future operation of the company and any links to internal services.

2. Options considered and recommended proposal

2.1 **Option 1 – Do nothing** – the commercial asset will be sold to another entity. They will have greater flexibility in terms of pricing, cost management and commercial operation than any internal services, so may have a detrimental effect on similar services provided in house and potentially therefore on the Council's future medium term financial strategy.

2.2 **Option 2 – Council acquires the commercial asset**– The Council acquires 100% of the shares in the commercial asset.

2.3 The due diligence process has highlighted that there are other companies that are linked to the operation of the commercial asset which are also being considered as part of this transaction. It is envisaged that prior to completion of the transaction, the business from linked companies will transfer into the commercial asset.

2.4 The total turnover generated by the group of companies being considered as part of this transaction is detailed in the Private report. The transaction includes the revenue and assets from linked businesses moving to the commercial asset.

2.5 The earnings before interest, tax, depreciation and amortisation (EBITDA) position reflects the net earnings for the company, excluding the costs of financing, accounting for capital expenditure and tax.

2.6 The financial performance for the first six months of the current year (2019/20) indicates that the core business has continued to grow with an increase in when compared to the same period the year before.

2.7 Further due diligence is being undertaken on the financial performance of the group for 2019/20 as the management accounts are provided to the Council for review.

2.8 The balance sheet for the commercial asset shows a highly geared position (high proportion of debt), but there are sufficient assets to cover the debt in the business. The business has secured favourable commercial terms for the debt in place and as such there is no benefit for the Council to refinance the debt within the business, without extending the length of the loan. This could be considered in the future.

2.9 Acquisitions are usually undertaken on a debt free/ cash free basis, which means the value attached to the shares (equity value) is based on having adjusted for the debt and cash to remain within the business.

2.10 The value attributed to the business is disclosed in the private report, adjusted for the net debt and a normalised level of working capital.

2.11 A share acquisition can only be financed over a maximum period of 20 years, which means the capital financing costs for the business are higher than if it was possible to spread this over a longer term. The current profit (2018/19 for group) is sufficient to service this level of investment costs and deliver dividends that could be attributed to the medium term financial strategy. Based on this performance, it would be possible to extract dividends over and above the capital financing costs without jeopardising the day to day operation of the business. There has been growth for the current financial year, which has shown an increase in profit for the first 6 months of the year (April to September 2019), strengthening this financial position.

2.12 As part of the due diligence, costs have been incurred with our external financial advisors for financial due diligence, our external legal advisors for legal due diligence and our external environmental advisors for an environmental survey and due diligence. There will be costs incurred to complete the transaction as part of the Sale and Purchase Agreement. Approval is being requested to incur these fees retrospectively for the due diligence work and going forward to enable the shares to be acquired within the company. Flexibility is requested to utilise the approved financial envelope to meet the acquisition costs and any transaction costs to complete the deal.

2.13 Our environmental advisors were instructed to undertake an environmental survey for the sites operated by the commercial asset. The survey has concluded there are a number of operational and environmental risks that can be mitigated through the Share Purchase Agreement and actions by the Company pre completion.

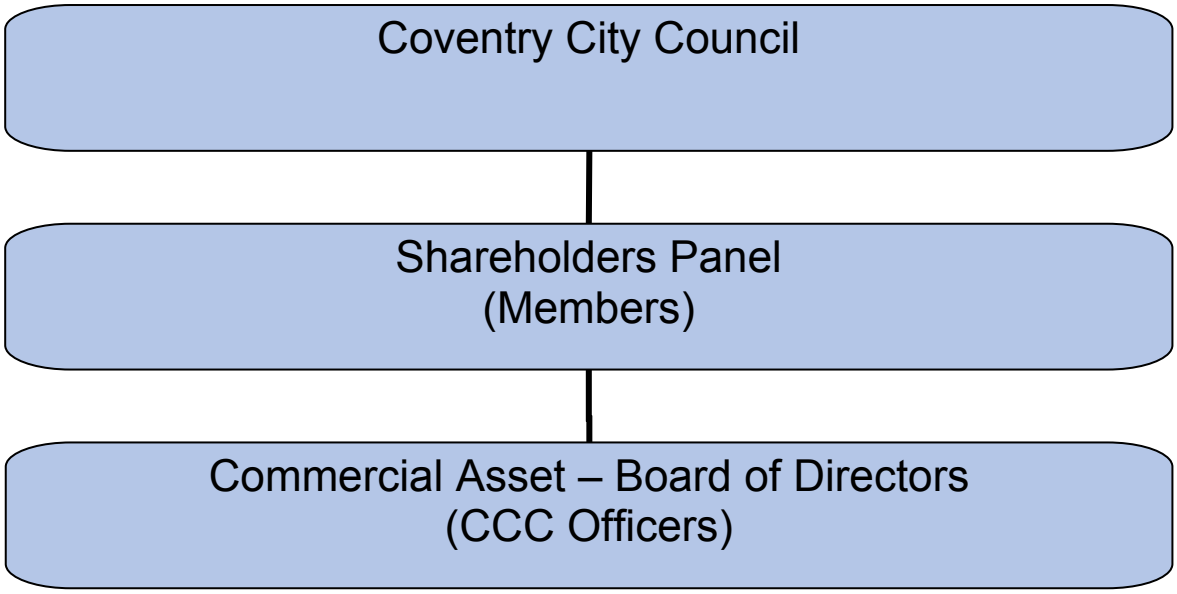
2.14 It is proposed that the following governance arrangements (Figure 1) are implemented to manage this commercial investment:

