

**Time and Date**

2.00 pm on Tuesday, 26th February, 2013

Place

Council Chamber - Council House

1. **Apologies**
2. **Minutes of the Meeting held 15th January 2013** (Pages 3 - 16)
3. **Correspondence and Announcements of the Lord Mayor**
4. **Petitions**
5. **Declarations of Interest**

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

6. **Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body** (Pages 17 - 34)

From the Cabinet, 12th February 2013

It is anticipated that the following matters will be referred as Recommendations from the Cabinet, 26th February 2013. In order to allow Members the maximum opportunity to acquaint themselves with the proposals, the reports are attached. The relevant Recommendations will be circulated separately.

7. **2013/14 Council Tax Setting Report** (Pages 35 - 42)
8. **Budget Report 2013/14** (Pages 43 - 104)

Other Business

9. **Statement (if any) by the Leader of the Council**

Bev Messinger, Director of Customer and Workforce Services, Council House Coventry

Monday, 18 February 2013

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

Membership: Councillors F Abbott, N Akhtar, M Ali, A Andrews, M Auluck, S Bains, L Bigham, J Blundell, K Caan, D Chater, J Clifford, G Crookes (Deputy Chair), G Duggins, C Fletcher,

K Foster, D Galliers, D Gannon, A Gingell, M Hammon, L Harvard, P Hetheron, D Howells, J Innes, L Kelly, D Kershaw, T Khan, A Khan, R Lakha, R Lancaster, J Lepoidevin, A Lucas, K Maton, J McNicholas, C Miks, K Mulhall, J Mutton, M Mutton, H Noonan, J O'Boyle, E Ruane, R Sandy, T Sawdon (Chair), H S Sehmi, B Singh, D Skinner, T Skipper, H Sweet, K Taylor, R Thay, S Thomas, P Townshend, S Walsh, D Welsh and A Williams

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language please contact us.

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Agenda Item 2

COUNCIL OF THE CITY OF COVENTRY

15th January 2013

PRESENT

Lord Mayor (Councillor Sawdon)

Deputy Lord Mayor (Councillor Crookes)

Councillor Mrs Abbott	Councillor Lakha
Councillor Akhtar	Councillor Lancaster
Councillor Ali	Councillor Mrs Lepoidevin
Councillor Andrews	Councillor Mrs Lucas
Councillor Auluck	Councillor McNicholas
Councillor Bains	Councillor Maton
Councillor Mrs Bigham	Councillor Mrs Miks
Councillor Blundell	Councillor Mulhall
Councillor Caan	Councillor J. Mutton
Councillor Chater	Councillor Mrs M. Mutton
Councillor Clifford	Councillor Noonan
Councillor Duggins	Councillor O'Boyle
Councillor Mrs Fletcher	Councillor Sandy
Councillor Foster	Councillor Sehmi
Councillor Galliers	Councillor Singh
Councillor Gannon	Councillor Skinner
Councillor Gingell	Councillor Skipper
Councillor Hammon	Councillor Mrs Sweet
Councillor Harvard	Councillor Taylor
Councillor Howells	Councillor Thay
Councillor Hetherton	Councillor Thomas
Councillor Innes	Councillor Townshend
Councillor Kelly	Councillor Walsh
Councillor Kershaw	Councillor Welsh
Councillor T. Khan	

Honorary

Alderman Present: J. Gazey
T. Webb
J. Wright

Apologies: Councillor A Khan
Councillor Ruane
Councillor Williams

Public Business

108. Minutes

The minutes of the meeting held on 4th December 2012 were signed as a true record.

109. Exclusion of Press and Public

RESOLVED that under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the items of business indicated below on the grounds that they involve the likely disclosure of information defined in the specified Paragraph(s) of Schedule 12A of the Act as they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) and that in all of the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Minute No.	Subject	Relevant Paragraphs(s) of Part 1 of Schedule 12A
113	Capital Refinancing	3
128	Shelton Square – Investment Acquisition	3

110. Coventry Good Citizen Award – Reg Kimber

On behalf of the Council, the Lord Mayor and his Honour, Judge Griffith-Jones, Honorary Recorder, presented Mr Reg Kimber with the Coventry Good Citizen Award. His citation read:

“Reg Kimber has for many years played a key role in the Whitley Local History Group and in the wider Whitley community. He is consistently encouraging other members of the Group to pursue their interest in local history and is regularly found at fairs and open days sharing his enthusiasm for the history of the area with younger generations.

Reg has lived in Whitley for many years and is a veteran of the Armed Forces, having served in the RAF. He has devoted his retirement to working on and campaigning for a range of local issues in the Whitley area, in particular the memorial to the bomb disposal crew that were killed on Whitley Common in 1940.

For many years the story of this crew had been known in the Whitley area, but no research had been done to piece together the facts around it – so Reg turned detective and researched the background of the brave men and managed to piece together a number of stories from pieces of information that had been left behind. Whilst it was well known that the men had died on Whitley Common, the location had not been previously identified and no memorial existed to commemorate the sacrifice that was made. Reg saw it as a personal crusade to ensure this was rectified and that a fitting tribute was made to those who had lost their lives.

Reg Kimber is a modest man who never 'blows his own trumpet' and only looks for the reward of improving the lives of the people around him. He fully deserves to be recognised as a Good Citizen of Coventry.”

111. Motion Without Notice

In accordance with Paragraph 4.1.35.3 of the City Council’s Constitution, a Motion without Notice was moved by Councillor Gannon and seconded by Councillor Hetherton to re-order the Agenda so that Agenda Items 5 (Correspondence and Announcements of the Lord Mayor) and 6 (Petitions) be

moved down the agenda to be taken before item 8, and that Item 19 (Capital Refinancing) be considered, in private, after Item 7 (Declarations of Interest).

112. Declarations of Interest

The following Members declared Disclosable Pecuniary Interests in the items indicated below. The Members withdrew from the meeting during consideration of those items.

(a) Petitions (Minute 117 refers)

Councillor Mrs Bigham
Councillor T. Khan
Councillor Maton
Councillor Skinner

(b) Technical Changes to Council Tax (Supplementary) (Minute 123 refers)

Councillor Mrs Bigham
Councillor T. Khan
Councillor Maton
Councillor Skinner

(NB: At this point in the proceedings, the Chief Executive withdrew from the meeting. The Director of Customer and Workforce Services represented the Chief Executive for the remainder of the meeting).

Private Business

113. Capital Refinancing

Further to Minute 116/12 of the Cabinet, the City Council considered a private report of the Assistant Director for Financial Management, which contained information relating to the financial or business affairs of any particular person (including the authority holding that information) in respect of capital refinancing.

RESOLVED that the City Council approve the Recommendations from Cabinet.

Public Business

114. New Year Honours

The Lord Mayor congratulated Coventry Fireman Rick Stanton, based at Canley Fire Station, who had been awarded an MBE in the New Year Honours list for services to Local Government, particularly the fire and rescue service.

Members noted that the Lord Mayor had written to Mr Stanton, expressing the Council's congratulations.

115. **Death of Former Lord Mayor, Alex Boyd**

The Lord Mayor referred to the recent death of former Lord Mayor, Alex Boyd last month. Alex had been a Councillor for 22 years representing Holbrooks Ward before retiring in April 2000. He was Lord Mayor in 1993.

Members paid tribute to the work undertaken by Alex and noted that a letter expressing the Council's sincere condolences had been sent to his family.

116. **Death of Sarah Ferguson**

The Lord Mayor referred to the recent death of Sarah Ferguson. Sarah had been an employee of the City Council since 1999 and was best known to many as a long standing Trade Union representative.

Members paid tribute to the work undertaken by Sarah and noted that a letter expressing the Council's sincere condolences had been sent to her family.

117. **Petitions**

RESOLVED that the following petition be referred to the appropriate City Council body or external organisation:

- (a) Request for refusal of sale of land on Castle Street/Adelaide Street/Harnall Lane East to Whitefriars Housing Group – 39 signatures – presented by Councillor Welsh.**

(Note: Councillors Mrs Bigham, T. Khan, Maton and Skinner withdrew from the meeting during consideration of this item).

118. **Medium Term Financial Strategy**

Further to Minute 84/12 of the Cabinet, the City Council considered a report of the Director of Finance and Legal Services presenting a Medium Term Financial Strategy (MTFS) for 2013-2016 for adoption by the City Council. The previous strategy was approved in October 2011. The Strategy underpinned the medium term policy and financial planning process that was fundamental to setting our revenue and capital budgets.

The context in which the City Council developed its MTFS continued to be one of unprecedented financial pressures. The recent recession and the sovereign debt crises that developed out of the 2008 banking crisis meant that economic growth was forecast to be subdued for the foreseeable future. Significant reductions in spending levels would be required up to 2020. In practice, the process of reducing spend has only just started. Although the 2010 government spending review covers the period to 2014/15, the spending totals for 2013/14 onwards would almost certainly be revised downwards.

In addition, the last year had seen a review of the entire Local Government Finance system, with the localisation of 50% of business rates being the headline change. This created significant uncertainty, both in forecasting the level of resources that will be available, but also at a policy level.

Whilst resources fall, the demand for services increases, in particular due to demographic changes, with a greater number of both the very young and older people.

The “perfect storm” of reducing resources, low economic growth, increased demand and government reform makes it crucial that local authorities consider their role and how they need to radically reshape their services, in order to protect the most vulnerable within an environment of scarce resources. Significant national developments impacting on local authorities were detailed in the report.

The City Council’s starting financial position prior to the 2013/14 budget setting as detailed in the report showed a major funding gap increasing to nearly £60m in 2015/16.

The City Councils strategic approach to the demands that it faces included:

- The need to radically reshape services and make significant savings through the extension of the Council’s abc Transformational Review Programme. The emphasis of abc (A Bolder Coventry) would move towards asking fundamental questions about what things the Council needs to consider stopping doing or doing in partnership with others, in particular in high spend areas. Central to this will be the need to actively manage the demand for services.
- The drive for economic growth, working with partner organisations to achieve this. The maximisation of capital investment either by the City Council, funded from borrowing or capital receipts, or via local partners will be fundamental to facilitating growth.
- The development of a City Deal bid for the sub region, as a way of unlocking major projects and initiatives that would stimulate growth;

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Council approve the Strategy as the basis of its medium term financial planning process.

119. Sexual Entertainment Venues Policy – Consultation Results

Further to Minute 100/12 of the Cabinet, the City Council considered a report of the Director of Community Services, which set out the results of a city-wide consultation in respect of a nil Sexual Entertainment Venues Policy and proposed a final Policy for adoption.

On 16th November 2011, the Cabinet Member (Community Safety and Equalities) considered the outcome of consultation on the Council's draft Sexual Entertainment Venue Policy and approved an 'Interim Policy' for a maximum period of 12 months. The Interim Policy contained a guidance upper limit on the number of Sexual Entertainment Venue which it considered appropriate within the Council' administrative area. For the City Centre (defined as within the ring-road), it was proposed that up to a maximum of two Sexual Entertainment Venues be permitted and for the outer City (determined as the remainder of the City outside the City Centre), it was proposed that there be no Sexual Entertainment Venues.

On 14th August 2012, Cabinet approved the extension of this Interim Policy to 31st

March 2013 and a public consultation on a nil policy as a preferred option (Minute 29/12 refers). A twelve week period of consultation therefore took place from 20th August to 11th November 2012.

504 survey responses were received along with a further 13 responses in the form of emails and letters to the Licensing Team. Findings from the consultation were reviewed and categorised for the purposes of analysis. In summary, 53.3% of respondents strongly agreed that Coventry should have a nil policy, 29.8% felt strongly felt that a nil policy was not appropriate and would like to see some provision in the City, and the remaining did not have a strong opinion either way. Full details of the responses received were provided within the report submitted.

As a result of the consultation, it was proposed that a nil policy be established for the City. It was acknowledged that there was an established Sexual Entertainment Venue, which had traded within the City for a long period of time without significant concern and, accordingly, the nil policy would not apply to that venue. In addition, any further application from this existing venue would be judged on its own merits and without reference to the nil policy.

The Streets and Neighbourhoods Scrutiny Board (4) had considered the report at their meeting on 7th December 2012, and a briefing note detailing their recommendations was appended to the report. In particular, the Board recommended that training should be given to Licensing and Regulatory Committee members on dealing with Sexual Entertainment Venue applications, which should include guidance on the proper application of the nil policy and the correct approach that should be taken to consider any exemptions to that Policy, including the need for giving sound reason for any decision. This recommendation had been supported by the Cabinet.

RESOLVED that, having considered the outcome of the public consultation and the Recommendation from the Streets and Neighbourhoods Scrutiny Board (4) the City Council approve the following:

- (a) Having regard to the responses to the consultation and other relevant factors, the Interim Policy be confirmed as the final statement of policy going forward subject to Paragraphs 10.2 and 10.3 being replaced with:**
 - i) "The Council has conducted a widespread public consultation on a proposed nil policy for the City. The majority of respondents agreed that there is no locality in Coventry of which it can be said that Sexual Entertainment Venues are appropriate. These considerations among others set out in the policy, have let the Council to the clear opinion that there are no localities in Coventry in which it is appropriate to license a Sexual Entertainment Venue. This does not prevent individuals from applying for a Sexual Entertainment Venue Licence and each application being considered on its merits by the Licensing and Regulatory Committee.**
 - ii) However the Council recognises that there is an established Sexual Entertainment Venue which has traded in the City for a long period of time without significant concern. Accordingly, the nil policy will not apply to the said Sexual Entertainment Venue.**

Rather, any application in respect of the said Sexual Entertainment Venue will be judged on its own merits and without reference to the nil policy.

- (a) That training should be given to Licensing and Regulatory Committee members on dealing with Sexual Entertainment Venue applications, which should include guidance on the proper application of the nil policy and the correct approach that should be taken to consider any exemptions to that Policy, including the need for giving sound reason for any decision.**

120. Coventry Tenancy Strategy 2013-18

Further to Minute 101/12 of the Cabinet, the City Council considered a report of the Director of Community Services, which sought approval of the Tenancy Strategy 2013-18.

The Localism Act 2011 created a statutory requirement for local authorities to develop a Tenancy Strategy by 15th January 2013, setting out the Council's approach to tenancies in light of recent changes to social housing introduced by the Government. Changes have been made to the types of tenancies that Registered Providers of social housing, usually Housing Associations can offer, the rents they can charge and the way that the Council can meet its duties towards homeless households. The report provided detail of the changes made, particularly in respect of fixed term tenancies, affordable rent and homelessness duties.

In their Strategy, local authorities must set out the matters to which Registered Providers were to 'have regard' when developing their own Tenancy Policies. There was no requirement for Providers to 'comply' with the Council's Tenancy Strategy.

Public consultation on the options for the Tenancy Strategy was carried out for a period of eight weeks. 44 responses were received to the consultation, which included 11 responses where respondents identified themselves as representing an organisation or group. The report outlined in detail the responses to the consultation and, in summary indicated that 74% of respondents were of the view that the Council should support the use of fixed term tenancies and 72% supported the use of the private rented sector to discharge the main homelessness duty, without requiring the consent of the applicant. In addition, respondents identified several factors which should be considered when setting the level of affordable rent and were of the view that types of properties which should not be let at affordable rents should include supported/sheltered properties, large family homes, and specially adapted properties.

Following the consultation, a Tenancy Strategy for Coventry had been developed and was appended to the report submitted.

RESOLVED that the City Council approve the Coventry Tenancy Strategy 2013-18 attached as Appendix 1 of the report submitted.

121. Caludon Castle School – Proposed Academy Conversion

Further to Minute 102/12 of the Cabinet, the City Council considered a report of the Director of Children, Learning and Young People, which set out the position agreed with Caludon Castle School in relation to the treatment of risks and liabilities under the PFI

Project Agreement following conversion to an Academy and sought approval to the legal agreements necessary for the conversion to take place.

In December 2004, the Council entered a PFI contract to design, build and operate a new Caludon Castle Secondary School. The contract was awarded to Coventry Education Partnership (CEP). The new school opened in September 2006 and provided places for 1,500 students aged 11-18+ and also housed the Wyken Community Library. Day to day facilities management was provided by Integral UK Ltd and, outside of school our, extended services were managed by Active Leisure Management (ALM). Facilities available to the local community as part of the floodlit tennis courts, sports hall, dance studio and a large theatre style main hall.

The PFI Contract and Governing Body Agreement, by which the school agreed to financially contribute towards the annual payments, were written assuming that the school would continue to be part of the local authority.

In the summer term 2010, the school was invited to convert to an Academy status by the Secretary of State for Education, because they were rated by OFSTED as an 'outstanding' school. Between June and December 2010, the benefits of Academy status were discussed at full Governors meetings and, at their meeting on the 2nd February 2011, the Governing Body formally resolved to apply for Academy status. Following consultation meetings with parents, the Secretary of State issued an Academy Order on 30th March 2011 which would enable the school to convert to an Academy on an agreed date.

The Local Authority was expected to co-operate with schools seeking to convert and, in addition to the formal agreements, the authority would effectively at its own expense have to agree closure of accounts and financial transfers, and provision of HR support and information (including staff transfer, TUPE and pension data).

The Cabinet noted that the recently completed Wyken Extended Learning Centre built on the Caludon Castle School site did not constitute part of the existing PFI contractual arrangements or conversion proposal and therefore would remain unaffected. The area to the south of the River Sowe, which formerly constituted part of the school playing fields also remained under the control of the City Council and was unaffected.

Under Schedule 1 of The Academies Act 2010 therefore, the Authority was required to grant to the Academy a 125 year lease at a peppercorn rental for land wholly or mainly used by the school in the preceding 8 years. Failure to agree a lease for the playing fields may result in the Secretary of State using a discretionary power under Schedule 1 of the 2010 Act to step in and make a transfer scheme. The Authority was expected by the DfE to agree an Asset Transfer Agreement with the Academy. In the event that the conversion proceeded without the agreement being in place the Council may be exposed to potential liabilities in respect of assets and contracts post-conversion which would have been assumed by the Academy under the model agreement prepared by the DFE.

In addition, given that Caludon Castle School was funded under the Private Finance Initiative, the Authority would also need to enter into a School Agreement. This was, in effect, the new Governing Body Agreement covering the Academy contribution to the Unitary charge payment that the Authority pays to CEP. In the event that the Authority did not enter into a School Agreement with the Academy the worst case scenario for the Local Authority was that the DfE allowed the conversion to take place, the current Governing Body Agreement ceased and the Council would lose the school contribution which would

leave it with a significant affordability gap on the scheme. There was no national precedent for this and the official DfE line was that they would prefer the City Council and school to resolve issues locally. It was unclear as to when/if the DfE would be likely to 'step in' and force a resolution. A number of other legal Agreements would also need to be agreed as part of the conversion and these were detailed within the report.

Negotiations had taken place with the school over the treatment of risks post conversion and the final agreed position was set out within the report submitted. In summary, whilst the Council had looked to ensure that as much risk as possible would be the responsibility of the School, there were some risks that the school were unable to accept and would remain with the Council, in particular indexation.

Through the negotiations, the school had also agreed to continue its work in supporting educational improvement across the City and a Memorandum of Understanding had been prepared which was to be included within the School Agreement. It was estimated that the Council could benefit from the Academy and its expected Teaching School Status to the value of £105k per annum.

RESOLVED that the City Council:

- 1) **Agree to enter into the following legal agreements in respect of the proposed Academy conversion of Caludon Castle School, as set out in Appendices 3 to 8 of the report submitted:**
 - **125 year Lease Agreement at a peppercorn rental;**
 - **Asset Transfer Agreement**
 - **School Agreement**
 - **Principal Agreement**
 - **The Deed of Amendment for PFI Project Agreement**
- 2) **Authorise the authorised signatory within Finance and Legal Services to issue the Certificate under the Local Government (Contracts) Act 1997 to confirm the Council's power to enter into the Deed of Amendment to the PFI Project Agreement and grant an indemnity from the Council to the authorised signatory against any claim arising from signature of the certificate.**
- 3) **Delegate authority to the Cabinet Member (Strategic Finance and Resources), Cabinet Member (Education), Director of Children, Learning and Young People and Director of Finance and Legal Services to agree any minor amendments to the documents in 1) above arising from further consideration by Coventry Education Partnership, Sumitomo Mitsui Banking Corporation, Department for Education and Caludon Castle School.**

122. Approval of Community Support Grants Policy

Further to Minute 104/12 of the Cabinet, the City Council considered a report of the Director of Finance and Legal Services, which sought approval of a Community Support Grants Policy.

