Coventry City Council

9 Public report
Cabinet Report

Cabinet	25th February 2014
Council	25th February 2014

Name of Cabinet Member:
Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:
Strategic Management Board

Ward(s) affected: All

Title:
Budget Report 2014/15

Is this a key decision?
Yes
Cabinet and Council are being recommended to approve the Council's **Revenue Budget** for 2014/15 incorporating revenue spending and savings decisions for 2014/15 and future financial years and the **Capital Programme** for 2014/15 to 2018/19.

Executive Summary:

This report follows on from the Pre-Budget Report approved by Cabinet on 10th December 2013. This has 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 2014/15. In the separate Council Tax Setting report on today's agenda it is recommended that City Council Tax levels are increased by 1.9% in line with the Budget recommended in this report.

2014/15 is the final 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. Over the course of the last year this has been updated by the Chancellor's Spending Round announcement of 26th June 2013, the Autumn Statement released on 5th December 2013 and the Local Government Finance Settlement for 2014/15 announced on 5th February 2014. The net effect of these announcements has been to make some further reductions to the Government grant resources available to the City Council for 2014/15 but to signal very large further cuts to 2015/16 and beyond.

The net impact of this period of austerity can be best demonstrated at a local level. In overall terms, the cuts in Government funding have led to a reduction of £324 for every Coventry household between 2010/11 and 2014/15, in the amount that the Council has available to spend.

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. This Budget Report confirms the fundamental importance of the Council achieving the existing three year abc savings programme within the Budget presented for 2014/15. The report also recommends approval of a range of expenditure and savings proposals that together produce a balanced budget.

This package of changes allows the Council to continue to deliver its key policies, confirmed in the Council Plan approved by Council on 14th January. 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 report also includes a revised Discretionary Rate Relief (DRR) Policy following a period of consultation. The new policy seeks to provide support to those organisations that best meet the priorities that the Council wants to promote whilst also offering a fair and transparent system to local tax payers. However, this will mean that some organisations that previously received DRR may receive a lower amount of or nil discretionary relief in the future. The new policy will not come into force until April 2015.

The Council recognises that the years beyond 2014/15 will bring further major financial challenges that will require further cuts in expenditure and changes to the way that some services are delivered. It is intended that further engagement with local people will be undertaken over the coming year to see how best some of these changes can be implemented. In the meantime, the Council is committed to placing itself in the best possible position by taking a positive approach to the new environment that local government is working within. These new circumstances are characterised by a reducing reliance on government resources and greater incentivisation to grow local business rates and retain a share in that growth.

Therefore, the Council's approach includes, but is not restricted to, Kickstarting the Friargate business district, implementing the Coventry Investment Fund proposals, leading the drive for economic growth and regeneration and supporting the sub-regional City Deal Initiative. The majority of the financial foundations for taking forward these initiatives have already been approved as part of existing decisions and are therefore not subject to specific recommendations within this report.

This report proposes a budget consistent with a rise in Council Tax levels just below the limit set by Government, beyond which a referendum would be required. This referendum limit has been set at 2% and the Council Tax rise will therefore be 1.9%. This option makes a modest amount of resources available to the Council in the short-term and guarantees the long-term security of this level of funding to help protect services provided to the people of Coventry.

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

Council are recommended to:

(1) Approve the final spending and savings proposals in **Appendix 2**.

(2) Approve the total 2014/15 revenue budget of **£258.5m** in **Table 1** and **Appendix 3,** established in line with a 1.9% City Council Tax increase and the Council Tax Requirement recommended in the Council Tax Setting Report considered on today's agenda.

(3) Note the Executive Director of Resources' comments confirming the robustness of the budget and adequacy of reserves in **Section 9.**

(4) Approve the Capital Programme of £142m for 2014/15 and the future years' commitments arising from this programme of £212m in 2015/16 to 2018/19 detailed in **Section 6** and **Appendix 4**.

(5) Approve the proposed Treasury Management Strategy for 2014/15 in **Section 7**, the revised Investment Strategy and Policy at **Appendix 5** for immediate implementation and the prudential indicators and limits described in **Section 7** and summarised in **Appendix 6**.

(6) Approve the Non Domestic Rate Discretionary Relief Policy for Charitable and Non Profit Making Organisations attached as **Appendix 7**.

List of Appendices included:

Appendix Number	Title
1	Public Consultation Responses
2	Spending & Savings Proposals and Equality Issues
3	Summary Revenue Budget
4	Capital Programme 2014/15 to 2018/19
5	Investment Strategy and Policy
6	Prudential Indicators
7	Non Domestic Rate Discretionary Relief Policy for Charitable and Non Profit Making Organisations

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 – Council 25th February 2014