2.14.1 Creation of a Member Shareholder Panel with overall responsibly for the investment, approval of the business plan and the financial parameters within which the Board of Directors and Management team can take forward decisions. It is proposed this group would meet on a minimum bi-annual basis to set the budget and receive information about the performance of the business. The Shareholders Panel will be made up of three Members.

2.14.2 Board of Directors made up of officers who would meet on as a minimum on quarterly basis to oversee the management of the business and monitor the performance against the approved business plan.

2.14.3 The Board of Directors would be supported by suitably qualified Non-Executive Directors to provide advice and challenge to the Board and the Management Team. It is proposed that the current owner will provide consultancy advice and support to the Company to ensure there is a suitable continuity, handover and oversight for the operation of the business for a period of 24 months, this could be in the form of a Non-Executive Directors. The membership of the Board of Directors will be agreed in consultation with Cabinet Member for City Services.

Figure 1: Governance structure for the proposed transaction



2.15 The finances of the group demonstrate a net return to the Council, acquiring the business and operating it as a standalone investment at this time, is the recommended option.

2.16 Alignment of the company with internal services could deliver additional value, which includes targeting a level of efficiency such as removing duplicate costs and increasing revenues and growth in businesses. To inform this integration, senior key council officers would observe and work alongside the commercial asset to understand the current business, from marketing, pricing, securing customers through to operational delivery for minimum period of 6 months. These experiences would then be used to develop a plan to consider alignment with internal services. A further report will be bought forward to Members once details have been developed and there are clear recommendations for approval.

2.17 **Option 3 – Integrate the commercial asset with internal services** - It is not possible at this time to provide greater clarity on the impact of integrating the company with existing internal services as the details will only be developed once the transaction is complete and there is a greater understanding of the operation of the business. There are a number of areas that need to be explored including but not limited to, considering the ideal company structure for ongoing operations, HR implications including TUPE, tax structuring and operational planning work which will all be considered at the appropriate time. Currently this is not the recommended option. A report will be bought forward in the future with details of integration and the value that can delivered through this option post acquisition of the company.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 The timescales for the transaction are detailed below:

- March 2020 – Agree a final price for the shares based on negotiations and any adjustments as a result of the Environmental survey. Finalise any legal documents

required to implement the decision, to be formally signed to transfer ownership on receipt of Member approval to procced with the transaction.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

It is important to consider the proposed Council's investment in the company in the context of the Council's Commercial Investment Strategy approved by Council as part of the Budget Setting Report in February 2020. The proposed investment has been subject to a detailed business case assessment as set out in the private report, identifying the risks and how these can be managed.

Although the investment is being funded through prudential borrowing the Council is not borrowing purely in order to profit, and the purchase will realise significant service benefits as well as provide a forecast financial return to the Council over time. The Council has the skills required in respect of operating a business within this sector and this acquisition will only strengthen that position.

Acquiring the assets of the company as part of the transaction provides greater security for the Council in terms of realising additional value and presents an opportunity to consider alternative use for the site currently being utilised by Council services . This acquisition supports the diversification of investments made by the Council, reducing the reliance on other operations to generate a return to support the Councils medium term financial strategy.

The investment is proportionate to the size of the Council. In addition, the investment will be within the limit set within the Strategy for total investments in shares. The view of the Director of Finance and Corporate Services is that the investment is consistent with the Commercial Investment Strategy.

The maximum additional financial exposure for the Council could be reduced based on ongoing negotiations and lower professional fees to complete the transaction. The acquisition of shares is capital expenditure and would, subject to Member approval, be incorporated into the capital programme. The expenditure is unfinanced capital spend, as capital receipts, revenue contribution or grant have not been set aside to meet this cost. All future dividends would be due to the Council as sole shareholder. Based on past performance, the commercial rent for the site and dividends would be sufficient to meet the ongoing capital financing costs of acquiring the shares. The most appropriate financing option will be determined by the Director of Finance and Corporate Services depending on the availability of capital receipts, cash balances, interest rates etc. Options are being explored to reduce the capital financing costs for investments in the future where it is commercially advantageous to do so.

The business case for acquisition is based on the operation of the company currently. There is no guarantee that the financial projections will be delivered, however based on previous performance the company should be successful in generating year on year growth. There are external factors that are outside of the Council's control which could impact on the financial performance of both waste operations. The governance arrangements in place should be sufficient to monitor performance and to provide ongoing challenge to the commercial asset's management team on performance and the operation of the business.