The Government set out reform plans for the Social Fund in December 2010 in the

White Paper “Universal Credit: Welfare that Works”. The changes would result in abolition of the current system of discretionary payments. The Government proposed that there would be a combination of new locally based provision that would replace Community Care Grants and Crisis Loans for general living expenses and a new nationally administered advance of benefit facility that would replace alignment Crisis Loans and Budgeting Loans. The locally based service would be devolved to Local Authorities in England and to devolved administrations in Scotland and Wales, and would come into effect from 1st April 2013.

The Social Fund was established under the Social Security Act 1986 as part of a wider range of reforms to the social security system. It was currently administered by Jobcentre Plus, providing interest free loans, grants and payments through both a regulated scheme and a cash limited discretionary scheme. Crisis Loans were interest free loans available to anyone (whether on benefit or not) who could not meet their immediate short-term needs in an emergency or as a consequence of a disaster. Repayments were made directly from benefit where possible although separate arrangements were made for people not on benefits.

In 2011/12 there were 15,140 Crisis Loans awarded in Coventry, at a cost of £939,300. The average award was £62 and were granted for one of four reasons; items or services; rent in advance, general living expenses; and alignment payments to cover living expenses up to the first payment of benefit or wages. The Cabinet noted that it was the general living expenses element that was being localised and this equated to 11,240 applications, 8,390 awards and a total spend of £446,400. .

The report indicated that from April 2013 Crisis Loan Alignment Payments were to be replaced by a new national scheme and Budgeting Loans would be replaced by Budgeting Advances. Both of these schemes would be administered by the Department for Work and Pensions (DWP).

Community Care Grants were non-repayable grants awarded for a range of expenses including household equipment. They were intended to support vulnerable people to return or remain in the community or to ease exceptional pressure on families. Eligibility was conditional upon receipt or imminent receipt of an income related benefit. In 2011/12, 1,600 Community Care Grants were awarded within the City at a cost of £813,300, with the average award being £500.

From April 2013 the Council would provide Crisis Grants to support those in crisis situations. Support Grants would be provided for those in receipt of certain benefits who require financial support in order to meet exceptional costs which would support the applicant to live more independently and/or to prevent unnecessary intervention from social services.

The Council has significant flexibility in designing a local policy of discretionary assistance and this presented an opportunity to rationalise existing funding streams and establish a single corporate approach to the assessment of clients needs. There was also the opportunity to explore collaborative working arrangements with partners in the third sector.

The creation of the Council’s local policy took account of the need to have a functional provision in place from 1st April 2013 which had the resilience to meet expected demand. The Council could then focus more confidently on years two and beyond to

establish a more sophisticated delivery model which fully utilised collaborative working.

Although there was no statutory duty for local authorities to make any provision, given the demand levels for financial assistance, it would be irresponsible not to provide some form of provision. Having considered the reasons cited by the DWP for changing exiting provision, it was not considered appropriate to replicate the existing DWP system. It was therefore proposed that funding be used to support vulnerable residents by establishing a local Community Support Grants Scheme delivered within the Council's Benefit Service. The scheme would offer two forms of support; Crisis Grants and Support Grants. These would be based on customer need, avoiding cash where at all possible. Non-cash alternatives for goods or services would be provided in order to prevent abuse or misuse of the system and to ensure that awards were spent in the way that they were intended. Applicants would be residents of Coventry to prevent people claiming fraudulently across the country, although consideration would be given to those fleeing domestic violence or resettling to the City. During the first year, the scheme would be constantly evaluated in order to form a longer term model that could be implemented from the second year.

The report had also been considered by the Health, Social Care and Welfare Reform Scrutiny Board (5), at their meeting on 12th December 2012, and a briefing note detailing their comments was appended to the report submitted. In particular, the Scrutiny Board requested that the Cabinet note that the Policy should be kept under review following its implementation and that the Scrutiny Board's Welfare Reform Sub-Group would continue to work with employees and other key stakeholders around the wider implications of the Welfare Reform changes to the City and the local response to them. The Cabinet welcomed and concurred with the comments made by the Scrutiny Board.

RESOLVED that the City Council note the consultation responses, Equality and Consultation Analysis and other information in this report; approve the proposed Community Support Grant Scheme Policy as set out in Appendix A of the report; and delegate authority to the Director of Finance and Legal Services to make final detailed changes to the Scheme and to implement the scheme from 1 April 2013.

123. **Technical Changes to Council Tax (Supplementary)**

Further to Minute 105/12 of the Cabinet, the City Council considered a report of the Director of Finance and Legal Services, which sought approval to implement technical changes to Council Tax for second homes and empty properties from April 2013.

The Local Government Finance Bill 2012 received Royal Assent on 31st October 2012 and made provision for a number of technical changes to Council Tax to take effect from 1st April 2013.

On 10th July 2012, whilst the Bill was still in draft form, the Cabinet had approved a number of recommendations in respect of these technical changes, including the application of an immediate 100 per cent council tax charge for unfurnished empty properties (Minute 13/12 refers). This change was projected to increase Council revenue by up to £1.5 million per annum.

As the period between lettings is frequently short, applying a full charge immediately would generate additional council tax bills, often for relatively small amounts,

which would increase the cost of collection and potentially impact on collection rates. To address these issues the Government has confirmed that Billing Authorities would have complete discretion over the level of discount to apply to empty homes and the period for which the discount should apply.

It was proposed that a 100 per cent discount for a period of up to two weeks for empty properties to allow landlords a short period to arrange new tenancies and reduce administration costs to the Council. This would reduce the projected additional revenue to the Council by approximately £120,000.

RESOLVED that the City Council:

- 1) Approve the implementation of technical changes to Council Tax for second homes and empty properties from April 2013, as approved by Cabinet on 10th July 2012.**
- 2) Approve the adoption of a 100 per cent discount for a period of up to two weeks prior to the levy of a full Council Tax charge on unfurnished empty properties.**

(Note: Councillors Mrs Bigham, T. Khan, Maton and Skinner withdrew from the meeting during consideration of this item).

124. Shelton Square – Investment Acquisition

Further to Minute 107/12 of the Cabinet, the City Council considered a report of the Director of City Services and Development, which sought approval for the acquisition of property at Shelton Square and the City Arcade.

A corresponding private report detailing financially confidential aspects of the proposals was also submitted to the meeting (Minute 128 below refers).

In 2009 and 2010 Cabinet agreed that the location for future retail development in the city centre would be focused on the City Centre South area culminating in an outline planning consent for a development being obtained in 2012. An opportunity had now been presented to the Council to make a strategic property acquisition in this area.

The seven adjoining retail investment properties predominantly front onto the southern side of Shelton Square, with two of the retail units having frontages onto City Arcade. The City Centre South outline planning consent shows the retail units are located within the area identified for a future anchor store and were therefore a key site required in the current scheme.

The properties were being sold by a liquidator on behalf of a property company in administration and a quick decision regarding the purchase was required if the Council wished to secure them. The Cabinet noted that former directors of the property company in liquidation were also in negotiations with the liquidator with a view to buying back the asset.

The retail investment properties comprised ground floor sales area with first floor ancillary storage. Betfred bookmakers occupied two adjoining units with the five other tenants having single units. The other tenants were Greggs Plc, H&T Pawnbrokers,

Warren James jewellers and two local traders Pawelek Polish Delicatessen and Alan Tyndall trading as Antics a model shop. The signing of new leases to both Greggs and Alan Tyndall would be a condition of the purchase.

The acquisition of these properties would secure the control of the asset, reduce the development risk and increase the deliverability of the city centre development area at a cost which would be less than if it had to be acquired using Compulsory Purchase Orders in the future. In addition, the Council would also benefit from a short term income from the properties.

RESOLVED that the City Council:

- 1) Approve the acquisition of the leasehold interest in 1-11 Shelton Square and 1a City Arcade.**
- 2) Delegate authority to the Director of City Services and Development and the Director of Finance and Legal Services, in consultation with the Cabinet Member (City Development) to complete all the necessary legal documents in connection with the purchase.**

125. Appointment to Outside Body – Local Enterprise Partnership: Local Transport Body

The City Council considered a report of the Director of Customer and Workforce Services which sought approval for the appointment of a deputy representative to the City Council's Lead Member, Councillor Kelly, on the Coventry and Warwickshire Local Enterprise Partnership: Local Transport Body.

The Coventry and Warwickshire Local Enterprise Partnership: Local Transport Body has been established to deal with devolved Government funding for the 2015-2019 period for Major Transport Schemes. Membership proposals for the Body require that an Elected Member from Coventry City Council be appointed to represent it on the Local Transport Body. It was also necessary to identify a deputy in the event that the representative cannot attend meetings of the Body.

At the meeting of the Council on 4th December 2012, Councillor Kelly was appointed as the City Council's Lead representative. The Council was now required to appoint a deputy representative to the Lead Member.

RESOLVED that the City Council appoint Councillor J. Mutton as the deputy representative of the City Council on the Coventry and Warwickshire Local Enterprise Partnership: Local Transport Body.

126. Question Time

There were no written questions.

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

No	Question Asked By	Question Put To	Subject Matter
1	Councillor Blundell	Councillor Mrs Bigham	Future location of Godiva Festival
2	Councillor Crookes	Councillor Mc Nicholas	HS2
3	Councillor Taylor	Councillor Townshend	War Memorial Park Green Flag Assessment
4	Councillor Hammon	Councillor Townshend	War Memorial Park Car Park
5	Councillor Hammon	Councillor Kelly	Future use of Drapers Hall

127. **Statement by the Leader**

There was no statement.

Private Business

128. **Shelton Square – Investment Acquisition**

Further to Minute 124 above, the City Council considered a private report of the Director of City Services and Development, which contained details of financially confidential information in respect of the proposed investment acquisition at Shelton Square and City Arcade.

RESOLVED that the City Council

- 1) **Approve the acquisition of the leasehold interest in 1-11 Shelton Square and 1a City Arcade.**
- 2) **Delegate authority to the Director of City Services and Development and the Director of Finance and Legal Services, in consultation with the Cabinet Member (City Development) to complete all the necessary legal documents in connection with the purchase.**

(Meeting closed at 4.30 pm)

Agenda Item 6

Council – 26th February 2013

**Recommendation from Cabinet
12th February 2013**

CABINET

12th February 2013

Cabinet Members

Present: -

Councillor Duggins (Deputy Chair)
Councillor Harvard
Councillor Kelly
Councillor A. Khan
Councillor Mrs Lucas
Councillor J. Mutton (Chair)
Councillor O'Boyle
Councillor Ruane
Councillor Townshend

Non-Voting Opposition

Representatives present:-

Councillor Blundell
Councillor Foster

Other Members

Present:

Councillor Fletcher
Councillor Hetherton
Councillor Lakha
Councillor M. Mutton

Employees Present:-

H. Abraham (Customer and Workforce Services Directorate)
S. Bennett (Customer and Workforce Services Directorate)
S. Brake (Community Services Directorate)
V. Castree (Chief Executive's Directorate)
D. Cockcroft (City Services and Development Directorate)
F. Collingham (Chief Executive's Directorate)
C. Dutton (Community Services Directorate)
C. Forde (Finance and Legal Services Directorate)
C. Green (Director of Children, Learning and Young People)
D. Haley (Children, Learning and Young People's Directorate)
B. Hastie (Finance and Legal Services Directorate)
I. Merrifield (Children, Learning and Young People's Directorate)
T. Prowse (City Services and Development Directorate)
M. Reeves (Chief Executive)
J. Summerfield (Children, Learning and Young People's Directorate)
A. Williams (City Services and Development Directorate)
C. West (Director of Finance and Legal Services)
M. Yardley (Director of City Services and Development)

Apologies

Councillor Kershaw

RECOMMENDATION

120. Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body

The Cabinet considered a report of the Director of City Services and Development which sought approval to the City Council acting as guarantor for the Regional Growth Fund, the Growing Places Fund and the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) Core funding.

Coventry and Warwickshire Local Enterprise Partnership has been awarded £24.4m in Regional Growth Fund (RGF) money for a programme of economic development activity. The bid was prepared by Coventry City Council staff on behalf of the CWLEP. This is in addition to the £12.8million it received through Growing Places Fund (GPF) in November 2011.

The RGF awards funds to projects that are either privately led, or are submitted by a public-private partnership. The CWLEP has been a key vehicle in the success of this bid; it has provided a focused forum for the area's businesses, universities and local authorities to work together and plan the area's economic growth. By successfully coming together as a partnership and collaborating on this bid to the Department of Business, Innovation and Skills (BIS), we have been able to secure a far greater level of funding than would have been possible if individual organisations developed their own bids.

A total of £24.4m has been awarded which will be available for:

- Grants to businesses for the purchase of assets leading to expansion / job creation: **£1m**
- Support for strategically important companies in the form of Relationship Managers: **£0.270m**
- A programme of investment in infrastructure which will lead to the creation of large numbers of new jobs: **£22.5m**
- Programme management and delivery costs **£0.575m**

The programme will run from early 2013 until March 2015, with all spend being defrayed by 30 June 2015. It is too early to say which businesses will benefit from the grant scheme, or where infrastructure investments will be made, but the examples that were included in the application included Friargate and Coventry Gateway.

In November 2011 the Government announced a £500million Growing Places Fund (GPF) to promote delivery of the key infrastructure needed to unlock developments, helping to generate the jobs and homes communities need, supporting the government's growth ambitions. The fund has three overriding objectives:

- to generate economic activity in the short-term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing;
- to allow Local Enterprise Partnerships (LEPs) to prioritise the infrastructure they need, empowering them to deliver their economic strategies; and

- to establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

The Coventry & Warwickshire LEP were allocated £12.8million Growing Places Funding. There are no official spend timescales imposed by central government since part of the aspiration is to set up a revolving fund. The funding is not ring-fenced, and the only condition is that capital allocations are spent on capital projects. Warwickshire County Council were originally appointed as the accountable body for the funds in November 2011. With the recent success in securing the RGF the strategic alignment of both funding pots under one accountable body is now being proposed.

The Government is providing LEPs with core revenue resources to provide capacity for them to drive forward their growth priorities, allowing them to do long-term resource planning and strengthen support and autonomy of the business-led boards and is keen to get this funding out to all LEPs as soon as possible and in a way they can easily access. They are using a funding mechanism which has the benefits of speed and minimises the administrative burden locally and at central government. The funding will be paid to the local authority and they will act as accountable body.

It is up to the LEP to set out how the funding will be used. The case made by LEP Chairs nationally to government for core funding set out the need for independent support for Board activities, core development of LEP strategies and further stakeholder engagement. LEPs indicated that this additional resource was needed to pay for 3-4 high-quality, executive staff, and a minimum level of business engagement activity (events, stakeholder engagement activity, sub-board groupings etc.) per year. The Government's expectation is that this funding will be used for these purposes but it will be for the LEP Board to decide. For Coventry & Warwickshire LEP the core funding equates to £125,000 in 2012/13 and £250,000 in 2013/14 and again in 2014/15.

The CWLEP has approved the proposal that the remaining GPF is combined with new RGF award to create a single fund, which will increase the flexibility and co-ordination available to the CWLEP to invest in projects that create jobs and economic growth. The aim is to create a single scheme with a combined and streamlined governance structure that will enable funds from various sources to be awarded efficiently and effectively to applicant businesses. Warwickshire County Council has proposed to transfer the GPF to the City Council so that the latter can act as accountable body for the new combined scheme that includes both RGF and GPF. This would enable optimal alignment of the funding streams. The aims of the two schemes are fully compatible; GPF must be allocated to capital projects that bring economic growth whereas the RGF programme aims to make grants for infrastructure, which unlocks new employment sites, and will also make grants available directly to businesses looking to expand or take on new staff.

The report detailed other options considered, including keeping two separate funding streams, with both the City Council and the County Council being the accountable body for an individual fund. However this would result in higher programme management costs and the opportunities of alignment would be a significant missed opportunity.

The Jobs, Skills and Growth Scrutiny Board (3) had considered the report at their meeting on 6th February, 2013 and a Briefing Note detailing their consideration had been circulated. The Scrutiny Board supported the creation of an Accountable Body Group to manage risk and effective resource allocation in relation to the Regional Growth Fund and

the Growing Places Fund and had recommended that the relationship and processes between the funds and governance be clarified in a diagram appended to the report when it is submitted to the City Council meeting on 26th February, 2013. A copy of that diagram was circulated at the meeting and the Cabinet, on recommendation from the Cabinet Member (City Development), agreed to that course of action.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommends that the City Council:

- 1. Recognises and endorses the funding opportunity from the Regional Growth Fund, Growing Places Fund and Coventry and Warwickshire Local Enterprise Partnership Core Funding as a significant opportunity in delivering the priorities of the Coventry and Warwickshire Local Enterprise Partnership and authorises the City Council to act as guarantor for this package; and**
- 2. Receives an annual report on the progress of the Regional Growth Fund, Growing Places Fund and use of Coventry and Warwickshire Local Enterprise Partnership Core Funding.**

(Meeting finished at 2.30 p.m.)

Cabinet
Job, Skills and Growth Scrutiny Board 3
Council

12 February 2013
13 February 2013
26 February 2013

Name of Cabinet Member:

Cabinet Member (City Development) – Councillor Lynnette Kelly

Director Approving Submission of the report:

Director of City Services & Development

Ward(s) affected:

All

Title:

Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body

Is this a key decision?

Yes as it has the potential to affect all wards within the City and expenditure is in excess of £500,000.

Executive Summary:

The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) has been successful in securing significant public funding for economic growth and development within the sub-region.

This report specifically looks at three funding streams:

- Regional Growth Fund (RGF) - £24.4million
- Growing Places Fund (GPF) - £12.8million
- LEP Core Funding - £0.625million

These funding streams have been awarded to the CW LEP to deliver against its defined priorities and stimulate the growth needed to revitalise the local economy by sustaining and creating new job opportunities.

A Local Authority is required to act as accountable body for these funds as it has both the financial and monitoring mechanisms in place to ensure spend takes place as appropriate. Initially the role of accountable body for Growing Places Fund has been undertaken by Warwickshire County Council.

Going forward, it is proposed that the Growing Places Fund (GPF) is combined with the Regional Growth Fund (RGF) to create a single fund, which will increase the flexibility and co-ordination available to the CWLEP to invest in projects that create jobs and economic growth. The aim would be to create a single scheme with a combined and streamlined governance structure that will enable funds from various sources to be awarded efficiently and effectively to applicant businesses and local authorities. The CWLEP Board and Warwickshire County Council has proposed that the City Council act as accountable body for the new combined scheme that includes both GPF and RGF. This would enable optimal alignment of the funding streams.

The aims of the two schemes are fully compatible; GPF must be allocated to capital projects that bring economic growth whereas RGF aims to make grants for infrastructure, which unlocks new employment sites, and will also make grants available directly to businesses looking to expand or take on new staff. The City Council has already had success in aligning European Regional Development Fund (ERDF) to other funding streams which is already paying dividends in growing the economic development grant available to the city and sub-region and building strong credibility with funders.

The LEP Core Funding has been issued by central government to support the running costs of LEPs nationally. Therefore by agreement of the CWLEP Board, the Core Funding will be transferred to the CWLEP to support the running costs of its Executive.

Recommendations:

Cabinet is requested to recommend that Council:

1. Recognise and endorse the funding opportunity from the Regional Growth Fund, Growing Places Fund and CWLEP Core Funding as a significant opportunity in delivering the priorities of the CWLEP and authorise the City Council to act as guarantor for this package; and
2. Receive an annual report on the progress of the Regional Growth Fund, Growing Places Fund and use of CWLEP Core Funding.

Council is asked to:

1. Recognise and endorse the funding opportunity from the Regional Growth Fund, Growing Places Fund and CWLEP Core Funding as a significant opportunity in delivering the priorities of the CWLEP and authorise the City Council to act as guarantor for this package; and
2. Receive an annual report on the progress of the Regional Growth Fund, Growing Places Fund and use of CWLEP Core Funding.

List of Appendices included: *None*

Other useful background papers: *None*

Has it been or will it be considered by Scrutiny? *Yes - Jobs, Skills and Growth Scrutiny Board 3, 13 February 2013*

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, 26 February 2013*

1. Context (or background)

1.1 Coventry and Warwickshire Local Enterprise Partnership (CWLEP) has been awarded £24.4m in Regional Growth Fund (RGF) money for a programme of economic development activity. The bid was prepared by Coventry City Council staff on behalf of the CWLEP. This is in addition to the £12.8million it received through Growing Places Fund (GPF) in November 2011.