Report title: Budget Report 2014/15

1. Context (or Background)

1.1 The purpose of this report is to seek approval for the 2014/15 Revenue Budget and corresponding Council Tax rise, the Capital Programme, Treasury Management Strategy and Prudential Indicators. The report also informs members of the Government's grant allocation for 2014/15, 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 10th December 2013, Cabinet received the Pre-Budget Report that formed the basis of the statutory budget consultation process. Council approved the Medium Term Financial Strategy (MTFS) on 3rd December 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 Council Plan agreed by Council on 14th January. The plan presents the Council's vision for the next ten years, combining the twin aspirations for the city to be "Globally connected - promoting the growth of a sustainable Coventry economy, and locally committed - improving the quality of life for Coventry people". These aspirations are increasingly challenging at a time of lower funding levels and one of the key messages within this report and the Budget consultation leading up to it is that the Council and Coventry citizens will need to engage with each other to determine the range, levels and quality of Council services that should be provided over the medium term within the tight financial constraints that will apply. Although the Council remains committed to delivering the best services possible, it will need to focus increasingly on protecting the most vulnerable citizens in the city and enabling the best conditions for economic regeneration and investment in the city. Internally, the Council will continue to focus on the delivery of its abc Programme of transformation reviews, which anticipates savings approaching £70m over the medium term. This focus will also turn to the more recent Kickstart initiative to help the Council balance its budget. This budget does not include any new abc savings within the revenue spending and saving proposals within the report.

1.4 The Government's resource announcements are largely as expected for 2014/15 but represent a significant worsening of the position in 2015/16 compared to previous forecasts. In addition, senior members of the Government and local government commentators have predicted a continuing downward trend in Government grant allocations for the period from 2016/17 and beyond, a position that the Council is now building into its forecasts.

1.5 In overall terms, the **cut in Government Revenue Support Grant for 2014/15 is £19m** – a reduction of 11% on the 2013/14 grant level. To provide some wider context, compared to the Council's level of gross controllable revenue expenditure[1] this is a real-terms cut of 5%. Reductions in Government resources (the Settlement Funding Assessment) continue to represent the dominant factor in setting the Council's Budget and the need to identify very large on-going cost reductions.

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[1] Gross revenue expenditure funded by Government Grant, Council Tax income, local Business Rates and fees & charges.

1.6 The Council's 2013/14 Budget Setting included a three year abc Programme and 2014/15 will represent the second year of this programme which will require a step increase in abc savings amounting to £18m. These savings have already received full Council approval and are not subject to any further decision for 2014/15. Delivery of the abc Programme remains a Council key response to reductions in Government funding and it is essential that members and officers are focussed on the reviews in place. It is recognised that several of the reviews contain very challenging increases in their targets for 2014/15 but the Strategic Management Board remains committed to their achievement. The Children, Learning and Young People (Social Care and Early Intervention) Review is the one area where a significant revision to the Programme will be necessary as a result of non-achievement of savings and this is set out in the detailed financial proposals. From April 2014 the People Directorate will deliver a consolidated transformation programme across children's and adults which focus the activities to address the savings lines within the MTFS.

1.7 This report's recommendations assume the rejection of the Government's Council Tax Freeze Grant which offers a grant equivalent to a 1% rise in Council Tax. Instead the report recommends a Budget that is supported by the maximum rise permissible above which the Council would be required to hold a referendum for its approval. The referendum limit has been set at 2% by Government and therefore the rise recommended in the Council Tax report on today's agenda is 1.9%. The recommended option makes additional resources of £0.7m available to the Council in 2014/15 over and above that on offer through the Council Tax Freeze Grant. In addition, it guarantees permanent Council Tax resources of £1.9m within the Council's tax-base - funding which can help protect services provided to the people of Coventry. Such a rise would be the equivalent of just over 30p per week for a typical Coventry household. Those that receive Council Tax Support (approximately 20% of Coventry households) would not pay any more under this proposal.

1.8 Notwithstanding the significant on-going cash reduction in general Government resources for the Council through the Settlement Funding Assessment, further reductions in specific grants has been set out in recent and previous announcements for 2014/15 including for the Education Services Grant, Housing Benefit Administration Grant and Adoption Reform Grant and for 2015/16 for Schools Basic Needs Capital Grant and Local Welfare Provision Grant.

1.9 The Council's 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, delivering other vital local services to Coventry citizens and helping to make the city an attractive place for businesses to move to and thrive in. With the Council now being allowed to retain 49% of any future Business rates growth in the future, the strength and vitality of the local economy will take on increasing significance for core Council funding over the coming years.

1.10 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. It is clear that public sector cuts will continue beyond the medium term planning horizon. Initial forecasts of the Council's medium term position are shown in **Section 5**. 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**

The remainder of the report details the financial position facing the Council and the specific proposals put forward for approval.

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. This is predicated on a City Council Tax rise of 1.9% and rejection of the Government's 2014/15 Council Tax Freeze Grant.

2.2 Government resources are now combined into a Settlement Funding Assessment of Revenue Support Grant, 'Top-Up' funding from Government plus the local share of Coventry Business Rates. Further analysis in **Section 3 (Table 2)** demonstrates a reduction affecting the Council's 2014/15 budget in the region of £19m.

2.3 The report seeks approval for a 2014/15 Capital Programme of £142m compared with an initial 2013/14 programme of £61m. 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**).

2.5 A draft Non Domestic Rate Discretionary Relief Policy for Charitable and Non Profit Making Organisations was included for consultation purposes in the Pre-Budget Report. It is now recommended that this policy, included in full at **Appendix 7** be approved.