5.2 **Legal implications**

5.2.1 Under Section 12 of the Local Government Act 2003 the Council has a specific power to invest. The power states "a local authority may invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". This provides the Council with a power to invest in the commercial asset, for any purpose relevant to its functions (this function would have to be identified) or if the Council can show it is for the prudent management of its financial affairs. Under section 1 of the Localism Act 2011, the Council also has a power "to do anything that individuals generally may do" (the "General Power of Competence"). "Individual" means an individual with full capacity. The General Power of Competence gives the Council:

i. power to do a thing anywhere in the United Kingdom or elsewhere,
ii. power to do it for a commercial purpose or otherwise for a charge, or without charge, and
iii. power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

5.2.2 Where the Council uses the General Power of Competence to do something for a commercial purpose, section 4 of the Localism Act 2011 requires that the Council must do so through a company (which has a wider definition than for the purposes of section 95 Local Government Act 2003).

5.2.3 The requirement under section 4 of the Localism Act 2011 is very similar to the requirements of section 95 of the Local Government Act 2003 (the "trading power"). The Council will be compliant with the requirements of both the General Power of Competence and the trading power as any commercial purpose activity or trading will be done through the commercial asset. This report serves as a business case for the proposed investment in the company and the proposed trading through that company following the share purchase.

5.2.4 The General Power of Competence is limited by any restrictions on any pre-existing powers of the Council. The General Power of Competence can be used in conjunction with existing powers, for example the section 95 trading power.

5.2.5 If the Council is considering providing any services directly to the commercial asset, for example a contract to provide back office support such as payroll, it can use the "incidental power" under section 111 of the Local Government Act 1972, which enables it to "to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions" (its function in this case being the General Power of Competence).

5.3 **Governance and Articles**

5.3.1 The company's Articles will be redrafted to reflect that the Council will be the sole shareholder. As soon as the Transaction is completed the necessary resolutions will take place to approve the Governance in section 2.25.3

5.4 **Procurement and State Aid**

5.4.1 The Council is not purchasing any services, goods or works as part of the transaction, and so the Public Contracts Regulations 2015 and the Council's contract procedure rules will not apply.

5.4.2 The Council is complying with EU State aid law as the transaction is being undertaken upon arms' length terms, meaning that no benefit is conferred on the vendor and there is no distortion to competition. It is important that the commercial asset is to be treated as commercially at arm's length.

5.5 **Legal Due Diligence -** The Council has appointed external legal advisors to undertake independent Legal Due Diligence on the commercial asset. The Share Purchase Agreement which documents the transaction will have the necessary warranties and indemnities to protect the Council in making this investment resulting from the due diligence which has been undertaken

6. Other implications

A small number of the commercial assets Management Team and Council officers have been involved in the discussion and negotiations. Formal briefings are required to inform all staff of the change in ownership. The Council and the Company will work together to ensure this briefing is undertaken in an empathetic and sensitive manner. It is likely there will be an impact on management and possibly operational staff as part of the integration. Details are not yet developed but will be shared once available and approval sought through the relevant governance process.

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

This commercial investment should deliver a return that will support the Council to continue to provide services in line with the Council's core aims.

6.2 How is risk being managed?

As this is an arm's length commercial investment, it is key that the governance structure in place allows the business to operate as a commercial entity. The management team in place will need to be have appropriate skills and experience to be able to manage the day to day operations as well as any strategic decision approved by the Board of Directors and Shareholders Panel. The existing management team will continue in post until the initial review of the Company is undertaken. It is proposed that the current owner will also continue to play an active role within the company for a period of 24 months to ensure there is effective handover and oversight of the Management team and operations.

This investment decision has been based on investing capital to receive an ongoing revenue benefit. There is no guarantee that the financial projections will be delivered, however based on previous performance the Company has been successful in generating year on year growth and there are areas where the two services could make cost savings. There will be commercial skills within the Company which can help to drive in the future. There are some factors that are outside the control of the business and the Council, such as an economic downturn that could impact of the financial and operational performance. These will be managed through the proposed Governance structure should this arise in the future.

6.3 What is the impact on the organisation?

There is likely to be an impact on the staffing within the Commercial asset and any related Council service at a management level. The management structure for the service is yet to be developed and will be influenced by the observations during the initial 6 months of operation.

6.4 **Equality and Consultation Analysis (ECA)**

No equality impact assessment has been carried out as the recommendations do not constitute a change in any Council policy or service. An ECA will be undertaken when there is greater clarity on the impact of changes for the internal service.

6.5 **Implications for (or impact on) climate change and the environment**

This significantly greater Council controlled entity in the city will place us in a stronger position to be able to deliver the objectives of the strategies detailed in the private report.

6.6 **Implications for partner organisations?**

There will be an impact as with any change in ownership for the partner organisations that are also customers of the Company being acquired. The impact will be managed to ensure there is a smooth transition and little change in customer experience and service received by all customers.

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