1.2 Regional Growth Fund - £23.78m Capital, £0.575million Revenue

1.2.1 The RGF awards funds to projects that are either privately led, or are submitted by a public-private partnership. The CWLEP has been a key vehicle in the success of this bid; it has provided a focused forum for the area's businesses, universities and local authorities to work together and plan the area's economic growth. By successfully coming together as a partnership and collaborating on this bid to the Department of Business, Innovation and Skills (BIS), we have been able to secure a far greater level of funding than would have been possible if individual organisations developed their own bids.

1.2.2 A total of £24.4m has been awarded which will be available for:

- Grants to businesses for the purchase of assets leading to expansion / job creation: **£1m**
- Support for strategically important companies in the form of Relationship Managers: **£0.270m**
- A programme of investment in infrastructure which will lead to the creation of large numbers of new jobs: **£22.5m**
- Programme management and delivery costs **£0.575m**

1.2.3 The programme will run from early 2013 until March 2015, with all spend being defrayed by 30 June 2015. It is too early to say which businesses will benefit from the grant scheme, or where infrastructure investments will be made, but the examples that were included in the application included Friargate and Coventry Gateway.

1.3 Growing Places Fund - £11.8million Capital, £0.969m Revenue

1.3.1 In November 2011 the government announced a £500million Growing Places Fund (GPF) to promote delivery of the key infrastructure needed to unlock developments, helping to generate the jobs and homes communities need, supporting the government's growth ambitions.

1.3.2 The fund has three overriding objectives:

- to generate economic activity in the short-term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing;
- to allow Local Enterprise Partnerships (LEPs) to prioritise the infrastructure they need, empowering them to deliver their economic strategies; and
- to establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

- 1.3.3 The Coventry & Warwickshire LEP were allocated £12.8million Growing Places Funding. There are no official spend timescales imposed by central government since part of the aspiration is to set up a revolving fund.
- 1.3.4 The Funding is not ring-fenced, and the only condition is that capital allocations are spent on capital projects.
- 1.3.5 Warwickshire County Council were originally appointed as the accountable body for the funds in November 2011. With the recent success in securing the RGF the strategic alignment of both funding pots under one accountable body is being proposed as part of this paper.

1.4 LEP Core Funding - £0.625m

- 1.4.1 The government is providing LEPs with core revenue resources to provide capacity for them to drive forward their growth priorities, allowing them to do long-term resource planning and strengthen support and autonomy of the business-led boards.
- 1.4.2 The government is keen to get this funding out to all LEPs as soon as possible and in a way they can easily access. They are using a funding mechanism which has the benefits of speed and minimises the administrative burden locally and at central government. The funding will be paid to the local authority and they will act as accountable body.
- 1.4.3 It is up to the LEP to set out how the funding will be used. The case made by LEP Chairs nationally to government for core funding set out the need for independent support for Board activities, core development of LEP strategies and further stakeholder engagement. LEPs indicated that this additional resource was needed to pay for 3-4 high-quality, executive staff, and a minimum level of business engagement activity (events, stakeholder engagement activity, sub-board groupings etc.) per year. The government's expectation is that this funding will be used for these purposes but it will be for the LEP Board to decide.
- 1.4.4 For Coventry & Warwickshire LEP the core funding equates to £125,000 in 2012/13 and £250,000 in 2013/14 and again in 2014/15

2. Options considered and recommended proposal

2.1 Strategic Alignment of Regional Growth Fund and Growing Places

- 2.2 The CWLEP has approved the proposal that the remaining GPF is combined with new RGF award to create a single fund, which will increase the flexibility and co-ordination available to the CWLEP to invest in projects that create jobs and economic growth. The aim is to create a single scheme with a combined and streamlined governance structure that will enable funds from various sources to be awarded efficiently and effectively to applicant businesses. Warwickshire County Council has proposed to transfer the GPF to the City Council so that the latter can act as accountable body for the new combined scheme that includes both RGF and GPF. This would enable optimal alignment of the funding streams.
- 2.3 The aims of the two schemes are fully compatible; GPF must be allocated to capital projects that bring economic growth whereas the RGF programme aims to make grants for infrastructure, which unlocks new employment sites, and will also make grants available directly to businesses looking to expand or take on new staff.

2.4 Other Options Considered

- 2.5 Other options considered include keeping two separate funding streams, with both the City Council and County Council being accountable body for an individual fund. This would result in higher programme management costs and the opportunities of alignment would be a significant missed opportunity.
- 2.6 If we chose to proceed without RGF, GPF and CWLEP Core Funding we would be unable to unlock some of the major employment sites since funding for these major developments from the private sector remains uncertain in the current climate. In addition the resources through GPF to create jobs through large scale business investment would also be lost to the city. The recent Autumn Statement by the Treasury indicated that more financial resources would flow to LEPs through this same mechanism over the next two years.

2.7 Recommended Proposal

- 2.8 It is recommended that the Council recognise the significant opportunity to Coventry from the acquisition of these economic development funding streams and acts as guarantor for all three schemes.

3. Results of consultation undertaken

- 3.1 The Jobs Strategy is the Council's proposal for taking forward the economy of the city in the light of the changed circumstances experienced over the last couple of years. The RGF, GPF and CWLEP Core Funding are aligned to delivering the Jobs Strategy and the priorities of the CWLEP set out in their 5-year strategy based on the Local Economic Assessment and feedback from local businesses which include:

- Creating New Jobs
- Enterprise Entrepreneurship and Start-Ups
- Access to Finance, Innovation, Low Carbon

- 3.2 The development of the RGF Programme has been completed with LEP partners and reflects the priorities most in need of public investment.

4. Timetable for implementing this decision

- 4.1 GPF will start to be allocated to CWLEP projects from March 2013. By the end of April 2013 a contract will be agreed with the Department for Business, Innovation and Skills (BIS) for the delivery of the RGF and projects will start to be delivered in that programme from May/June 2013.
- 4.2 The CWLEP executive will start to use the core funding with immediate effect to fund costs already incurred and committed costs for the Executive going forward.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

- 5.2.1 The Council are proposing to be the accountable body for each of the three CWLEP grant funds as specified in the report, totalling £37.76m. Whilst there is some financial risk, there is no direct line implication of being accountable body, however, some of the capital resources maybe used to deliver schemes which have economic benefit to the city. Grant risk is discussed further in section 6.

5.2.2 It is also worth noting that the combined fund has the potential to grow business rates benefit to the Council and through pooling arrangements as significant employment sites are unlocked across the Coventry and Warwickshire sub-region.

5.2.3 As accountable body, Council Officers will ensure effective governance arrangements are in place to facilitate appropriate control over the allocation of resources and spend against the approved programme.

5.3 Legal implications

5.3.1 Although the Council will treat the various grants as one funding stream it will act as the accountable body in respect of each grant on the terms of the particular government department requirements. In respect of the RGF the Council will be issued with a grant offer containing BIS terms and conditions. These will be devolved across to successful applicants for RGF in Grant Aid Agreements. These will ensure appropriate conditions and obligations are passed to the applicants who receive the funding for delivering projects. The GPF has already been allocated to the CWLEP under determinations made by DCLG in 2012. Warwickshire County Council is currently the accountable body for these grants and a Deed of Transfer will be entered into between the City Council and Warwickshire County Council to transfer the capital sum of £11,846,957 and a revenue sum to be determined on the transfer date with the City Council assuming accountable body responsibility on that date. Letters will be obtained from the CWLEP confirming it will accept payments of GPF on the conditions contained in the grant determination. In respect of core funding, letters will be obtained from the CWLEP confirming the conditions on which funding will be paid. The City Council has power to act as guarantor under section 1 of the Localism Act 2011.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

6.1.1 The City Council's **Jobs Strategy** highlights the importance of creating jobs which the city needs. All these funding schemes will unlock major development sites and provide jobs across the city and sub-region. **Coventry's Sustainable Community Strategy** sets out the ambitions for "a prosperous Coventry with a good choice of jobs and business opportunities for all the city's residents".

6.2 How is risk being managed?

6.2.1 Coventry City Council will act as accountable body for all three funding streams. In order to ensure that the project achieves its aims, two formal groups will be established within the LEP with City Council representation on both:

- A **CWLEP Sub-group** will oversee the strategic direction of the aligned funds, ensuring the funds are used to maximum effect, that overall purpose of programme is met, optimise publicity and provide guidance to the Programme Management Group. This will include the Leader of the Council or Cabinet Member for City Development and Director of City Services and Development as CEO of the LEP.
- A **Programme Management Group** will be chaired by the Director of City Services and Development as CEO of the LEP and include Council officers for each strand of delivery and the Council's Programme Manager for the combined funding streams.

- An **Accountable Body Group** will be put in place to manage risk and ensure resources are effectively allocated and managed. The Council Officer Group will comprise of representatives from City Services and Development and Finance and Legal Services where spend proposals and risk will be signed off will be signed off by the Section 151 Officer or his/her nominee.

- 6.2.2 The financial risk associated with the LEP Core funding sits with the Council. However the risk of claw back by central government is minimal as the funding can be utilised to deliver the priorities of the LEP as it sees fit and will not be audited in the future. A grant spend statement will need to be signed by the Director of Finance and Legal Services on an annual basis, as is normal practice with most grants.
- 6.2.3 The financial risk associated with GPF sits with the Council as accountable body. Any ineligible spend or default within the fund could be clawed back by central government. A grant spend statement will need to be signed by the Director of Finance and Legal Services on an annual basis, as is normal practice with most grants. This risk will be mitigated by the implementation of strict procedures for the programme management of GPF-funded work and ensuring that funding contracts awarded by the Council for the delivery of investment and jobs places risk on the organisation(s) which deliver the projects.
- 6.2.4 The financial risk of the RGF sits with the Council. Claims will need to be made to central government in advance and reconciled thereafter. Claims will be made on a quarterly basis, in line with other grant-funded programmes such as ERDF. Government holds a “general power of variation” over our RGF funding. This gives them the right to reduce funding or cease a programme completely if external funding is not being managed to the correct standards, or it does not appear that the employment outcomes will be met. This risk will be mitigated by the implementation of strict procedures for the programme management of RGF-funded work, close liaison with our RGF monitoring officer, and ensuring that funding contracts awarded by the Council for the completion of infrastructure works place risk on the organisations which complete the works.
- 6.2.5 The Council has a good track record for maintaining and achieving significant financial controls and well established procedures for handling public funds and these will be applied to the RGF and GPF programmes in order to ensure that the best possible value is achieved for the government's investment in the scheme. External due diligence will be done on the projects and schemes funded by both RGF and GPF. Therefore the view of officers is that risk of clawback for each scheme is minimal.
- 6.2.6 Successful applicants for the new combined fund (RGF and GPF) will enter into a standard Grant Aid Agreement (GAA) with the City Council as accountable body. It is standard practice within GAA's to transfer as much risk as possible to the successful applicant and project deliverer.
- 6.2.7 Performance will be routinely monitored by the LEP and be brought back to Cabinet and Scrutiny as an annual report.

6.3 What is the impact on the organisation?

6.3.1 HR Implications

- 6.3.2 To ensure successful delivery of these large programmes and the Council's ability to provide an adequate accountable body function, under the programme management and delivery costs of the RGF, additional staff resources will be required. A recruitment exercise will be undertaken in line with the Council's recruitment procedure to recruit additional staff required to the City Centre and Development Services Division to deliver

the programme management, accountable body function and any direct delivery. Any new posts that are recruited to will be funded from the combined package of resources.

6.4 Equalities / EIA

6.4.1 Although the programmes mentioned focus on business, close attention has been paid to equality and diversity principles. The expectation is that those businesses assisted will generate significant employment opportunities. The crucial issue, therefore, is applying equality and diversity principles to these opportunities.

6.4.2 Each major infrastructure project will undertake an Equality Impact Assessment as part of project development and impact.

6.5 Implications for (or impact on) the environment

6.5.1 The investment in businesses and large scale infrastructure will have an impact on the environment as new road infrastructure is put in place. All business are now very conscious of energy costs. At the point of making investments in plant and machinery or indeed property the opportunity to reduce energy consumption per unit of output is invariably taken.

6.6 Implications for partner organisations?

6.6.1 The LEP is a partnership and is the strategic body with responsibility for the development and use of these funds. The key local partners of the LEP are the Chamber of Commerce and Warwickshire County Council who are delivery partners and are committed to the programmes.

6.6.2 This fund will also complement and support the Coventry & Warwickshire City Deal proposals, enabling it to capitalise on the infrastructure growth opportunities within the sub-region and support the growth of new and existing businesses within advanced manufacturing and engineering.

Report author:**Name and job title:**

Andy Williams, Resources & New Projects Manager

Directorate:

City Services and Development Directorate

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(All queries should be directed to the above person)

Contributor/ Approver name	Title	Directorate	Date doc sent out	Date response received or approved
Contributors:				
Helen Williamson	Business Partner	CSD	2/1/13	8/1/13
Graham Simpson	Business and Growth Sector Manager	CSD	2/1/13	2/1/13
Mike Waters	Planning, Transport & Highways	CSD	2/1/13	-
Jaz Bilen	HR Manager	CSD	2/1/13	2/1/13
Paula Deas	LEP Operations Director	CSD	2/1/13	-
Lara Knight	Governance Services	CWS	2/1/13	11/1/13
David Cockroft	Assistant Director, City Centre & Development Services	CSD	8/1/13	10/1/13
Names of approvers: (officers and members)				
Legal: Rosalyn Lilley	Commercial Team Manager	FLS	2/1/13	9/1/13
Finance: Phil Helm	Finance Manager, CSD	FLS	2/1/13	8/1/13
Director: Martin Yardley	Director, City Services & Development	CS&D	14/1/13	15/1/13
Members: Councillor Lynnette Kelly	Cabinet Member (City Development)	-	16/1/13	16/1/13

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To: Cabinet

Date: 12 February 2013

Subject: Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body

1 Purpose of the Note

- 1.1 To inform Cabinet of the outcome of the Jobs, Skills and Growth Scrutiny Board (3) consideration of the report on the Strategic Alignment of Regional Growth Fund Round 3, Growing Places and LEP Core Funding with Coventry City Council as the Accountable Body at their meeting on 6 February 2013.

2 Recommendations

- 2.1 The Board supported the creation of an Accountable Body Group to manage risk and effective resource allocation in relation to the Regional Growth Fund (1.2) and Growing Places Fund (1.3).
- 2.2 That the relationship and processes between the funds and governance is clarified in diagram appended to the report when it goes to Council.

3 Information/Background

- 3.1 The Scrutiny Board also agreed the following actions which will be picked up through their work programme.
- 3.1.1 That information on match funding from the private sector on LEP core funding is brought back to the Scrutiny Board.
- 3.1.2 That the Scoring Criteria which will be used by the Accountable Body Group for allocation of funding is brought to the next meeting of Scrutiny Board 3 for discussion.
- 3.1.3 LEP Governance will be discussed at SCRUCO on 20th February and that this information is also shared with SB3.

Victoria Castree, Scrutiny Co-ordinator, CXD, 024 7683 1122

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Appendix 1 - RGF3 and Growing Places Governance

CWLEP Sub-group (CWLEP Board)

- **This private sector led high profile public/private sector group will:**
 - Ensure that RGF and Growing Places is used to maximum effect
 - Agree spend priorities and spend proposals
 - Ensure that the overall purpose of the programme is met
 - Provide guidance to the Programme Management Team
 - Optimise Publicity

Programme Management Group (LEP Executive)

- **The Team will be accountable for:**
 - Execute the decisions of the CWLEP Board in relation to RGF and Growing Places
 - Oversee the programme as a whole
 - Receive progress reports and suggest remedial actions as appropriate
 - Advise the CWLEP Board on progress, highlights and concerns

Accountable Body Management Group (Coventry City Council)

- **As the contracting agent with CLG/BIS this Group will:**
 - Ratify the processes by which funding is allocated
 - Spend proposals and risk signed off by the Section 151 Officer or his/her nominee.
 - Ensure that contractual obligations are met
 - Managing and satisfying audit requirements
 - Liaising with and reporting to CLG and BIS

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**Cabinet
Council**

26th February 2013
26th February 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) - Councillor Duggins

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

All

Title:

2013/14 Council Tax Setting Report

Is this a key decision?

Yes

Council are being recommended to approve the Council Tax levels for 2013/14

Executive Summary:

This report calculates the Council Tax level for 2013/14 and makes appropriate recommendations to the Council, consistent with the Budget Setting 2013/14 Report on the same agenda. The report recommends a freeze in the City's Council Tax. Some figures and information are necessarily provisional at this stage due to the Fire precept not having been confirmed. These are shaded in **grey**.

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

The report includes a calculation of the Band D Council Tax that will be needed to generate this Council Tax requirement, based on the City's approved Council Tax base. The 2013/14 Band D Council Tax that is calculated through this process is unchanged from the 2012/13 level.

The Pre-Budget Report was approved on the basis of consulting on a Council Tax rise of 2%. This is the maximum increase allowed by Government before the Council would be required to hold a referendum on the matter. Government clarification has been received subsequently on the calculation of the amount of Council Tax revenue that can be raised before triggering the referendum limit. The result is that it is now to the Council's financial advantage for each of the next two years to freeze the 2013/14 Council Tax at existing levels and receive a Council Tax Freeze Grant of £1.2m, equivalent to a 1% Council Tax rise (and which would be payable for two

years). On this basis, the budget is being proposed on the basis of freezing the City Council Tax at existing levels.

At the time of writing this report, the precept from the West Midlands Fire and Rescue Authority is not known. The provisional figures provided in this report are based on indicative figures. The precept is due to be decided by the Fire Authority on the 19th February 2013.

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

Recommendations:

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

Council are recommended:

(1) To note the following Council Tax base amounts for the year 2013/14, as approved by Cabinet on 8th January 2013, in accordance with Regulations made under Section 31B of the Local Government Finance Act 1992 (as amended) ("the Act"):

a) 70,863.8 being the amount calculated by the Council as its Council Tax base for the year for the whole Council area;

b) Allesley 287.5
 Keresley 187.2

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 2013/14 in accordance with Sections 31A, 31B and 34 to 36 of the Act :

a) £742,464,000 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils (*Gross Expenditure and reserves required to be raised for estimated future expenditure*);

b) £648,649,995 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) £93,814,005 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) £1,323.86	<u>(2) c)</u>	=	<u>£93,814,005</u>
	(1) a)		70,863.8

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) £4,507.00 being the aggregate amount of all special items referred to in Section 34(1) of the Act. (*Parish Precepts*);

f) £1,323.80 = (2) d) – (2) e) = £1,323.86 – £4,507.00
 (1) a) 70,863.8

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	£1,323.80
Allesley	£1,334.11
Keresley	£1,332.05

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 Keresley
	£	£	£
A	882.53	889.40	888.03
B	1029.62	1037.64	1036.04
C	1176.71	1185.87	1184.04
D	1323.80	1334.11	1332.05
E	1617.98	1630.58	1628.06
F	1912.16	1927.05	1924.08
G	2206.33	2223.51	2220.08
H	2647.60	2668.22	2664.10

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 2013/14 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	68.29	35.21
B	79.67	41.08
C	91.05	46.95
D	102.43	52.82
E	125.19	64.55
F	147.95	76.29
G	170.72	88.03
H	204.86	105.63

(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 2013/14 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 Keresley £
A	986.03	992.90	991.53
B	1150.37	1158.39	1156.79
C	1314.71	1323.87	1322.04
D	1479.05	1489.36	1487.30
E	1807.72	1820.32	1817.80
F	2136.40	2151.29	2148.32
G	2465.08	2482.26	2478.83
H	2958.09	2978.71	2974.59

(5) That the Council determines that its relevant basic amount of Council Tax for 2013/14 is not excessive in accordance with the principles approved under Sections 52ZC and 52ZD of the Act.

List of Appendices included:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 26th February 2013

**Report title:
2013/14 Council Tax Setting Report**

1. Context (or background)

- 1.1 The purpose of this report is to seek approval for the City's 2013/14 Council Tax. The total planned spending (Gross Expenditure) in 2013/14 will be met in part by grant income (including Revenue Support Grant), and 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 2013/14 are proposed in the 'Budget Report 2013/14' that is being considered by the Council in conjunction with this Council Tax Setting Report.
- 1.3 At the time of writing this report, the precept from the West Midlands Fire and Rescue Authority has not been confirmed. A report, with confirmed final figures, will be presented at the Council meeting on the 26th February 2013.
- 1.4 The Pre-Budget Report was approved on the basis of consulting on a Council Tax rise of 2%. This is the maximum increase allowed by Government before the Council would be required to hold a referendum on the matter. Government clarification has been received subsequently on the calculation of the amount of Council Tax revenue that can be raised before triggering the referendum limit. The result is that it is now to the Council's financial advantage for each of the next two years to freeze the 2013/14 Council Tax at existing levels and receive a Council Tax Freeze Grant of £1.2m, equivalent to a 1% Council Tax rise (and which would be payable for two years). On this basis, the budget is being proposed on the basis of freezing the City Council Tax at existing levels.

2. Options considered and recommended proposal

- 2.1 The total Band D Council Tax in 2012/13 was £1,471.08. The figures calculated in this report represent no change from the 2012/13 figures for the City's Council Tax, and a 0.54% increase in total.

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

	Band D £	Increase from 2012/13 %	Proportion of total bill %
Coventry City Council	1323.80	0.00	89.50
Police and Crime Commissioner for the West Midlands	102.43	3.00	6.93
West Midlands Fire Authority	52.82	10.43	3.57
Total Coventry Council Tax	1479.05	0.54	100.00

- 2.2 The Band D Council Tax is used by Government as the national comparator. However, for Coventry, this does not reflect the demographics of the area and the make-up of the

property mix; Coventry's property base is weighted towards Bands A to C. The average Council Tax bill in Coventry is £806.62, 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		Council Tax	
			No.	%	2 + Adults ¹ £	1 Adult ¹ £
Band A dwellings entitled to Disabled Persons Relief		5/9	130	0.1	821.69	616.26
A	Up to £40,000	6/9	53358	41.1	986.03	739.53
B	£40,001 to £52,000	7/9	38777	29.8	1150.37	862.77
C	£52,001 to £68,000	8/9	21392	16.5	1314.71	986.03
D	£68,001 to £88,000	9/9	8473	6.5	1479.05	1109.28
E	£88,001 to £120,000	11/9	4221	3.2	1807.72	1355.78
F	£120,001 to £160,000	13/9	2170	1.7	2136.40	1602.30
G	£160,001 to £320,000	15/9	1327	1.0	2465.08	1848.81
H	Over £320,000	18/9	97	0.1	2958.09	2218.56
			129,945	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 eight weeks public consultation ending on the 5th February 2013. The details arising out of this consultation period have been reported in Appendix 1 of the budget report.

4. Timetable for implementing this decision

The proposals in this report take effect for the financial year starting 1st April 2013

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

A £1m increase or decrease in either the City Council's 2013/14 Council Tax requirement or Government grant, would lead to a £14.11 increase or decrease in Band D Council Tax (£7.70 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 £70,864.

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 category 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 key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

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. This overall position has been arrived at within the context of the recommended Council Tax freeze, compensated as it is by the Council Tax Freeze Grant in 2013/14. It is inevitable that this approach will come under great pressure within and beyond the current planning horizon particularly in the light of the future fall-out of Freeze Grant.

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 2013/14 Report, Council 26th February 2013.

6.4 Equalities / EIA

No further implications

6.5 Implications for (or impact on) the environment

No further implications

6.6 Implications for partner organisations?

No further implications

Report author(s): Phil Baggott

**Name and job title:
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Directorate: Finance & Legal Services (FLS)

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Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Carolyn Sinclair	Governance Services Officer	Customer & Workforce Services	12/2/13	14/2/13
Paul Jennings	Finance Manager (Corporate Finance)	Finance & Legal Services	12/2/13	15/2/13
Names of approvers: (officers and members)				
Finance: Barry Hastie	Assistant Director Financial Management	Finance & Legal Services	12/2/13	15/2/13
Legal: John Scarborough	Corporate Governance & Litigation Manager	Finance & Legal Services	12/2/13	15/2/13
Director: Chris West	Director of Finance and Legal Services	Finance & Legal Services	12/2/13	15/2/13
Members: Cllr George Duggins	Cabinet Member (Strategic Finance and Resources)		12/2/13	15/2/13

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Cabinet
Council

26th February 2013
26th February 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) - Councillor Duggins,

Director Approving Submission of the report:

Corporate Management Board

Ward(s) affected:

All

Title:

Budget Report 2013/14

Is this a key decision?

Yes

Cabinet and Council are being recommended to approve the Council's **Revenue Budget** for 2013/14 incorporating revenue spending and savings decisions for 2013/14 and future financial years and the **Capital Programme** for 2013/14 to 2017/18.

Executive Summary:

This report follows on from the Pre-Budget Report approved by Cabinet on 11th December 2012 that proposed a range of budget options. These have since been subject to a period of public consultation. It is intended that these proposals will now form the basis of the Council's final revenue budget for 2013/14. In the separate Council Tax Setting report on today's agenda it is recommended that city Council Tax levels are frozen for a third consecutive year in line with the Budget recommended in this report.

2013/14 is the third year of four covered by the 2010 Spending Review which set out the Government's spending plans and incorporated significant reductions in the real level of resources available to local government. This has been updated by the Chancellor's Autumn Statement released on 5th December 2012 and the Local Government Finance Settlement for 2013/14 announced on February 4th 2013.

The Government has implemented a number of complex technical changes to the system of Local Government Finance. These changes have made it very difficult to compare the Council's financial position clearly with previous years. However it is clear that Coventry will suffer a cash loss of more than £7m in 2013/14 as a result of the Settlement (**Table 2**). In addition, the Council

has needed to set aside amounts within its budget to take account of the level of Business Rate risk and is faced with expenditure pressures relating to grant loss such as the 2012/13 Council Tax Freeze Grant and the education services related Local Authority Central Share Equivalent Grant (LACSEG – the so called Academy schools adjustment). The combined impact of these changes amounts to £8m. In totality, the Council's Settlement represented a resource loss in the region of £15m and when added to other unavoidable spend pressures confirmed the need to bridge the £28m funding gap outlined in the Pre-Budget Report.

In line with its Medium Term Financial Strategy, the Council has continued to meet the challenge of significantly reduced resources through its abc programme of transformation projects and a range of other management approaches and technical measures. This report sets out a range of recommended savings proposals and a much smaller number of spending pressures/proposals that together produce a balanced budget. This package of changes allows the Council to continue to deliver its key policies in 2013/14. However, national spending plans mean that local government will not be able to sustain the current range and level of services in the future. As a result, the Council will need to revise its expectations and those of the citizens and taxpayers of Coventry as the period of austerity continues.

The abc Programme involves a number of projects which are fundamentally reviewing the Council's current service provision with the objectives of achieving improved services to customers as well as significant cost reductions. The medium term financial plan anticipates significant further future savings from the abc Programme to help balance the Council's budget.

In order for the Council to place itself in the best possible position, it is important for it to take a positive approach to a range of policy changes and trends in the shape and nature of local government. Therefore, the Medium Term Financial Strategy and the measures within this report support and reflect a range of developments – participation in the Coventry and Warwickshire Local Enterprise Partnership, the potential establishment of a local City Deal or equivalent, involvement in a range of sub-regional projects and service delivery options and a greater push for local economic and Business Rate growth. If, as seems likely, the current trend to make local government more self-reliant becomes a long-term pattern, these initiatives will become essential to underpin the city's and the Council's financial position.

The proposals in the report will enable the Council to set a balanced budget for 2013/14 and move towards balancing in subsequent years although the medium term financial position still shows revenue budget gaps of £4m and £8m in 2014/15 and 2015/16 respectively.

Legislation now demands that the Council Tax Setting Report that accompanies this one on today's agenda recommends a 'Council Tax Requirement' for 2014/15 rather than the 'Budget Requirement' that was recommended under previous legislation. The Council Tax Requirement for 2013/14 is £93.8m. On the previously reported Budget Requirement basis, the Council's like for like net revenue budget funded by Government Grant, Local Business Rates and Council Tax will decrease by £5.2m from £273.6m in 2012/13 to £268.4m in 2013/14 (a loss of £7.1m Start-Up Funding netted off by £1.9 additional resources from technical changes to Council Tax). This movement needs to be considered alongside the other changes to the Council's financial position described above. The total or gross revenue budget which also includes spending funded by specific grants and fees and charges will be £742.5m.

The budget recommended within the report is based on a city Council Tax freeze for 2013/14. If the Council chooses to approve this freeze it will enable the Council to take advantage of the Government's two year Council Tax Freeze Compensation Grant equivalent to a 1% increase in Council Tax. As well as freezing the amount paid by Council Tax payers for City Council services this will actually increase the level of resources available to the City Council in 2013/14 and 2014/15 compared with increasing Council Tax up to the limit allowed before a public

referendum. It will however also reduce the level of resources available to the Council by around £1m p.a. from 2015/16 onwards.

This report includes a proposed Capital Programme of £61m for 2013/14 and £179m for the period 2014/15 to 2017/18. This consists of schemes and programmes that have already been approved plus programmes of essential expenditure in the areas of property, highways & pavements maintenance and ICT infrastructure plus the Nucleo rail scheme and provision for new cemetery facilities at the Lenton's Lane site. The future programme contains provision for expenditure on the Regional Growth Fund, Growing Places and a City Deal or equivalent scheme. The 2013/14 programme requires a level of prudential borrowing of £8m to support investment in specific schemes. The revenue impact of repaying this borrowing is taken into account in the revenue budget.

The Council is also required to approve its Treasury Management Strategy and Prudential Indicators on an annual basis and these are incorporated within this report.

Recommendations:

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

Council are recommended to:

- (1) Approve the final spending and savings proposals in **Appendix 2**.
- (2) Approve the total 2013/14 revenue budget of £268.4m in **Table 2** and **Appendix 3**, established in line with a zero 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 Legal Services' comments confirming the robustness of the budget and adequacy of reserves in **Section 9**.
- (4) Approve the Capital Programme of £61m for 2013/14 and the future years' commitments arising from this programme of £179m in 2014/15 to 2017/18 (**Section 6** and **Appendix 4**).
- (5) Approve the proposed Treasury Management Strategy for 2013/14 (**Section 7**), the revised Investment Strategy and Policy (**Appendix 5**) for immediate implementation and adopt the prudential indicators and limits described in **Section 7** and summarised in **Appendix 6**.

List of Appendices included:

Appendix Number	Title
1	Public Consultation Responses
2	Spending & Savings Proposals and Equality Issues
3	Summary General Fund Revenue Budget
4	Capital Programme 2013/14 to 2017/18
5	Investment Strategy and Policy
6	Prudential Indicators

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes 26th February 2013

Report title: Budget Report 2013/14

1. Context (or background)

- 1.1 The purpose of this report is to seek approval for the 2013/14 Revenue Budget and corresponding Council Tax freeze, the Capital Programme, Treasury Management Strategy and Prudential Indicators. The report also informs members of the Government's grant allocation for 2013/14, the Council's expected baseline level of locally retained Business Rates and the implications for future years' financial plans of the information contained within the report.
- 1.2 On December 11th 2012, Cabinet received the Pre-Budget Report that formed the basis of the statutory budget consultation process. Council approved the Medium Term Financial Strategy on 15th January 2013 which provides the basis of the Council's medium term revenue and capital financial position for the next three years.
- 1.3 The proposals outlined in this report have been arrived at within the context of the Council's commitment to delivering the Coventry Sustainable Community Strategy and the Council Plan 2011/12 to 2013/14. This is increasingly challenging at a time of lower funding levels and one of the key messages within this report is that delivery of the existing range, levels and quality of Council services will not be possible over the medium term. However, the Council remains committed to maintaining and improving its overall level of performance in as many areas of service as possible within the context of the funding constraints upon it. This can only be achieved through the continued successful delivery of its abc Programme of transformation reviews. The programme, now into its 4th year, is reviewing current service provision across a very wide range of Council services with the objective of achieving improved services as well as cost reduction. The medium term financial plan anticipates new savings of £44m over the medium term to help the Council balance its budget. The estimated impacts of these abc projects form a fundamental part of the revenue spending and saving proposals within the report.
- 1.4 The Medium Term Financial Strategy and Pre-Budget reports set out the massive national changes affecting the financial and policy landscape for local authorities. At a local level the Council continues to face challenges that include providing robust services for vulnerable children and adults, and delivering other vital local services to Coventry citizens. It is also a key player in taking forward regeneration opportunities to maintain local and sub-regional economic growth. This latter point takes on an added significance from 2013/14 as a result of councils being allowed to retain up to 49% of any Business Rate growth in their area. The future strength and vitality of the local economy will take on increasing significance for core Council funding over the coming years.
- 1.5 Large urban authorities like Coventry which contain relatively high levels of deprivation are more dependent on Government grant settlements and are therefore impacted more as grants are cut. However, the Council is committed to working closely with its partners, local people and communities to develop positive and successful strategies to address this challenge.
- 1.6 In addition to the reductions in resources outlined in Section 3, the Chancellor's 2012 Autumn Statement made it clear that public sector cuts will be expected beyond the medium term planning horizon. Initial forecasts of the Council's medium term position are shown in Section 5. Forecasts for economic growth are now less optimistic than

previously and the prospects of very challenging conditions for a sustained period are looking increasingly likely. In view of this it is essential that the Council takes steps to establish robust budgets and secure financial foundations to prepare itself for the very testing times ahead.

2. Options considered and recommended proposal

2.1 The sections below outline the City Council's overall financial position including the resources available to support net budget (**Section 3**), the savings and cost pressures reflected in the proposed budget (**Section 4**) and the current position facing the Council over the medium term (**Section 5**). Approval is being sought for the saving and spending proposals and the overall budget incorporating a city Council Tax freeze and acceptance of the Government's 2013/14 Council Tax Freeze Grant.

2.2 There have been some fundamental changes in local government funding streams for 2013/14. The previous Formula Grant has now in effect been replaced by a combination of Revenue Support Grant, 'Top-Up' funding from Government plus the local share of Coventry Business Rates. Several other funding streams such as Early Intervention Grant and Council Tax Reduction Scheme Grant have been added to this cocktail of resources to make-up what the Government is referring to as Start-Up funding. Other funding has been transferred out of the system (the academy adjusted LACSEG or Local Authority Central Spend Equivalent Grant, relevant to school based services) whilst the Council has assumed responsibility for Public Health Services and will receive a new grant to pay for the associated public health duties. This combination of changes makes it very difficult to present a single coherent picture of the overall real resource loss facing the Council but further analysis in section 3 demonstrates impacts on the Council's 2013/14 budget in the region of £15m.

2.3 The report seeks approval for a 2013/14 Capital Programme of £61m compared with an initial 2012/13 programme of £57m. The Programme is considered in detail in **Section 6** and **Appendix 4**.

2.4 The report is also required formally to seek Council approval for the Treasury Management Strategy (**Section 7**) the Investment Strategy and Policy (**Appendix 5**), the Prudential Indicators (**Section 7 and Appendix 6**) and the Chief Financial Officer's assessment of the adequacy of reserves and robustness of the Budget (**Section 9**).

3. Resources – Council Tax, Start-Up Funding, Specific Grants and Fees and Charges

3.1 The Council's total revenue budget is funded from a combination of Council Tax resources, Start-Up Funding from central government, specific grants from Government and other bodies and fees and charges for Council services. The key elements that determine the size of budget that the Council can afford are explained below.

Table 1: Factors Affecting Total Resources

Item	Description	Basis For This Report
Council Tax Resources – Tax-base	Measure of the taxable capacity - the estimated number of Band D equivalent chargeable dwellings for the year	Finalised in the 7 th January 2013 report to Cabinet.
Council Tax Resources - Increase in City	Member decision on how much the City's Council Tax should increase.	This report recommends a Council Tax Freeze within the Council Tax Setting report

Council Tax rate		considered alongside this one.
Start-Up Funding (Local Business Rates plus Revenue Support Grant plus Top-Up Funding)	Final allocation of Government resources represented by Revenue Support Grant and Top-Up Funding plus the local share of Business Rates generated within Coventry.	Government announced figures in Final Settlement on 4th February 2013 plus local assessment of likely Business Rates
Specific Grants	Grants provided by the Government, quasi-Government organisations and by the European Government. Such grants usually have a specific stated purpose although the Council can apply discretion over how many of these are applied in practice.	All known grants have been included. The nature of such funding means that some grants will not be known until after the budget has been set.
Fees and Charges	A combination of fees, charges for Council services, fines levied, rents charged on Council owned property. Determined by the range of services included, the volume of services consumed and the level of charging and other contributions to fund Council spend.	The Medium Term Financial Strategy dictates that standard fees and charges should be inflated in line with September inflation (2.9%). Property rents and some charging areas will vary from this rate of increase based on economic and business decisions.

Taking all of these factors into account the final resource position for 2013/14 is reflected in the table below.

Table 2: Resources to Fund the Budget

2012/13* £000		2013/14 £000s	(Increase)/ Decrease £000s	(Increase)/ Decrease %
(91,940)	A: Council Tax Requirement**	(93,813)	(1,873)	(2%)
0	B: Business Rates (Local Share)	(53,056)	7,079	3.9%
(181,680)	C: Revenue Support Grant and Top-Up	(121,545)		
(389,450)	D: Specific Grants (see section 3.4)	(389,706)	(256)	(0.1%)
(77,092)	E: Fees and Charges***	(84,344)	(7,252)	(9.4%)
(273,620)	Funding of Net Budget (A + B + C)	(268,414)	5,206	1.9%
(740,162)	Funding of Gross Budget (A + B + C + D + E)	(742,464)	(2,302)	(0.3%)

*The 2012/13 Budget figures have been adjusted to take account of transfers of responsibility and funding mechanisms.

**The Council Tax Requirement for 2012/13 included Council Tax Benefit contributions of £26.4m. These resources are now paid via Line C: Revenue Support Grant in line with statutory requirements. On a like for like basis Council Tax revenue has increased by £1.9m (2%). The proposal in this report is for individual Council Tax bills to be subject to a zero increase for the City element of Council Tax and this increase in revenue is due to changes in exemptions for empty homes and 2nd properties and an increase in the number of properties. Any surplus or deficit from Collection Fund balances are now shown as part of the Council's in line E: Fees and Charges in line with statutory requirements.

***Some contributions previously shown as grants have been reclassified as contributions under Line E: Fees and Charges in 2013/14

3.2 The combination of Revenue Support Grant, Top-Up funding and the local share of Business Rates should reflect an authority's spending needs relative to other authorities, as determined by the Government after taking into account each authority's tax-base, which determines the amount of money it can raise through Council Tax. The figures in this report use the Final Local Government Finance Settlement position for 2013/14 (final) and 2014/15 (provisional) plus an indicative position from the 2010 Spending Review and 2012 Autumn Statement for 2015/16. It is important to recognise that the projections made for the years beyond 2013/14 are subject to further changes and clarifications by Government and the Council's experience of how the local Business Rates Retention scheme impacts upon the Council's overall resources position.

Further to paragraph 2.2 above the headline changes incorporated within the Council's overall financial position include a decrease of £7.1m in the Council's Revenue Support Grant, Top-Up Funding and the likely local share of Business Rates from £181.7m to £174.6m incorporating losses of funding for Early Intervention services and the Council Tax Reduction Scheme. The Council will also suffer from the fall-out of funding for Local Authority Central Services Equivalent Grant, a net loss of Council Tax Freeze resources and the need to make provision for Business Rates appeals losses being passed to the Council by Government and the future volatility of Business Rates levels within the city. These further changes relating to changes made by Government to the funding system amount to a further £8m. When added to the headline resource line this reflects an overall impact on the Council of c£15m.

Although the headline loss of Government funding shows a modest (by recent standards) resource loss of 3.9% in 2013/14 (**Table 2**) the other changes above represent a significant overall impact on the resources available to the Council. In addition, future years resource losses threaten to ratchet up significantly. Using the Government's figures for Coventry's Start-Up Funding (Revenue Support Grant, Top-Up Funding and the Government's assessment of local Business Rates) the three year resource position is as follows.

Table 3: Coventry's Start-Up Funding (Government Figures)

		2013/14 Final	2014/15 Provisional Settlement	2015/16 Indicative Estimate
Coventry's Start-Up Funding £m	£m	(176.8)	(159.7)	(148.5)
Change on Previous Year*	£m	5.7* Decrease	17.1	11.2
	%	3.1%* Decrease	9.7% Decrease	7.0% Decrease

* This is a lower reduction than calculated in Table 2 above because the Government has assumed a higher level of local Business Rates than that assumed locally.

Within this, Coventry has also lost £8.4m of funding in the 2013/14 settlement as a result of "damping" that is built into the allocation methodology. Damping is a financial mechanism to protect those authorities which the Government assesses have fared worst from the settlement by taking money away from other authorities. The Council's view is that flaws in the damping methodology have been carried through to the new funding settlement and that it continues to take money away from Coventry in our final grant allocation in a way that is unfair. The Council has made representations previously to Government on this matter but the Council's arguments have not been reflected in the final settlement position shown.

- 3.3 Specific Grants – In overall terms specific grant funding is unchanged between 2012/13 and 2013/14. Within this, the headline changes involve a new £18m grant to cover the transfer of responsibility for Public Health to the City Council and increased grants to schools of c£10m to reflect pupil growth, early years funding and Post-16 funding less some fall-out of grant funding in relation to the element of Dedicated Schools Grant that has transferred to Academy Schools. The former Council Tax Benefit Grant (£29.4m in 2012/13) has now been included within the Council's "Start-Up Funding" for 2013/14. Local Authority Central Share Equivalent funding (LACSEG) has moved from general formula funded spend to become a new grant (Education Support Grant) and proposals within **Appendix 2** of this report have already anticipated a reduction from £7m to £5.5m. in 2013/14.

4. General Fund Revenue Budget

- 4.1 The General Fund Budget recommended in this report reflects the Government funding settlement, the Council's spending priorities, the approaches outlined in the Medium Term Financial Strategy and a Council Tax freeze. The Pre-Budget Report taken to Cabinet on 11th December 2012 showed a budget gap of £2.0m. The principal movements that have happened since then are shown in **Section 4.2** below. The Council's Revenue Budget is detailed in **Appendix 3**, which sets out the Cabinet Portfolio revenue budgets and sources of revenue funding.

4.2 Changes to Spending and Saving Proposals

This budget includes a number of saving and expenditure proposals. A description of these was included within the December 11th Pre-Budget Report. A line by line impact of how these proposals affect the base budget is given in **Appendix 2** with an indication of where there have been changes to the figures included within the Pre-Budget Report. The principal changes are shown in the table below. These changes enable the Council to deliver a balanced budget for 2013/14.

The Pre-Budget Report was approved on the basis of consulting on a Council Tax rise of 2%. This is the maximum increase allowed by Government before the Council would be required to hold a referendum on the matter. Government clarification has been received subsequently on the calculation of the amount of Council Tax revenue that can be raised before triggering the referendum limit. The result is that it is now to the Council's financial advantage for each of the next two years to freeze the 2013/14 Council Tax at existing levels and receive a Council Tax Freeze Grant of £1.2m equivalent to a 1% Council Tax rise (and which would be payable for two years). On this basis, this budget is being proposed on the basis of freezing the city Council Tax at existing levels.

Table 4: Principal Changes to Pre-Budget Report

	Appx 2 Line Ref	2013/14 £m	2014/15 £m	2015/16 £m
Pre-Budget Report Position		2.0	3.4	6.9
Academy Schools Top-Slice – Grant Cut	2	0.5	0.5	0.5
Reduction in Early Intervention Grant	4	0.3	1.0	1.0
Change to Local Government Settlement	5	(2.1)	0.9	1.3
Contribution to Children Learning and Young People Budget Pressures	7a	0.7	(0.5)	(1.1)
Council Tax Freeze Grant	23a	(1.2)	(1.2)	0.0
Net loss of Council Tax resources from 0% Council Tax Increase	23b	1.0	1.0	1.0
Localised Council Tax Benefit Implementation	25	(0.5)	(0.5)	(0.5)
ITA Levy	28	(0.7)	(0.7)	(0.7)
Budget (Surplus)/Deficit		0.0	3.9	8.4

- 4.3 When the impact of these changes is added to the position shown at the Pre-Budget stage, the final net position is as follows and detailed in **Appendix 2**.

	2013/14 £000s	2014/15 £000s	2015/16 £000s
Initial Budget Gap	14,445	27,358	45,358
Emerging Risks and Pressures	13,613	17,770	17,701
Overall Budget Gap to Balance	28,058	45,128	63,059
Policy Developments	200	2,000	4,500
Technical Budget Changes	(14,003)	(13,174)	(11,357)
Options For Savings	(2,313)	(2,513)	(3,783)
Abc Programme Next Phase	(11,942)	(27,515)	(44,015)
	0	3,926	8,404

4.4 Reserves

The level of City Council reserves as at 31st March 2012 is reflected in the table below.

Table 5: Reserves as at 31st March 2012

	Balance as at 31 st March 2012 £m
Directorate Reserves	(13.4)
Corporate Reserves	(22.5)
Capital Reserves	(5.7)
Insurance Fund	(4.4)
Schools Reserves	(20.3)
Total Reserves	(66.3)

This level of reserves is adequate for the current known liabilities and approved policy commitments facing the City Council and is appropriate to sustain current plans, including the following commitments:

- £20m of schools specific reserves
- £8.5m for redundancy and pension strain costs over the medium term
- £5.5m to cover unforeseen financial problems in line with the Medium Term Financial Strategy
- £6m to fund the Capital Programme
- £4m to cover the risk of potential insurance claims against the Council
- £4m for planned future costs of the Council's Private Finance Initiative schemes in line with PFI financial models
- £4m of grant funding earmarked for specific schemes

The overall level of reserves is expected to fall below this current level over the medium term and the view of the Director of Finance and Legal Services is that this is at or approaching the minimum acceptable level for a Council of this size in the current financial climate.

5. Medium Term Financial Position

- 5.1 Whilst this budget produces a balanced position for 2013/14, Government indications of future funding represent a significant reduction in future years. In addition, the new model for funding local government resulting from Business Rate retention introduces a degree of uncertainty that is unprecedented in recent times. Financial planning for the impact of this has proved extremely challenging across the local authority sector and Government guidance has at times been inconclusive and notified within a timescale that has allowed councils very little time to manage the consequences. The best estimate of the overall future resource position plus what we know about the Council's current spending plans and the decisions within this report is shown in the Table below.

Table 6: Projected Medium Term Financial Position

	2014/15 £m	2015/16 £m
Spending after applying fees, charges and specific grants	260.2	255.3
Resources from general government grant, Council Tax and retained Business Rates	(256.3)	(246.9)
Anticipated Budget Gap	3.9	8.4

This position assumes achievement of all savings within a very challenging abc programme.

5.2 The Council's approach to reducing spending and delivering efficiencies through the abc Programme has recently been reaffirmed within its Medium Term Financial Strategy. The anticipated outcomes from this are built into the position shown above. This approach, together with ongoing monitoring of existing budgets, is the starting point for the Council in seeking to produce a balanced medium term financial position. However, the size of the gap is such that the Council will continue to be faced with a range of difficult budget decisions over this period.

6. Capital Programme

6.1 In **Appendix 4** there are proposals for a Capital Programme of £61m. This compares with the current projected 2012/13 programme of £61m. The proposals include significant largely grant funded investment in the City's schools, a highways and pavements investment programme consistent with 2012/13 and continued essential spending in relation to property and ICT requirements.

6.2 The Programme has been balanced without the need for non-scheme specific prudential borrowing within 2013/14. Such borrowing of £1m is required for 2014/15 but not for the remainder of the life of the Programme. The Council's Medium Term Financial Strategy dictates that this borrowing should be repaid from capital receipts as they are generated in future years. The application of receipts has enabled the Capital Programme to be returned to a position of near balance after a period of several years where this was not the case. It is intended that close control should continue to be exercised on the approval of any new capital spending commitments in the coming years.

6.3 This year's programme includes the following:

- A £18m programme in 2013/14 for Children, Learning and Young People's Services, the majority of which will be invested in schools across the City including continuation of programmes to increase primary school places.
- A total investment of £14m in the City's transport and highways infrastructure including a continued £6m highways and pavements investment programme, spending on Cycle Coventry and city centre public realm works for which a further European Regional Development funding bid has been submitted in February.
- Initial expenditure funded from the Government's Regional Growth and Growing Places funds to support programmes and projects in partnership with the private

sector and associated infrastructure schemes to help create economic growth, employment and additional business rates.

- The report builds in revenue provision for a long term Council investment programme of £50million to stimulate the local economy and create jobs, potentially through an agreement with the Government for a City Deal for the region.
- Further spending of £20m over two years on the Nuckle scheme improving the railway links between Nuneaton and Coventry and incorporating a new station at the Ricoh Arena.
- A £2.4m programme of Disabled Facilities Grants;
- Continuation of the investment in ICT infrastructure (£4m in 2013/14) funded largely from Prudential Borrowing;
- A £2.75m programme of property maintenance funded by revenue resources;
- A programme of externally funded parks and play schemes (£1.2m);
- Works to extend and improve cemetery facilities at Lenton's Lane at a total cost of £1m.

6.4 The main sources of funding for capital expenditure are listed below:

- Capital grants from government bodies and the private sector (£38m). The Government grants support spending within the Children's, Housing and Highways' programmes plus Nuckle funding.
- Unsupported or prudential borrowing (£8m) – this borrowing will support £3m of new ICT infrastructure spending (part of which has been rescheduled from 2012/13), Lenton's Lane Cemetery (£1m) and vehicle acquisition (£4m). This borrowing attracts no revenue support from Government and the additional cost of the borrowing has been reflected in the revenue budget.
- Capital receipts arising mainly from selling Council assets (£6m).
- £9m of revenue funding for highways, pavements, property maintenance and ICT infrastructure investment.

6.5 **Forecast Capital Programme**

All areas of the Programme included have been evaluated to identify the likely realistic profile of spend, to maximise the amount of expenditure against which we can apply grant resources and to maximise the resources available corporately to the Council to fund the Capital Programme.

A summary of the proposed programme including existing commitments and funding sources is outlined below. This includes expenditure rescheduled into 2013/14 as a result of the 2012/13 budgetary control process. Full details of the proposed programme are included at **Appendix 4**.

Table 7: 2013/14 – 2017/18 Capital Programme (Expenditure & Funding)

Expenditure	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Education/Children and Young People	18,556	15,452	17,675	11,700	10,116
City Development	18,126	48,034	4,915	2,855	2,750
City Services	18,666	19,117	9,878	9,987	8,822
Neighbourhood Action, Housing, Leisure and Culture	3,971	2,594	2,153	2,126	2,126
Sustainability and Local Infrastructure	4,450	4,217	1,000	1,000	1,000
Total Approved Programme	63,769	89,414	35,621	27,668	24,814
Allowance for Rescheduling	-3,188	-1,442	2,618	529	169
Programme after Rescheduling	60,581	87,972	38,239	28,197	24,983

Funding	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Prudential Borrowing	8,088	7,760	1,316	1,409	1,383
Grants & Contributions	37,679	69,326	26,909	17,897	16,303
Capital Receipts	6,100	3,050	3,050	3,050	3,050
Revenue Contributions*	8,374	7,578	6,673	4,534	8,980
Leasing	340	258	291	1,307	168
Total	60,581	87,972	38,239	28,197	29,884
Resources Available	0	0	0	0	4,901

* The revenue contributions total has been reduced (2013/14 – 2014/15) to recognise repayment of reserve balances used to cash-flow previous spending commitments (e.g. Stivichall School).

Other significant CLYP capital work programmes are excluded from the Programme and will be the subject of future reports to members. Between 2017 and 2022 the Council will need to expand secondary schools by the equivalent of up to 29 forms of entry to meet rising demand for places and support delivery of the City's SEN Broad Spectrum policy where suitable facilities for a further primary and secondary broad spectrum school are required. In addition, 7 replacement schools are being funded as part of the Government's Priority School Building Programme and will be procured and managed by the Education Funding Agency outside of the Council's Capital Programme. This will address some of the worst condition schools in the City although significant condition issues still exist across the City's school estate primarily driven by the age and construction type of buildings.

The Council submitted a capital grant funding bid for £5m to deliver ultrafast broadband in the city (Super Connectivity). In the Autumn Statement, the Chancellor announced the Council was one of the successful authorities for the Superconnected Cities programme, but to date no details of the value of the grant have been released. These will be released later in 2013/14 along with any specific grant restrictions

The programme includes an ongoing 5% allowance for the rescheduling of expenditure between years with an adjustment shown at a corporate programme level. This recognises the potential benefits of maintaining a degree of flexibility through the year and the fact that the Council is often faced with rescheduling due to factors outside its control.

Any potential new demands that arise over time as new initiatives are identified will need to be subject to rigorous review to balance their priority and affordability. The Council will continue to re-evaluate the future Capital Programme taking into account economic circumstances, its ability to generate capital receipts and the profile of other areas of significant investment that it manages.

7. Treasury Management

7.1 Treasury management entails the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Local authorities are required to maintain an overarching annual Treasury Management Strategy which is the subject of this section of the report.

7.2 In addition, authorities are required to set out:

- An Investment Strategy and Policy detailing out how investment risk is managed (**Appendix 5**);
- A suite of prudential indicators for treasury and capital programme management (**Appendix 6**);
- A Minimum Revenue Provision (MRP) statement detailing the way it calculates the prudent provision for the repayment of borrowing (**Section 7.6**).

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

Borrowing, to:

- Maintain adequate liquidity so that cash requirements are met;
- Minimise the cost of debt;
- 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

- 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.

7.4 Interest Rate Forecast

In the current economic conditions it is expected that base rate (currently 0.5%) will remain low for some time. The impact of a low base rate is that shorter term borrowing costs and investment returns remain low. Longer term interest rates, for capital programme borrowing through the Public Works Loans Board (PWLB), are influenced by other factors, in particular the price of UK government gilts. During 2012/13 longer term PWLB rates have been in the region of 4% to 4.5%, although forecasts suggest that over the coming years these levels could rise, potentially approaching 5%. Longer term rates can be volatile and are set by the PWLB twice a day. Arlingclose, the City Council's treasury advisers, provide regular interest rate forecasts and commentaries.

7.5 Borrowing

Based on current estimated levels of spend the expected long term debt position of the authority at 31st March 2013 is as follows:

Table 8: Estimated Long Term Borrowing at 31st March 2013

Type of Debt	Total £m
PWLB	246.8
Money Market	59.0
Stock Issue	12.0
Transferred Debt (other authorities)	19.0
Total borrowing	336.8
PFI and Finance Lease Liabilities	51.2
Total Long Term Liabilities	388.0

The main funding sources used by Coventry are:

- The Public Works Loans Board (PWLB) - this is, in effect, the Government. Loans may be obtained at variable or fixed rates of interest. From late 2012 the PWLB has reduced borrowing rates by 0.2% for qualifying authorities, including the City Council. This "certainty rate" initiative provides a small, but welcome reduction in the cost of future borrowing;
- Money Market - 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 £58m 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 - this is loan stock issued by the City Council in 1996. In 2003/04 approximately £88m of the total of £100m was redeemed as part of a debt restructuring.

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

Given the revenue budget and associated capital programme outlined in this report, the estimated funding requirement for the City Council for each of the capital programme years from 2013/14 is summarised below:

Table 9: 2013/14 Funding Requirement (excluding PFI & finance leases)

Forecast Borrowing Requirement	2013/14 £m	2014/15 £m	2015/16 £m
New funds to finance the Capital Programme	8.1	7.8	1.3
Minimum Revenue Provision (debt repayment provision)	(14.0)	(15.3)	(15.7)
Forecast increase (reduction) in borrowing requirement	(5.9)	(7.5)	(14.4)

Local authorities have scope to borrow in advance of need, essentially borrowing on the basis of future planned capital spend. However, to avoid potential interest rate and credit risk it is proposed that the City Council's current practice of not borrowing in advance of need continues.

In addition to the impact of the capital programme, other factors come into play when assessing the overall need to borrow or the capacity to invest funds. These factors include 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.

A particular issue for local authorities in recent years has arisen due to 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.

In the light of the interest rate forecast, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2013/14 and future years, the Director of Finance and Legal Services will, under delegated powers, undertake the most appropriate form of borrowing depending on prevailing interest rates at the time.

The Director of Finance and Legal Services will monitor the opportunities for rescheduling 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. 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.

7.6 Minimum Revenue Provision

Local authorities are required to make prudent provision for the repayment of long term capital programme borrowing through a revenue charge (the Minimum Revenue Provision or 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. the life of an asset purchased or built.

Capital Finance Regulations (SI 2008/414) require the approval of an MRP Statement setting out the authority's approach. It is proposed that the existing policy continues:-

- For capital expenditure incurred before 1st April 2008 or which in future will be Supported Capital Expenditure, the Council will follow existing practice, the so called "Regulatory Method", with MRP broadly based on 4% of the underlying Capital Financing Requirement adjusted for the Adjustment A;
- 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 or a depreciation calculation;
- MRP for leases brought onto the balances sheet under accounting rules will match the annual principal repayment for the associated deferred liability.

7.7 Investments

The main investments used by the City Council are:

- Call accounts and deposits with banks, building societies, local authorities and the government, largely for fixed durations and rates of interest. During 2012/13 the amount held in these investments has ranged between £35m - £100m;
- Collective Investment Schemes (pooled funds) including Money Market Funds, which enable local authorities and other investors to diversify their investments. During 2012/13 the amount held in these investments has been approximately £14m.

With short term interest rates low for some time, in order to secure higher interest rates, investments need to be made for longer durations, provided cash flow permits this. To diversify a portfolio largely invested through cash balances, investments will be placed with approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

The management of investment risk remains central to local authority treasury management. Consequently, 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.

From this basis 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, as detailed in **Appendix 5**. In this respect, the City Council also draws on counterparty advice from Arlingclose, the Council's Treasury Management advisors.

It is proposed that:

- a) Registered Social Landlords (RSLs) are included within the City Council's lending list for the first time as there are indications that they are increasingly looking to raise finance from bodies other than banks. In addition to a number being credit rated, RSLs come within the regulatory sphere of the Homes and Communities Agency (HCA) as the regulatory body for registered providers of social housing in England. RSLs will be analysed on an individual basis and discussed with the City Council's Treasury Advisors prior to investing. The proposed maximum for investments in each RSL is £6m.
- b) The maximum limit for individual counterparties is increased from £10m to £12m, in the light of the generally higher level of balances that the City Council has maintained in recent times. This should help increase the level of investment returns, whilst still limiting exposure to individual counterparties.

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 investment derivatives.

Separately, the City Council holds long-term investments for operational or policy reasons, including in respect of past capital expenditure. These include Birmingham Airport Holdings Ltd and the Coventry and Solihull Waste Disposal Company.

7.8 The Use of Treasury Management Consultants

The authority employs Arlingclose consultants to provide treasury management advice. This includes both the provision of advice on credit risk and information on credit ratings from the 3 rating agencies, referred to above. Regular review meetings with the consultants provide a vehicle through which quality is managed. In addition, within the City Council, senior managers within Finance and Legal Services meet on a periodic basis to review treasury issues, including the use of consultants.

7.9 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.

7.10 The Prudential Code

The current capital finance framework rests on the principle that local authorities can borrow whatever sums they see fit to support their capital programmes, as long as they are affordable in revenue terms. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. The indicators are explained below:

Revenue Related Prudential Indicators

Within **Appendix 6** indicators 1 and 2 highlight the revenue impact of the proposed capital programme. These show that the revenue costs of financing our capital expenditure as a

proportion of our income from Council Tax and government grant is forecast to increase from 12.99% in 2012/13 to 15.83% in 2015/16. This increase reflects the combined effect of investment under PFI contracts and increased levels of prudential borrowing funded spend. The format of this indicator is restated with the inclusion of government grant in the "net revenue stream". The 2012/13 figures within **Appendix 6** take account of this change. In addition, the impact on a Band D Council Tax of the current proposed programme compared to the programme approved last year is set out in indicator 2. This also shows an increase to 2015/16 for broadly the same reasons.

Capital and Treasury Management Related Prudential Indicators

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

- Authorised Limit (Indicator 6) - This statutory limit reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need with some headroom for unexpected movements.
- Operational Boundary (Indicator 7) - This is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.
- Gross Debt less than "Year 3" Capital Financing Requirement (Indicator 3) - The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for 2013/14 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, which replaces the previous indicator based on net debt, is designed to ensure that over the medium term, gross borrowing will only be for a capital purpose.
- Interest Rate Exposures, Debt Maturity Structure and Investments Longer than 364 Days (Indicators 10, 11 & 12) - The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. Indicator 10, Interest Rate Exposures, is now presented in absolute rather than percentage terms, setting out the maximum amount of exposure of the Council to both fixed and variable interest rates.
- Other indicators highlight Planned Capital Spend (Indicator 4), Actual Debt at 31st March 2012 (Indicator 8) and the adoption of the Treasury Management Code (Indicator 9).

All these prudential limits need to be approved by full Council, but can be revised by Council during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council of the changes required.

7.11 Leasing

The City Council uses operating leases for non-fixed plant and equipment and the Capital Programme includes £0.3m of spend to be resourced from leasing in 2013/14. Leasing will only be used where this is value for money compared with other forms of funding, such as unsupported borrowing.

8. **Budget Risks**

8.1 In making budget recommendations to members, officers have challenged budgets with a view to ensuring maximum benefit from the resources available. This has included considering the risks with a view to ensuring that budgets and reserves are set at appropriate levels. Inevitably, the Authority carries some risks in agreeing the budget, and the major financial ones for the coming year are set out in summary below. Where appropriate these risks are included within either the corporate or directorate based risk registers and will therefore be monitored through our existing processes for managing risk or where more appropriate through our ongoing budgetary control processes. However it needs to be noted that the pressure on budgets and the risk of overspending in individual areas continues to be very high and will require constant vigilance in 2013/14. A range of issues will be kept under review during the year to help deal flexibly with any problems that may arise, such as efforts to reduce the Council's debt management and cash flow costs.

8.2 **Overall Risks**

In considering the Council's corporate objectives in the context of our financial position, resources have been allocated to meet corporate priorities, and savings have been identified. In these circumstances there are a number of inherent risks which need to be managed:

- a) That new resources are used effectively to deliver corporate objectives. Operational plans and quarterly monitoring reports will address this issue specifically,
- b) That ongoing spending and income are controlled to budgets. This pressure is certain to increase due to ongoing national economic difficulties and, therefore, compliance with the Council's budgetary control rules remains essential,
- c) That treasury management procedures provide for cash to be available, at minimal cost, when required. The strategy and regular monitoring, provide adequate safeguards and this area will continue to be managed at appropriate levels of detail and regularity in 2013/14.

8.3 **Delivery of the Abc Programme** – The combined impact of savings from previously approved abc reviews that increase in value in 2013/14 plus savings of £12m (rising to £44m) from new abc reviews represents a massive challenge to the Council. Some of the individual areas are considered separately below but the overall risk can be measured by the fact that these future savings to be found represent in the region of 12% of the non-grant funded element of the Council's 2013/14 gross expenditure budget. The programme management effort required will continue to demand significant officer time to undertake the detailed work to deliver these savings.

8.4 **Health and Adult Social Care** – This area of activity faces a number of challenges over the coming period. Part of the abc review of Community Services, the single largest review identified by the Council, will have a significant impact on the way in which social care services amongst others are delivered in the city. This at a time when social care services for vulnerable adults continue to be the subject of cost pressure across the country as a result of demographic factors. The successful implementation of this review is essential to enable the Council to deliver balanced budgets going forward. Delivery of social care and health activities will also be dependent on successful partnership working with the health sector (itself undergoing further major organisational changes), integration of Public Health services (which are becoming a City Council responsibility funded by £18m of grant funding) and the knock-on impact of national Welfare Reform changes (leading fundamentally to a reduction in overall benefit levels) all of which have April 2013 as the key implementation date.

8.5 **Children's Services** – This area too is one facing a variety of challenges, any one of which would represent a considerable test in less turbulent times. The cost of care for looked after children and for safeguarding other children and young people who cannot otherwise live safely with their families continues to represent a large service and budget pressure. Current work within an existing abc review to is seeking to implement strategies to ensure that appropriate and cost effective responses are implemented to meet the needs of children, young people and their families in Coventry. The service is facing service and financial challenges from the conversion of Coventry schools (mostly secondary schools at this stage) to Academy status. The Government is diverting resources directly to Academies for functions provided previously by the Council in its capacity as the Local Education Authority. This will require the Children Learning and Young People's Directorate to identify the appropriate level of central education services that can be maintained for the remaining Coventry schools within the reduced cost envelope. The Government is also reducing the level of Early Intervention Grant resources available to support fundamental services within the sector. The combined financial impact of these changes will require the service to undertake thorough examination of its budgets in order to deliver the overall scale of the savings required now and in anticipation of further sector changes over the medium term.

8.6 **Local Government Finance Changes** – The new shape of local government finance from April 2013 will see the risk of volatility of Council Tax benefit levels and 49% of Business Rate income fall to local councils rather than Central Government. In addition, the Autumn Statement and final Local Government Finance Settlement have given notice of further cuts to Local Government from 2014/15 onwards. This budget has included some prudent assumptions in order to anticipate adverse fluctuations in these areas but the years beyond 2013/14 will inevitably require the Council to continue the existing path or review and reform to meet the financial challenges ahead.

Two specific points merit further mention. Firstly, as the Government localises decisions such as responsibility for the Council Tax Reduction Scheme and takes decisions to reduce resources for such transfers of responsibility, the Council will not be able to absorb the associated cost pressure within its existing budgets. Therefore, decisions will need to be made to manage costs within the notional resource envelope provided by Government in these specific service areas if the Council is to avoid disproportionate cuts in other services. Secondly, the trend for Local Government finance is likely to reduce the reliance upon central government funding and towards locally generated funding sources. The Council is making significant steps towards securing its Business Rates base through the initiatives such as the Growing Places Fund, Regional Growth Fund and City Deal, a specific abc review on Strategic Regeneration and Business Rate Growth and participation in the Coventry and Warwickshire LEP and Coventry and Warwickshire Business Rate Pool. In these ways it is intended that Coventry will be better placed to sustain and expand its existing Business Rates base.

8.7 **Impact of External Economic Factors** – A variety of factors continues to cause additional service/cost pressures or reduced income for Council services. These include increases, for instance, in housing benefit caseloads and reduced income from fees charged to customers for building control, land charges, planning, building and consultancy services, catering, commercial waste, commercial property and car parking. The impact of the recession and the reduction in some internal budgets (as a result of the transfer of Academy Schools from local authority control for instance) have affected many of these services and prevented them from achieving their income targets. Management

actions are being taken in some of these service areas whilst proposals in this Budget are addressing others to help address the material financial risks.

- 8.8 **New External Funding Arrangements** – The council is involved in major investment projects that involve significant reliance upon external partners and external sources of finance (e.g. Nucleus, Heatline, Regional Growth Fund). These schemes carry some degree of financial risk and a variety of different types of governance arrangements. It is important to recognise that the financial implications of such schemes can change significantly as the schemes progress. Council officers in each of the schemes are vigilant to ensure that the financial implications for the Council are managed properly and that we achieve the best possible value for money through close monitoring and regular reporting to members as schemes progress. Each of the schemes has appropriate risk monitoring arrangements.
- 8.9 **Welfare and Benefits Reform** – The Government is proposing a complete overhaul of the welfare system at a national level from 2013/14. These reforms will have a significant impact on the income of some people and incorporate changes including the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits, new Personal Independence Payments to replace the current Disability Living Allowance and the restriction of Housing Benefit entitlement for some social housing tenants. The reforms will also mark the transfer of housing benefit services from councils to the Government Department for Work and Pensions. This will affect a significant number of current employees within the Council's Revenues and Benefits Division. In addition, the Government will inevitably reduce local government resources to reflect this transfer of responsibility and there is a risk that this transfer will take a disproportionate amount of funding from the Council.
- 8.10 There are always risk elements in setting a budget. The authority's financial position is underpinned by the holding of general reserves including the Council's Working Balance which stands at £5.5m currently and which is an essential safeguard against unforeseen risk. The level of reserves available to us as set out in **Section 4.4** provides sufficient financial protection against the risks outlined above within reasonable levels of assessed risk for 2013/14. However, the number and potential impact of the risks outlined above mean that the whole of local government is facing an era of increasing uncertainty and risk for the foreseeable future. For this reason, it is imperative for the Council's future financial robustness that opportunities are considered when they arise to strengthen the Council's balance sheet position. This might take the form of maintaining the level of reserves, increasing the level of provisions for bad and doubtful debt where appropriate and capping the level of prudential borrowing at manageable levels.

9. Comments from the Director of Finance and Legal Services

9.1 Financial implications

This report is concerned wholly with financial matters. The proposals within this report represent the basis of the Council's 2013/14 revenue and capital budget supported by the Council Tax Report that will be considered alongside this one.

Under the terms of the Local Government Act 2003, the Chief Financial Officer (the Director of Finance and Legal Services) is required to give assurance on the robustness of the estimates included in the forthcoming budget. In the view of the Director of Finance and Legal Services the budget being recommended to the City Council is supported by robust estimates of income and expenditure. This judgement is based on the following:

- i) The budget has been set within the guidelines of the authority's Medium Term Financial Strategy, approved by members, that sets out the broad policies and assumptions that lie behind the Council's medium term financial planning process.
- ii) There is a medium term financial plan in place that sets out the known changes to the current budget over three years incorporating the concept of strictly controlled Directorate budgets, known policy changes and best estimates of the impact of inflationary pressures and expectations of resources.
- iii) The authority operates an integrated medium term policy and financial planning process that incorporates a comprehensive and detailed assessment of the new policy and technical changes that will affect the proposed budget and the medium term budgetary position of the authority.
- iv) Individual Directorates, working to strict budgets, prepare detailed service budgets that are the financial representation of the authority's statutory duties and corporate service objectives for the coming year.
- v) The authority's individual Directorate Management Teams and its Corporate Management Board have been fully involved in the detailed make-up of the information included in the policy and financial planning process.
- vi) As discussed further below, the Authority's level of reserve balances is sufficient to meet other unforeseen eventualities, within reasonable limits of assessed risk that may potentially need to be met by the authority.

Both of the authority's political groups were provided with information on the policy and financial planning process and were consulted on the options available to enable them to take a full part in the final budget setting decisions.

The Local Government Act 2003 also 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 2013/14 will not be known until finalisation of the 2012/13 accounts. It is likely that the total level of reserves will be maintained at or just below the levels outlined in **Section 4.4**. It is the view of the Director of Finance and Legal Services that the City Council holds an adequate level of reserves to support the recommended budget for 2013/14. 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 many other 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 2013/14 directorate-based budgets (including schools) and Corporate commitments both for capital and revenue purposes.
- iv) The level of uncommitted Working Balances (2% of net revenue spend) 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 ongoing expenditure. A number of these reserves are dedicated to specific purposes, such as schools and insurance, and the remainder have been brought together and are scrutinised by the Corporate Management Board in order to ensure the best use possible for the corporate objectives of the authority.

Despite these statements about robustness of estimates and reserves, the scale of savings targets incorporated in the 2013/14 budget and the challenges facing the Council in the next few years is unprecedented and will require regular monitoring and potentially corrective action.

9.2 Legal implications

This report reflects the Council's statutory obligations in relation to setting a Council Tax Requirement in line with Section 31A of the Local Government Act 1992 (as amended). The report also meets the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place in line with Section 25 of the Local Government Act 2003.

10. Results of consultation undertaken

- 10.1 The proposals in this report have been subject to eight weeks public consultation ending on the 5th February 2013 including separate meetings with the Trades Unions. The details arising out of this consultation period are reported in **Appendix 1** and in broad terms the consultation outcomes support the main thrust of the spending choices and priorities in the final proposals. The changes that have been made between the Pre-Budget Report and this report are detailed in **Section 4.2**.

11. Other Implications

- 11.1 **How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The Council will be faced with very tight resource constraints as it enters the period covered by the next Spending Review. The Council has continued to take an approach to identify savings options that are intended to have as little adverse impact as possible on the quality and level of service provided to the citizens of Coventry or the key priorities of the Sustainable Community Strategy and Council Plan. It is inevitable that this approach will come under great pressure within and beyond the current planning horizon and the Council will have to be very clear about its priorities. The forthcoming budget will be shaped very much by the existing key policy priorities: jobs and growth, better streets and pavements, to support and celebrate young people and to protect the most vulnerable residents.

- 11.2 **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. Delivery of the budget and any corrective action required will be achieved through our ongoing monitoring processes. The key risks and the Council's response to these are set out in **section 8**.

- 11.3 **What is the impact on the organisation?**

In excess of 800 individuals have now left the organisation on early retirement and/or voluntary redundancy terms in the period covered by the current Spending Review. It is certain that more individuals will leave over the next few years as the Council responds to the financial pressures that face it and the need to implement the next phase of its abc Programme. It is inevitable that the Council will employ a reducing number of employees as a result of funding reductions, the Council is continuing to manage the staffing impact with a focus on redeploying displaced staff, avoiding compulsory redundancies where possible and minimising overall redundancy and early retirement costs. All deletions or

changes to jobs arising from the implementation of budget decisions are being managed through the appropriate City Council Human Resources policies and procedures.

11.4 Equalities / EIA

The majority of savings identified in the Pre-Budget Report were largely technical in nature or related to abc Fundamental Service Reviews for which equality impacts will be assessed prior to the relevant decisions being taken. The Council has started to identify potential equality impact issues and **Appendix 2** provides further details on the equality issues for each proposal and the process for analysing and addressing them. One of the issues raised within the budget consultation exercise (see **Section 10** and **Appendix 1**) was that of impact of recession and government policy on groups in the city, of which the Council is undertaking on-going analysis.

11.5 Implications for (or impact on) the environment

The district heating system proposed under the Heatline Project within the Capital Programme will enable buildings to be heated using a low carbon source of energy thus reducing the total carbon dioxide emissions.

11.6 Implications for partner organisations

In order to ensure that the best possible value for money is achieved the Council is committed to reviewing or renegotiating arrangements with our external partners. Some of this activity is already well advanced and is resulting in the Council obtaining higher contributions from partners in the commercial sector (e.g. the Coventry and Solihull Waste Disposal Company). Continuous review of all other arrangements through the Abc review of Purchasing and Commissioning is likely to affect other partner organisations in due course as the Council seeks to ensure that it derives maximum effectiveness of its spending decisions across the full range of its external relationships in the public, private and third sectors.

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CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS JANUARY 2013

1. Introduction

- 1.1. Between December 2012 and January 2013 the Council undertook an extensive round of consultation on its budget proposals for 2013/14, prior to making the final decision on its budget.
- 1.2. The Council reported on its priorities, the national and policy context, the pressures on its services and how the reduction in public sector spending was impacting Coventry. This was followed by an outline of investment and savings proposals for the next financial year. The Council asked consultees for their views on the Council's priorities and on the budget proposals.

2. Consultation process

- 2.1. Meetings were held between November and January, the consultation process was led by the Deputy Leader of the Council and supported by members of Management Board and other senior managers. Wherever possible, the opportunity was taken to attend existing meetings held by local organisations and groups to maximise participation in the consultation process. The timescales did not allow for the consultation to be taken to all of the Council's Neighbourhood Forums and as a result an invitation was sent to all residents registered with the forums to attend a central meeting.
- 2.2. The consultation involved the following:
 - Coventry Youth Council
 - Coventry and Warwickshire Chamber of Commerce
 - Local Business Community
 - Public and Private Partner organisations
 - Voluntary and Community Groups
 - The Council's Trade Unions
 - Local Residents
- 2.3. Representatives from organisations and residents who were unable to attend the meetings were given the opportunity to receive the related reports and to send their comments directly to the Council. In addition to the public meetings the Council hosted a survey on its website asking for peoples views of its budget proposals. The results of the survey have been incorporated into these findings.
- 2.4. The Council consults with the trade unions on an ongoing basis on the implications of the specific reviews under the abc Programme. Comments and issues raised by the trade unions on the individual reviews are addressed at project level. The trade unions were also consulted on the draft budget proposals at a series of meetings held between November 2012 and January 2013. The Council continues to consult with the trade unions on the impact and implementation of the Council's budget.

3. Outcomes of the public consultation on the Council's budget proposals

- 3.1. The main issues that were raised through the public consultation on the Council's budget proposals are set out below. A table is included at the end of this appendix that provides a summary of the comments made during the consultation, grouped into subject areas.

3. Council Priorities

Jobs and Growth

- 3.2 Whilst recognising the current financial climate and the Council's reduced resources, most respondents felt that it was vital for the Council to continue investing in the city, in order to support the city's economy and stimulate growth. All groups commented on the importance of creating jobs and recognised that regenerating the city was an important factor in achieving this. In particular providing job opportunities for young people was seen as a key priority.
- 3.3 The need to support industry and develop relevant skills in the city was a consistent theme across all of the meetings. It was acknowledged that there was now a shortage of engineering skills to support the growth of industry and that the education sector was not able to address this shortage alone. The Council, business sector and education sector needed to work together to address this. There was interest in the recent City Deal bid which if successful would help partners to work together to support industry and develop engineering skills in the sub region.
- 3.4 There was a more varied range of views on the development of the City Centre. Members of the Chamber of Commerce noted that some development such as Bishopsgate had appeared to slow down and that this could be due to the recession and the closure of some major companies. They felt that the City Centre needed to have a main store offer as well as other services such as doctors and dentists, restaurants and tourist attractions to encourage footfall. This view was supported by residents although some said that we should not try to make it an upmarket shopping centre and focus on what Coventry is good at. Whilst most people recognised that the development of the City Centre would in the longer term help to generate income through increased rental values and business rates, in the short term some residents asked whether shop rents should be reduced to help local retailers. They also suggested that the Council could consider short term lets for vacant properties to help new businesses to establish.
- 3.4 There were mixed views about promotion of the City Centre. Business partners saw the effective promotion of the city including events such as those in Broadgate as an important factor in helping to increase the number of people visiting the City Centre. On the other hand a view from a resident was that it seemed frivolous to spend money on such events given the level of spending cuts that the Council was having to make.

Better Pavements Streets and Roads

- 3.5 A number of local residents confirmed that the improvement of pavements, streets and roads was still a priority and in particular making pavements safe for vulnerable and older people. A few residents commented that some roads had still not been improved whilst other roads were deteriorating again and that in their view the impression was that some roads were being worked on repeatedly whilst others had not yet been started.

Support and Celebrate Our Young People

- 3.6 A consistent theme across most of the meetings was the importance of creating jobs and opportunities for young people. The Coventry Youth Council focused upon this issue as an area of most concern for young people at the present time. Some of the specific priorities raised by the young people included; providing more categories of good quality work experience (this was seen as the main barrier to obtaining more permanent

employment), helping local businesses to employ young people and promoting the city to bring in more jobs through new businesses.

- 3.7 A number of respondents were concerned that there may be loss of some of the early intervention services which currently have an important role in helping to keep children safe. Support for disabled children and providing support for parent carers was also seen as an important priority.

Protect Our Most Vulnerable Residents

- 3.8 There was general concern over the impact of the budget cuts on some of the most vulnerable people in the City. There were a number of comments made about the definition of vulnerability which could be determined by a variety of individual circumstances. Added to this was concern over the as yet unknown impact on individuals of Welfare Reform and changes to benefits. The Voluntary and Community Sector saw the importance of inter agency working and partnership working with voluntary organisations as a priority for supporting vulnerable people in particular through early intervention and advice services.

4. Delivering Efficiencies

- 4.1 A number of voluntary organisations welcomed the Council's continued support for the sector and their commitment to working with partners to deliver services for vulnerable residents, despite the financial challenges. The amount of positive dialogue already taking place in many areas was acknowledged and whilst it was recognised that there could sometimes be sensitivities with involving partners the request was made for genuine involvement in some of the larger reviews such as Community Services, Commissioning and Procurement and Neighbourhood Services. In particular the sector felt that there needed to be recognition of the role that they have in delivering some of the early preventative services which in turn could help to manage the demand for Council services.

5. Budget Proposals

- 5.1 A number of residents said that the budget proposals were so broad that there was insufficient detail in the investment and savings proposals upon which to comment. They were interested to understand what further consultation would take place when more detailed proposals emerged from the abc Programme.
- 5.2 Partners and residents expressed concern that a reduction of jobs at the City Council could impact on the efficiency of the services provided. The reduction in posts would also mean fewer job opportunities in the future particularly for young people. Partner organisations said that they may be able to help Council employees to find alternative employment by making sure that any vacancies that they had were advertised to Council employees.
- 5.3 A number of written responses were received from residents expressing concern over the proposed Council Tax increase in particular by those people on pension or low incomes. The perception was that this could not be justified at the same time as spending cuts were being implemented.
- 5.4 Even though the Council is required to set a balanced budget a few residents expressed their view that the Council needed to do more to fight the scale of spending cuts coming down from the Government. Partners suggested that professional networks had an important role in feeding back issues and concerns at a national level.

6. **CONCLUSION**

- 6.1 All consultees recognised the scale and very difficult decisions that the Council was facing in planning its finances and setting a balanced budget for 2013/14, although some were concerned that the budget proposals did not contain sufficient detail to be able to comment upon the decisions. There was continued support for the Council's priorities and an across the board recognition of the importance of regenerating the city and creating more jobs, thus reinforcing the Council's decision to invest in this area. There was widespread concern that the impact of public spending cuts was likely to impact most on the most vulnerable people in the City, especially in view of the likely impact of Welfare Reform. Recognising the scale and ongoing nature of the Council's reduced funding, partners said they wanted to work with the Council to increase jobs and growth and to be involved in future service reviews.

Summary of Responses from the Council's Public Budget Consultation – January 2013

Priority / Theme	Comments	Sector
Priorities – National and Local Context		
Jobs and growth	<ul style="list-style-type: none"> • Most important to create jobs, without this people will not have money to spend in the City Centre. • Coventry was good at getting out of the recession in the past, it had industry. Now the City Centre does not have people and there is more need for social services. How are jobs being developed? • The priority for jobs and growth is a contradiction given the proposed reductions to Council staffing levels. • Stop trying to turn the City Centre into an upmarket shopping destination. Identify what it does well and promote that. Seems frivolous to put on city events when making cuts in other areas, • Support for local businesses, putting rent and rates down would help to get retailers into shop premises. Promote short term lets of empty shops to help new businesses. • The proposed High Speed 2 train route appears to focus on Birmingham does this mean that Coventry will miss out? • Assurance that the Council was wise in putting money into the Ricoh Arena and had guarantees for its security. • Looking at the post-war development of Coventry -- concern that Coventry tries to do things first while other places look at us, and pick up things that we have done well. <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • Investing in the city – Role of Local Enterprise Partnership (LEP), City Deal, Ensuring High Speed 2 benefits Coventry Nucleus • City Centre needs a different offer from retail parks, providing a personalised shopping experience • Higher education / further education sector very important to city – but falls under different jurisdiction and (on the whole) does not generally contribute to business rate growth • Provision and availability of affordable housing to improve economic prospects: not a large amount of hinterland for development and Coventry needs to look at utilising existing sites; 	<p>Residents</p> <hr style="border-top: 1px dashed black;"/> <p>Public and private partners</p>

Priority / Theme	Comments	Sector
	<p>seeking to make better use of the New Homes bonus; BUT dealing with the legacy problems of cheaply developed 1950s-60s estates</p>	
	<ul style="list-style-type: none"> • Important not to lose skills in the City in particular engineering skills. Make improvements using industry expertise, there are a lot of active retired people in the City with engineering skills, Coventry University is key to this. • The local economy in Coventry is weathering better than some other areas. Important that local authorities continue to network and stand up to future government spending proposals. • Lack of clarity on the impact of Welfare Reform on the local economy. • Consider adding Impact on the Economy as a paragraph for all Council reports. 	Voluntary and Community Sector
	<ul style="list-style-type: none"> • Is retail still a viable option for the City Centre given the recent closure of some key companies, need to consider including other services to encourage footfall. • Growth of internet and out of town shopping, the city needs a fantastic tourist attraction and restaurants to draw people. • The Bishopsgate Development appears to be taking longer than planned. • Regeneration of the City Centre will in the longer term help to drive up rental values and business rates. • Need to work together in partnership to address the issues of business rates. • Small medium businesses could be the future of Coventry – with the support of both the Council and the Local Enterprise Partnership • Need to make space for industry and manufacturing; the City Deal will help to focus upon engineering skills. 	Coventry and Warwickshire Chamber
	<ul style="list-style-type: none"> • Provide good quality and broader categories of work experience for young people. • Help local businesses employ young people • Promote the city to bring new businesses into the City who can provide more jobs. • Provide more Council apprenticeships. • Help young people to find part time jobs. • Offer skills/ work training for young people. • Value of careers advice both in schools and youth clubs. 	Coventry Youth Council

Priority / Theme	Comments	Sector
Better streets and pavements	<ul style="list-style-type: none"> • Making roads and pavements safe is important in particular for older people and disabled people. • Some streets have not yet been repaired and others appear to have been done more than once. • After some much needed repairs and re-surfacing of the roads in Coventry they are starting to deteriorate again. The budget for road maintenance needs to be increased in the future year. • Clearing roads in the snow is particularly important for vulnerable people. Young people could be involved by helping residents to clear paths. • Gritting of roads is important to keep things moving. 	Residents
	<ul style="list-style-type: none"> • Address congestion issues. • Improve lighting in residential areas. • Ensure that work done is well planned and robust and does not require repeat attention. • Cut things that are wasting money like pointless road works. 	Coventry Youth Council
Support and celebrate our young people	<ul style="list-style-type: none"> • Important to reduce youth unemployment. • The loss of jobs in the Council will mean there will be less jobs available for young people in the future. • Community Education has already been lost, it's important to appreciate schools and teachers. • More should be done to help with Housing in the city especially for larger families. • The Core Strategy provides for a specific number of houses to meet shortfall. It sets out the provision for housing, but what about the building of new schools or additional school places to meet the additional demand for schools? • Concern about the reduction to early intervention services. They provide valuable support in safeguarding, quality, meeting Ofsted requirements. • More support for disabled children. 	Residents

Priority / Theme	Comments	Sector
	<ul style="list-style-type: none"> • Need to support economic vitality in the city – gap for young people aged 14-16, in terms of linking them together with future jobs -- Potential for the Council and partners to work together and create a shared 'offer' for young people aged 14 and over – e.g. to address the engineering shortage reported by employers 	Public and private partners
	<ul style="list-style-type: none"> • Create a city wide awards scheme aimed at young people specifically, like young citizen of the year. • Promote young people in the local media. • Maintain and better promote the youth service • More support for young people experiencing particular issues such as eating disorders. 	Coventry Youth Council
Protecting most vulnerable people	<ul style="list-style-type: none"> • How will the Council define 'vulnerability' in different circumstances, when talking about protecting the most vulnerable people? 	Public and private partners
	<ul style="list-style-type: none"> • Who do you classify as vulnerable people? • How do we make sure that population predictions are right particularly in relation to the potential number of vulnerable people? • Austerity measures are being driven nationally in particular impacting on vulnerable older people. • Importance of inter agency working to tackle anti social behaviour in specific areas. • How will you make sure you are not going to affect the most vulnerable people? Particularly older people? • How do you ensure people who are struggling in their homes are going to get the help that they need, to keep them out of residential homes and hospitals? • Giving people in the city less help may lead to more issues further down the line that may be more expensive. Preventative services for all citizens are better than reactive ones in the long run. • Withdrawing services for disabled people is short-sighted and may lead to ongoing problems in the future. • It is crucial for local authorities to find ways to protect those who cannot protect themselves, those with the quietest voice and the least economic muscle. 	Residents

Priority / Theme	Comments	Sector
	<ul style="list-style-type: none"> • Increase support for Advice Services, delivers benefits at relatively low cost and removes significant burden from statutory services. 	
	<ul style="list-style-type: none"> • Priority will need to be minimising the impact on vulnerable people while achieving savings. 	C&W Chamber
	<ul style="list-style-type: none"> • The voluntary sector has a role in early service provision and reducing demand. The voluntary sector can contribute and help to create more self reliance for service users. • Support for carers is a high value prevention service. • With respect to the savings in the Early Intervention Grant, the adverse effect on parent carers if Short Breaks for disabled children are reduced needs to be considered. 	Voluntary and Community Sector
	<ul style="list-style-type: none"> • Invest in victim support and criminal procedures for vulnerable people. • Improve access to citizen's advice and support services. • Work in partnership with victim support groups and interest groups. 	Coventry Youth Council
Equality / Inequality	<ul style="list-style-type: none"> • Impact of equal pay legal challenges on budgets • Accepting that cuts / reforms will worsen equality in the city • Some stigma attached to taking targeted / means-tested benefits, universal services / benefits are often a good method of reaching the most vulnerable 	Public and private partners
Council's Budget Proposals		
Efficiency Savings	<ul style="list-style-type: none"> • Has there been an impact on efficiency arising from the level of Council job cuts? • Impression that the Council has a lot of managers, often people want to speak to operational staff on the ground. • Understand Council needs to save money but also needs to spend sensibly: the Council spent a lot of money on a Contact Centre that is not efficient. • Move offices out of town centre so that High value rental income can be achieved. • The Council is the biggest employer in Coventry, proposals are removing good quality people from the employment pool. • Avoid the use of private consultants 	Residents

Priority / Theme	Comments	Sector
	<ul style="list-style-type: none"> • Impact of voluntary redundancies on services – resulting shortages of skills. Opportunity for joint recruitment / recruitment of City Council staff to non-Council jobs by other organisations. 	Public and private partners
Improve the way we work and deliver value for money	<ul style="list-style-type: none"> • Concern over cuts to Neighbourhood Services. Neighbourhood Action provides contacts and gateways to other services enabling the voluntary sector to deliver more. • Important to maintain the vibrancy of the voluntary and community sector. There are a number of reviews coming up that will impact on the sector including Commissioning and Procurement, Community Services and Neighbourhood Services. • Involve the voluntary sector in Bolder Community Services. • Consider different ways of delivering services and not just shaving services. • Tendering for services can be expensive for both the Council and service providers, there may be better ways of commissioning services. • Provide more services through the not for profit sector. 	Voluntary and Community Sector
	<ul style="list-style-type: none"> • Community Centres have many people coming in seeking advice – e.g. in filling in very long forms to apply for benefits – would be useful if advice-givers themselves were given advice to point people in the right direction • Need to grasp opportunities to provide advice services in local areas where advice services is currently unavailable • Support for the reduction in Community Services and making people more responsible for themselves 	Residents
	<ul style="list-style-type: none"> • Some minimum wage jobs could be ring fenced for young people as they are cheaper to employ. 	Coventry Youth Council
Managing Demand For Services	<ul style="list-style-type: none"> • The voluntary sector has a role in early intervention and reducing demand on services. The voluntary sector can contribute and help to create more self reliance for service users. • Research shows support to family carers reduces the need for costly social care intervention. 	Voluntary and Community Sector
	<ul style="list-style-type: none"> • More opportunities for young people to be involved. • Encourage young people to volunteer. • More work experience and part time jobs for young people. 	Coventry Youth Council

Priority / Theme	Comments	Sector
	<ul style="list-style-type: none">• More advice information and support for young people.	
Income generation	<ul style="list-style-type: none">• Raising funds by charging Council Tax on empty properties	Public and private partners
Budget proposals	<ul style="list-style-type: none">• We want to see the Council making more opposition to the spending cuts, like other Councils have done. There is a lot of need for services in the City.• Only ball park figures in the budget consultation document – not enough detail.• Concern that the Council is trying to cover debts from other people who are not paying their Council Tax.• Aim for zero percent rise. Council tax rises hurt those who are just coping and staying off benefits the most• Maintain capital budget so that Coventry is seen as an attractive city to work in.	Residents
	<ul style="list-style-type: none">• Has the Council considered raising Council Tax above 2% and holding a referendum?• Police & fire precept not bound by 2% limit for Council	Public and private partners

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Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
	Initial Budget Gap	14,445	27,358	45,358		
	<u>Emerging Risks and Pressures</u>					
1	Housing Benefit Reform	0	1,000	1,000	Responsibility for Housing Benefit is passing from Local Government to Central Government on a phased basis. This proposal reflects the fact that Housing Benefit Admin Grant that the Council receives is likely to be phased out over time although the Council will need to continue to provide a service locally for the next few years. It is understood now that the Admin Grant is likely to be maintained at or around its current level for 2013/14	There will be no equalities impact in relation to the provision of this service or on the workforce in the next financial year.
2	Academy Schools Topslice – Grant Cut (Change to Pre-Budget Report)	1,500	1,500	1,500	Confirmation is awaited of the final amount of grant funding for central LEA services being directed to Academy schools. There is concern that this will result in a reduction in the amount of funding available for existing services for schools within CLYP.	Any equality analysis of this area will be dependant on the allocation of resources by CLYP to take account of the grant cut. This will be explored more fully during 2013/14. Protected groups likely to be affected include children and young people.
3	Academy Schools Topslice – Saving Required (Change to Pre-Budget Report)	(1,000)	(1,000)	(1,000)	As a result of the grant cut above it is proposed that savings will be required from within CLYP education services to replace the lost funding.	Any equality analysis of this area will be dependant on the allocation of resources by CLYP to take account of the grant cut. This will be explored more fully during 2013/14. Protected groups likely to be affected include children and young people.
4	Early Intervention Grant (Change to Pre-Budget Report)	2,800	3,500	3,500	Reduction in Early Intervention Grant from Government	This review will incorporate equality analysis to determine the specific impact on particular groups. Those likely to be affected are children and young people, in particular looked after children.
5	Local Govt Finance Settlement Risk (Change to Pre-Budget Report)	2,378	5,498	5,892	Changes resulting from the Local Government Finance Settlement for 2013/14. This includes how much money is being allocated to Local Government in total, how that money is distributed between local authorities and what the impact of	There are no equality issues arising specifically from this change. Any impacts arise within the specific changes that stem from the overall loss of resources to the Council. Equality analysis will be

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
					the new Business Rate Retention Scheme will be. This proposal represents the balance of the Final Settlement numbers compared to provisional figures provided previously by Government.	undertaken directly by the service areas affected. All protected groups could potentially be affected.
6	Pensions – Cost of Past Service	880	1,267	1,754	Increasing employer superannuation contributions to repay the existing pension fund deficit. This is in line with the actuarial assessment of the cost of past service pension liabilities.	There are no equality issues arising in relation to this area.
7	Reset City Services & Development Directorate Budget Pressures	1,675	1,325	975	Resetting budgets to levels that reflect economic position. In the main this relates to Car Park, Property Portfolio, Planning & Building Control income budgets.	There are no equality issues arising in relation to this area.
7a	Contribution to CLYP Budget Pressures Risk (Change to Pre-Budget Report)	700	(500)	(1,100)	This new line reflects a temporary corporate contribution to enable the CLYP Directorate to manage existing budget pressures plus those arising from reductions in Early Intervention Grant and the Academy Schools top-slice. The overall corporate contribution over 3 years will be £1.5m, £1.0m and £0.4m. This line shows the net corporate position after taking into account the differences between lines 2 & 3 and lines 4 & 48.	There are no equality issues arising in relation to this area.
8	Council Tax Benefit Support	3,000	3,000	3,000	The Council Tax Benefit grant of c£30m that the Council receives will be reduced by about 10% as responsibility for Council Tax Benefit (now named Council Tax Support) is transferred to the Council in 2013/14. Following the Council decision to maintain Council Tax Support payments to claimants broadly in line with the current scheme this is equivalent to a budget pressure of c£3m.	Detailed equality analysis has been undertaken as this project has progressed. The final Equality Analysis, which incorporates findings from the consultation, has been included within the report approved by Council on 4 December. Key groups likely to be protected from impacts include : <ul style="list-style-type: none"> • Low income households in receipt of benefits • Low income working households • Children in low income households • Disabled people • Families • People from black and minority ethnic backgrounds

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
						<ul style="list-style-type: none"> • Single parents • People with caring responsibilities • Women • People approaching pension age
9	Impact of 2% Council Tax Cap	500	500	500	Assumes 2% Council Tax rise rather than 2.5%. The implications of the final recommendation to freeze Council Tax has been reflected in lines 23a and 23b.	There are no equality issues arising in relation to this area.
10	Paper – Postage Costs	120	120	120	Resetting budget to reflect specific and unavoidable inflationary pressure on postage costs.	There are no equality issues arising in relation to this area.
11	Customer Management	100	100	100	Reverses previous budget target. It is no longer anticipated that a saving will be achieved in this area.	There are no equality issues arising in relation to this area.
12	Schools Catering	100	100	100	Resetting secondary catering income budget to reflect further loss of secondary schools catering business.	There are no equality issues arising in relation to this area.
13	Print Function Delivery Options	250	250	250	Previous savings target for a service delivery option that is not now being pursued	There are no equality issues arising in relation to this area.
14	Coroners Staff Transfer	110	110	110	Cost of function being transferred from West Midlands Police	There are no equality issues arising in relation to this area.
15	Abc Programme Consultancy Costs	500	1,000	1,000	Initial estimate of external costs to support review activity subject to review as Abc projects progress.	There are no equality issues in relation to this area.
	Total Emerging Risks and Pressures	13,613	17,770	17,701		
	<u>Policy Developments</u>					
16	City Deal	200	2,000	4,500	Prudential borrowing costs to support City Deal capital proposal (subject to success of bid) or alternative equivalent policy development.	The planned expenditure in relation to this area will have an impact on the delivery of Council services more widely but the exact detail of this is not yet known. In-depth equality analysis of the services affected will be undertaken as required, but a range of protected groups could potentially be

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
						affected.
	<u>Technical Budget Changes</u>					
17	Reduce budget for City Centre Income loss	(3,000)	(1,000)	(1,000)	The planned redevelopment of the City Centre will have an initial impact on the amount of rent that the City Council receives as a landlord of city centre property. This rent loss pressure has been included in previous budget proposals but it is now expected that the impact is likely to be delayed compared with previous assumptions delivering a saving. The re-profiling reflected in this proposal leaves £2m p.a. rent loss contingency for 2014/15 onwards	There are no equality issues arising in relation to this area.
18	Realign Pay Award Assumptions	0	(3,000)	(3,000)	This assumes that the Government's 1% pay policy for the public sector (2013/14 and 2014/15) is implemented in the Local Government pay award. This changes the local financial planning assumption from 1%, 2.5% 2.5% over the next three years to 1%, 1%, 2.5%.	This proposal is in line with our previous planning assumption for 2013/14 and therefore there are no equality implications for 2013/14.
19	External Audit Costs (Reduction)	(150)	(150)	(150)	The transfer of External Audit responsibilities from the Audit Commission to Grant Thornton will be delivered within a lower Audit fee. This will be firmed up as the new arrangements become established.	There are no equality issues arising in relation to this area.
20	Increased Council Tax collections powers	(1,800)	(1,800)	(1,800)	Proposed new Council Tax raising proposals for second homes and empty properties	The equality issues arising here will be considered as part of the report to Council on this issue.
21	Grant from Health (Section 256)	(3,000)	(3,000)	(3,000)	Proposal to use ongoing grant from the health sector to fund combined health and social care activity	The impact of this proposal will be managed within the wider review of Community Services.
22	Asset Management Revenue Account (AMRA)	(1,000)	(1,000)	(1,000)	The AMRA is a corporate budget where the Council's revenue financing of the Capital Programme are reflected. Continuing reprofiling of capital spend mean that there is likely to be a saving in this area although this will be firmed up as the Capital Programme for 2013/14 is	There are no equality issues arising in relation to this area.

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
					confirmed.	
23	Council Tax Base/Collection Fund	(700)	0	0	Initial estimate of growth in Council Tax revenue subject to imminent recalculation based on tax-base and collection performance.	There are no equality issues arising in relation to this area.
23a	Council Tax Freeze Grant (Change to Pre-Budget Report)	(1,177)	(1,177)	0	This is a new item reflecting the recommended decision to maintain the City Council Tax at its existing level and representing a specific grant from Government..	There are no equality issues arising in relation to this area.
23b	Net loss of Council Tax resources from 0% Council Tax increase (Change to Pre-Budget Report)	961	961	961	This is a new item that reflects the loss of Council Tax resources as a result of the recommended decision to freeze Council Tax.	There are no equality issues arising in relation to this area.
24	Reduce budget for Vision for Leisure	(2,000)	(1,000)	(1,000)	An £2m budget for the development of future leisure facilities has been approved previously. Latest indications are that none of this will be required in 2013/14 and only part of it for 2014/15 and 2015/16.	The funding approved originally is not now required within 2013/14. There are therefore no equality implications arising from this proposal.
25	Council Tax Benefit Implementation (Change to Pre-Budget Report)	(941)	(941)	(941)	Reverses unused element of previous £1m approved for Council Tax Benefit Implementation. Final Settlement identified a higher level of Council Tax Reduction Scheme resources than assumed in the Pre-Budget Report.	There are no equality issues arising in relation to this area.
26	Council Tax Support One-Off Transitional Grant	(649)	0	0	The Government has announced a transitional grant to authorities whose proposed schemes meet the relevant criteria. It is anticipated that Coventry's scheme will be compliant.	See text above relating to equality analysis of Council Tax Benefit Support project.
27	On-going Costs of Elected Mayor	(150)	(150)	(150)	The ongoing cost of an Elected Mayor was included in the 2012/13 Budget proposals. The referendum decision not to choose the Elected Mayor option means that this cost will not now be incurred.	There are no equality issues arising in relation to this area.
28	Integrated Transport Authority Levy (Change to Pre-Budget Report)	(397)	(917)	(277)	Reflects a £2m reduction in the overall West Midlands' ITA levy 2013/14. As a result of this reduction and a lower proportionate share of the levy based on population shares the City Council will pay £16.8m in 2013/14.	Equality analysis will be undertaken within this area in 2013/14. Protected groups likely to be affected include disability, age and those living in deprived areas.
	Total Technical Budget	(14,003)	(13,174)	(11,357)		

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
	Changes					
	<u>Options For Savings</u>					
29	Business Services Post Implementation Review	(250)	(250)	(250)	A previous approved budget savings target of £1.850m already exists for 2013/14. This proposal is to seek further savings within the existing Business Services structure.	Equality analysis will be undertaken as part of the post-implementation review.
30	Waste Disposal Dividends	(333)	(333)	(333)	Work with the Coventry and Solihull Waste Disposal Company to identify a higher level of dividend to be returned to the Council as a shareholder in the company.	There are no equality issues arising in relation to this area.
31	CLYP Review per Approved Position	0	0	(1,200)	Savings approved within the CLYP Fundamental Service Review (Cabinet 14th February 2012) were included in the 2012/13 Budget Setting Report. This saving represents the increased year 4 saving indicated in that report.	The equality issues arising from this will be considered as part of the CLYP Fundamental Service Review.
32	0% Price Inflation	(1,000)	(1,000)	(1,000)	Our medium term financial plans included allowances for inflationary increases in non-pay budgets. This proposal is to not inflate the inflation element for all budgets without a contractual inflation element.	The equality impact of this will be spread across a very large number of budget areas and will be carried out where appropriate as the individual non-pay budgets are identified..
33	Additional Insurance Savings	(150)	(150)	(150)	Saving resulting from reduced legal costs of handling insurance claims.	There are no equality issues arising in relation to this area.
34	City Services and Development Directorate Target Saving	(500)	(700)	(770)	Target saving to be achieved within City Services & Development Directorate	Equality analysis will be carried out as the work to establish the detail around the target savings is progressed.
35	Events and Communications	(80)	(80)	(80)	Additional savings identified from an existing review of communications spend and reduced expenditure on the events budget	Equality analysis will be carried out as the work to establish the detail around the target savings is progressed.
	Total Options for Savings	(2,313)	(2,513)	(3,783)		
	<u>Abc Programme</u>					
36	Public Health	(500)	(1,000)	(1,000)	The Council is taking on new responsibilities for	As the work to determine allocation of

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
					Public Health from April 2013. This review will consider the combined funding of current Council budgets and funding being passed over from the health sector to determine how best to use these to deliver effective public health outcomes.	resources is progressed, equality analysis will be carried out where there is likely to be an impact on public health outcomes for service users including those from protected groups.
37	Strategic Commissioning and Procurement	(2,000)	(5,000)	(8,000)	Review to ensure optimum outcomes from commissioning and strategic procurement activity through better control of cross-Council procurement and commissioning activity, improved governance arrangements, better use of management information to support decision making and consistent engagement with others involved in procurement/commissioning.	Strategic processes are being incorporated into this review to ensure that equality and consultation analysis is undertaken as part of commissioning and procurement activity across the Council. A range of protected groups are likely to be affected by this review.
38	Strategic Review of Community Services	(3,000)	(8,000)	(15,000)	Review of Community Services incorporating the key principles that people will be expected to do more for themselves, that people should be as independent as possible for as long as possible and that ongoing support will only be provided to the most vulnerable people when they need it.	This review will incorporate in-depth equality and consultation analysis during 2013-14. Groups with the protected characteristics of disability and age are likely to be affected by this review.
39	Review of Special Educational Needs, Disability and Transitions	(500)	(1,000)	(1,000)	A review incorporating placements, transport, commissioning, transitions, advice and guidance, Children's Disability Team services and other SEN services. Review will include better engagement with families of children with support needs, better management of expectations and promotion of independence.	This review will incorporate in-depth equality and consultation analysis during 2013-14. The protected groups likely to be affected by this review include children and young people and disability.
40	Commercialisation/Income Maximisation	(550)	(2,050)	(3,050)	To identify significant new areas where income can be generated and to increase existing fees and charges within a more consistent policy framework.	Individual equality analyses will be undertaken for each specific projects that are identified for delivery in this area. This review could potentially impact on all protected groups.
41	Review of LEA Functions – to encompass new strategic relationship with schools	(500)	(1,000)	(1,500)	Review of the CLYP services provided to schools to examine ongoing need for those services, how best they could be transformed and/or whether there are any alternative delivery models.	Any equality analysis of this area will be dependant on the allocation of resources by CLYP to take account of the grant cut. This will be explored more fully during 2013/14, though the groups most likely to be affected will be children and young people.

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
42	Strategic Regeneration and Business Rate Growth	0	(2,000)	(3,000)	Review to influence the growth in business rate income through a growth in commercial/business floor-space and maximisation of billing and collection of rates	Equality analysis will be undertaken as part of this review.
43	Reduce Demand for Council Services	(500)	(1,000)	(3,000)	Examine what drives the demand for services to see how early intervention activity could reduce the need for expenditure (excluding social care which is being dealt with as part of other reviews). Work should help to ensure that users of Council services access those services at the most appropriate time and through the most appropriate channels.	In-depth equality analysis will be undertaken as this review develops, but there are potentially a range of protected groups that could be affected.
44	Strategic Asset and Property Review to encompass tax property thinking	(500)	(1,000)	(3,000)	Identification of most appropriate ownership and management models for the Councils property holding to release resources and provide a catalyst for other strategic initiatives.	Equality analysis will be undertaken as part of this review.
45	Headcount Reduction Strategy over and above reductions in specific areas above	(500)	(1,000)	(1,000)	Identify opportunities and management actions across services to reduce post numbers in line with similar initiatives undertaken in recent years.	The Council monitors the equality profile of employees made redundant or taking early retirement. Equality analysis will be undertaken in this area as the project develops, and will be reported during 2013-14. All protected groups could potentially be affected by this work.
46	Future Shape of the Council	0	(500)	(500)	Examine the Council's future role and organisational structure to ensure that it is best placed to ensure effective delivery of services in the future.	In-depth equality analysis will be undertaken as this review but develops, but potentially all protected groups could be affected.
47	Review Neighbourhood Services	(700)	(1,000)	(1,000)	Review of neighbourhood services. See Appendix 2.	This review will incorporate equality analysis during 2013/14. Protected groups living in disadvantaged neighbourhoods could be affected.
48	Early Intervention Grant Saving (Change to Pre-Budget Report)	(2,500)	(2,500)	(2,500)	Manage loss of Early Intervention Grant. See item 4.	This review will incorporate equality analysis to determine the specific impact on particular groups. Those likely to be affected are children and young people, in particular looked after children.
49	Cultural Trusts	(192)	(465)	(465)	Management and organisation savings delivered	Savings in relation to this area will retain

Appendix 2: Spending and Saving Proposals and Equality Issues

	Budget Proposals	2013/14	2014/15	2015/16	Description	Equality Issues
					through by the Coventry Transport Museum, the Coventry Heritage and Arts Trust and the Belgrade Theatre Trust in line with the reports to Cabinet on 9th October 2012.	the current level and accessibility of the cultural offer. Any resultant organisational changes will include full equality and consultation analysis being undertaken.
	Total Abc Programme	(11,942)	(27,515)	(44,015)		
	Total Budget Balance	0	3,926	8,404		

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General Fund Revenue Budget 2013/14

Appendix 3

2012/13 £'000	CABINET MEMBER PORTFOLIO'S	Inflation & Previous Budget Decisions £'000	PPR Changes £'000	2013/14 Final Budget £'000
68,884	Children, Learning and Young People	(30)	(1,100)	67,754
14,306	City Services	7,541	25	21,872
78,747	Health & Community Services	1,726	(6,000)	74,473
21,522	Neighbourhood Action, Housing, Leisure & Culture	(1,983)	(892)	18,647
1,736	Strategic Finance & Resources	325	20	2,081
19,148	Community Safety & Equalities	(933)	(15)	18,200
4,860	Policy, Leadership & Governance	909	(80)	5,688
(3,052)	City Development	(4,186)	675	(6,563)
684	Sustainability & Local Infrastructure	30	0	714
206,835	TOTAL CABINET MEMBER PORTFOLIO'S	3,399	(7,367)	202,866
31,857	Asset Management Revenue Account	2,883	(1,133)	33,606
11,025	Contingencies & Corporate Budgets	11,366	(7,905)	15,015
65	Reserve Contributions to support General Fund Budget	(65)	0	0
17,632	Levies From Other Bodies	(312)	(398)	16,922
5	Parish Precepts	0	0	5
267,419	BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES	17,271	(16,803)	268,414
Financed by:				
(149,074)	Central Government Resources			(121,545)
(118,345)	Council Tax @ 0% increase			(93,813)
0	Business Rates			(53,056)
(267,419)	TOTAL RESOURCES			(268,414)

Gross Expenditure and Income Budget 2013/14

2012/13 £'000	CABINET MEMBER PORTFOLIO'S	Gross Expenditure £'000	Gross Income £'000	2013/14 Final Budget £'000
68,884	Children, Learning and Young People	323,844	(256,090)	67,754
14,306	City Services	37,902	(16,030)	21,872
78,747	Health & Community Services	120,654	(46,181)	74,473
21,522	Neighbourhood Action, Housing, Leisure & Culture	19,525	(878)	18,647
1,736	Strategic Finance & Resources	122,616	(120,535)	2,081
19,148	Community Safety & Equalities	21,230	(3,030)	18,200
4,860	Policy, Leadership & Governance	5,959	(271)	5,688
(3,052)	City Development	12,984	(19,547)	(6,563)
684	Sustainability & Local Infrastructure	868	(154)	714
206,835	TOTAL CABINET MEMBER PORTFOLIO'S	665,582	(462,716)	202,866
31,857	Asset Management Revenue Account	35,498	(1,892)	33,606
11,025	Contingencies & Corporate Budgets	24,457	(9,442)	15,015
65	Reserve Contributions to support General Fund Budget	0	0	0
17,632	Levies From Other Bodies	16,922	0	16,922
5	Parish Precepts	5	0	5
267,419	BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES	742,464	(474,050)	268,414
Financed by:				
(149,074)	Central Government Resources			(121,545)
(118,345)	Council Tax @ 0% increase			(93,813)
0	Business Rates			(53,056)
(267,419)	TOTAL RESOURCES			(268,414)

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SUMMARY

CAPITAL PROGRAMME: 2013/14 - 2017/18

Expenditure

Cabinet Member

Education, Children & Young People
 City Development
 City Services
 Neighbourhood Action, Housing, Leisure and Culture
 Sustainability and Local Infrastructure

	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
	18,556	15,452	17,675	11,700	10,116
	18,126	48,034	4,915	2,855	2,750
	18,666	19,117	9,878	9,987	8,822
	3,971	2,594	2,153	2,126	2,126
	4,450	4,217	1,000	1,000	1,000
Total Programme	63,769	89,414	35,621	27,668	24,814

Allowance for Rescheduling 5%

(3,188) (1,442) 2,618 529 169

Programme After Rescheduling

60,581 87,972 38,239 28,197 24,983

Resources Available

60,581 86,962 38,239 28,197 29,884

Temporary borrowing required

1,010

Resources available

4,901

Cabinet Member
Education, Children & Young People

Primary Schools Expansion Programme
Schools Condition
Schools Basic Need
Devolved Formula Capital
Early Years
Leased Equipment
Suitability/Access
Social Care/Other
Broad Park House (Breaks for Disabled)
Pathways to Care (Support to Foster Carers)
Playbuilder Programme
Total Approved Programme

	2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s	2017/18 Base Prog £000s
13,274	11,432	2,000	0	0	
2,090	1,870	3,500	3,500	3,500	
1,026	736	11,035	7,050	5,456	
700	700	700	700	700	
555	284	0	0	0	
150	150	150	150	150	
110	100	100	100	100	
367	0	0	0	0	
240	180	190	200	210	
44	0	0	0	0	
18,556	15,452	17,675	11,700	10,116	

Resourcing:

Corporate Resources
Grant
Leasing
Total Resourcing

6,948	4,876	190	200	210
11,458	10,426	17,335	11,350	9,756
150	150	150	150	150
18,556	15,452	17,675	11,700	10,116

Cabinet Member
City Development

Nuckle
Property Repairs
Far Gosford Street Village (FARGO)
Growing Places
Coventry & Warks Enterprise and Business Growth
Regional Growth Fund
Heatline
Canley Park
Far Gosford St
Meantime Strategy
Canley Regeneration
New Deal for Communities Masterplanning
Barracks Car Park Repairs
Asset Management Database
Coombe Park Lodge
Arena Archway
Total Approved Programme

	2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s	2017/18 Base Prog £000s
7,310	12,437	0	0	0	
2,750	2,750	2,750	2,750	2,750	
2,513	855	0	0	0	
2,000	7,800	2,000	0	0	
1,154	587	0	0	0	
900	22,600	0	0	0	
656	0	0	0	0	
250	750	0	0	0	
175	125	60	0	0	
109	0	0	0	0	
95	0	0	0	0	
139	110	85	85	0	
42	0	0	0	0	
20	20	20	20	0	
10	0	0	0	0	
3	0	0	0	0	
18,126	48,034	4,915	2,855	2,750	

Resourcing:

Corporate Resources
Grant
Total Resourcing

3,729	4,487	2,915	2,855	2,750
14,397	43,547	2,000	0	0
18,126	48,034	4,915	2,855	2,750

**Cabinet Member
City Services**

Highways & Transport Investment
Vehicle & Plant Replacement
Cycle Coventry
Public Realm Phase 2
Lentons Lane Cemetery
Bannerbrook Park (Section 106 funding)
The Lodge - Canley Crematorium
Super Connectivity
Total Approved Programme

2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s	2017/18 Base Prog £000s
9,142	8,201	7,421	7,421	7,421
4,233	2,808	1,457	2,566	1,401
2,164	1,508	0	0	0
2,004	0	0	0	0
643	43	0	0	0
430	500	1,000	0	0
50	7	0	0	0
0	6,050	0	0	0
18,666	19,117	9,878	9,987	8,822

Resourcing:

Corporate Resources
Prudential Borrowing
Grant
Leasing
Total Resourcing

5,567	2,500	3,000	3,000	3,000
4,736	3,750	1,316	1,409	1,383
8,173	12,759	5,421	4,421	4,421
190	108	141	1,157	18
18,666	19,117	9,878	9,987	8,822

**Cabinet Member
Neighbourhood Action, Housing,
Leisure and Culture**

Housing Policy (Disabled Facilities Grants)
Play Areas
Holbrooks Park
Sports Facilities
Housing Policy (Siskin Drive)
Parks
Total Approved Programme

2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s	2017/18 Base Prog £000s
2,354	2,126	2,126	2,126	2,126
780	468	27	0	0
371	0	0	0	0
250	0	0	0	0
191	0	0	0	0
25	0	0	0	0
3,971	2,594	2,153	2,126	2,126

Resourcing:

Corporate Resources
Grant
Revenue
Total Resourcing

250	0	0	0	0
3,651	2,594	2,153	2,126	2,126
70	0	0	0	0
3,971	2,594	2,153	2,126	2,126

**Cabinet Member
Sustainability & Local Infrastructure**

Strategic ICT Projects
Social Services IT System: Connecting Care
Total Approved Programme

2013/14 Base Prog £000s	2014/15 Base Prog £000s	2015/16 Base Prog £000s	2016/17 Base Prog £000s	2017/18 Base Prog £000s
3,961	4,000	1,000	1,000	1,000
489	217	0	0	0
4,450	4,217	1,000	1,000	1,000

Resourcing:

Corporate Resources
Prudential Borrowing
Revenue
Total Resourcing

880	1,108	1,000	1,000	1,000
3,352	3,000	0	0	0
218	109	0	0	0
4,450	4,217	1,000	1,000	1,000

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COUNCIL INVESTMENT STRATEGY AND POLICY

1. Governance

In respect of investments, the key requirement of the government's "Guidance on Local Government Investments" initially issued on 12th March 2004 by the ODPM, and revised by Communities and Local Government (CLG) in April 2010, is for local authorities to draw up an annual investment strategy for the management of its investments. The strategy has 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 sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The type of investments that can be used by the Authority are:-

Investment	Specified	Non-Specified
Term and call deposits with banks and building societies	✓	✓
Term deposits, call deposits and bonds with other UK local authorities	✓	✓
Investments with Registered Providers (former Registered Social Landlords)	✓	✓
Certificates of deposit with banks and building societies	✓	✓
UK Government Gilts	✓	✓
UK Government Treasury Bills (T-Bills)	✓	x
UK Government Debt Management Account Deposit Facility (DMADF)	✓	x
Bonds issued by Multilateral Development Banks/Supranational banks	✓	✓

Commercial Paper	✓	×
Corporate Bonds	✓	✓
Money Market Funds and Collective Investment Schemes	✓	✓

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

The Director of Finance and Legal Services 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 directly by the City Council:

Investments	Limit £m	Minimum Short Term Rating	Minimum Long Term Rating	Minimum Sovereign Rating (non UK)
UK Government, including gilts, t-bills and DMADF	unlimited			
Bonds issued by Multilateral Development Banks/Supranational banks	£12m			
Local Authorities, including single purpose authorities	£12m			
Registered Social Landlords	£6m			
Money Market Funds and Collective Investment Schemes*	£12m		AAA	
Term and call deposits with banks and building societies	£12m	F1	A-	AA+

* These are "pooled" investments which entail taking a small share of a pool of investments. As such risk is spread across a number of investments. Some Money Market Funds and Collective Investment Schemes are not given a credit rating, reflecting the practice within the financial services industry. Where this is the case the limit will be £3m and investments will only be made consistent with the advice of the City Council's Treasury Advisers.

Investment limits apply at the time the investment is made.

In the event of the City Council's own banker falling below the minimum criteria, balances held at the bank would be minimised as far as possible. In particular, no fixed term deposits would be made with the bank. In such circumstances any balances held would then be classified as non specified investments.

The total limit for all non specified investments is £15m.

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. However, in light of any uncertainty, the Director of Finance and Legal Services will, as appropriate, restrict further 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.

Separately, the City Council holds share or loan investments for policy reasons. Where the acquisition of such share or loan capital represents capital expenditure of the authority it is reported on as part of the capital monitoring process.

5. 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 Director of Finance and Legal Services 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.

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Summary Prudential Indicators

Appendix 6

	Est Outturn 12/13 £000's	Forecast 13/14 £000's	Forecast 14/15 £000's	Forecast 15/16 £000's
1 Ratio of financing costs to net revenue stream:				
(a) General Fund financing costs	34,736	35,302	37,934	38,775
(b) General Fund net revenue stream	267,419	268,414	253,677	244,942
General Fund Percentage	12.99%	13.15%	14.95%	15.83%
2 Estimates of Council Tax Impact ~ Proposed Programme		£149.78	£173.05	£186.04
Estimates of Council Tax Impact ~ Feb 12 Programme		£180.04	£205.27	
3 Gross Debt & Capital Financing Requirement				
Gross debt including PFI liabilities	388,000	403,923	410,485	410,887
Capital Financing Requirement	455,198	458,928	460,855	451,085
Gross Debt to Net Debt:				
Gross debt including PFI liabilities	388,000	403,923	410,485	410,887
less investments	-45,199	-36,117	-28,631	-27,986
less transferred debt reimbursed by others	-19,040	-18,264	-17,410	-16,470
Net Debt	323,761	349,542	364,444	366,431
4 Capital Expenditure (Note this excludes leasing)				
General Fund	60,810	60,241	87,714	37,948
5 Capital Financing Requirement (CFR)				
Capital Financing Requirement	455,198	458,928	460,855	451,085
Capital Financing Requirement excluding transferred debt	436,158	440,664	443,445	434,615
6 Authorised limit for external debt				
Authorised limit for borrowing	386,978	403,847	391,833	389,363
+ authorised limit for other long term liabilities	52,008	60,812	70,242	74,054
= authorised limit for debt	438,986	464,659	462,075	463,417
7 Operational boundary for external debt				
Operational boundary for borrowing	342,978	359,847	347,833	345,363
+ Operational boundary for other long term liabilities	52,008	60,812	70,242	74,054
= Operational boundary for external debt	394,986	420,659	418,075	419,417
8 Actual external debt				
actual borrowing at 31 March 2012	311,500			
+ PFI & Finance Leasing liabilities at 31 March 2012	42,313			
+ transferred debt liabilities at 31 March 2012	19,747			
= actual external debt at 31 March 2012	373,560			
9 CIPFA Treasury Management Code ~ has the authority adopted the code?				Yes
10 Interest rate exposures				
Upper Limit for Fixed Rate Exposures	256,765	403,847	391,833	389,363
Upper Limit for Variable Rate Exposures	11,000	80,769	78,367	77,873
11 Maturity structure of borrowing - limits	actual	lower	upper	
under 12 months	0%	0%	15%	
12 months to within 24 months	4%	0%	20%	
24 months to within 5 years	6%	0%	30%	
5 years to within 10 years	10%	0%	30%	
10 years & above	84%	40%	100%	
12 Investments longer than 364 days: upper limit		15,000	15,000	15,000

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