3. Resources

3.1 The Council's total revenue budget is funded from a combination of Council Tax resources, Settlement Funding Assessment from central government, specific grants from Government and other bodies and fees and charges for Council services. An analysis of the movement from 2013/14 to 2014/15 is shown below.

Table1: Resources to Fund the Budget

2013/14 £000		2014/15 £000s	(Increase)/ Decrease £000s	(Increase)/ Decrease %
(93,813)	A: Council Tax Requirement	(98,788)	(4,975)	(5.3%)
(53,056)	B: Business Rates (Local Share)	(56,817)	14,884	8.5%
(121,545)	C: Revenue Support Grant and Top-Up	(102,900)		
(389,706)	D: Specific Grants (see section 3.4)	(387,026)	2,680	0.7%
(68,457)*	E: Fees and Charges**	(69,284)	(827)	(1.2%)
(268,414)	Funding of Net Budget (A + B + C)	(258,505)	9,909	3.7%
(726,577)*	Funding of Gross Budget (A + B + C + D + E)	(714,815)	11,762	1.6%

*2013/14 figures have been restated with £16m of charges to schools and other services reclassified as internal charges, reducing the line totals for Fees and Charges and Funding of Gross Budget.

**Council Tax and Business Rates Collection Fund surpluses are shown in line E: Fees and Charges in line with statutory requirements. The 2013/14 figure was £0.8m and the 2014/15 figure is £3.4m.

3.2 The resource projection figures in this report use the Final Local Government Finance Settlement position for 2014/15 (final) and 2015/16 (provisional) plus an indicative position for 2016/17. It is important to recognise that the projections made for the years beyond 2014/15 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.

3.3 The headline position for Government funding shows a resource loss of 10.6% in 2014/15 with the subsequent years changes shown in **Table 2** below representing further significant reductions in the resources available to the Council as follows.

Table 2: Coventry's Settlement Funding Assessment

		2014/15 Final	2015/16 Provisional Settlement	2016/17 Indicative Estimate
Coventry's Settlement Funding Assessment	£m	**(159.2)**	(135.0)	(123.7)
Decreases on Previous Year	£m	**18.8***	24.2	11.3
	%	**10.6%***	15.2%	8.4%

* This is a higher reduction than the £14.9m (8.5%) shown in Table 1 above. The analysis in this table rebases the starting 2013/14 starting point to provide a like for like comparison.

3.4 Taking together the Settlement Funding Assessment and Council Tax resources, Coventry net budget provided for £2,217 of funding for every household in the city in 2010/11. Since then, the number of Coventry households has risen (from over 132,000 to more than 136,000) at the same time as overall resources have been cut. The equivalent funding per household figure for 2014/15 is estimated at £1,893, a fall over the period of £324.

3.5 Specific Grants – In overall terms specific revenue grant funding has reduced between 2013/14 and 2014/15 from £390m to £387m. Within this, the total level of funding received to fund city schools (including the Dedicated Schools Grant and Pupil Premium Grant) is expected to be c£210m. This is £8m lower than 2013/14 due in large measure to the continued transfer of schools to Academy status. Housing Benefit Subsidy payments have been estimated at £113m, whilst other significant grants/movements include:

- A Public Health Grant of £19.6m (£1.8m increase)
- NHS funding to support social care and benefit health of £7.1m (£1.6m increase)
- Assumed funding for Adult Education of £6.5m
- New Homes Bonus Grant of £6m (£1m increase)
- Education Services Grant estimated at £5.2m (£0.4m decrease)
- Housing Benefit and Council Tax Administration Grant of £2.8m (£0.3m decrease)
- Grants received in lieu of Business Rates amounting to £2.5m such as Small Business Rates Compensation Grant (£1.2m increase)

In addition, the Council is expecting Adoption Reform Grant of £0.3m (£0.8m less than 2013/14) and a new grant of £0.4m for Special Education Needs, and these have been taken account of within the overall budget pressure identified for the People Directorate in **Appendix 2**.

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 increase of 1.9%. The Pre-Budget Report taken to Cabinet on 10th December 2013 showed a budget gap of £2.8m for 2014/15. 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 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 changes since the Pre-Budget Report are shown in the table below. These changes enable the Council to deliver a balanced budget for 2014/15.

Table 3: Principal Changes to Pre-Budget Report

	Appx 2 Line Ref	2014/15 £m	2015/16 £m	2016/17 £m
Pre-Budget Report Position		**2.8**	**15.9**	**39.0**
Government Grant Settlement		0.2	(2.7)	0.0
People Department (Children Social Care & ABCS)	1a	5.6	5.0	5.0
Pensions additional current service cost	3	(0.8)	(0.2)	0.2
Pensions additional past service cost	4	(2.7)	(0.6)	1.7
LGPS Implications - costs added to pensionable pay	4a	0.5	0.5	0.5
Council Tax and Business Rates Surplus & Tax-Base Increase	6a	(2.2)	1.7	1.5
Asset Management Revenue Account – Debt Repayment	7	(2.0)	(2.0)	(1.0)
Housing Benefit Administration Grant – Lower Contingency Against Loss	8	0.0	0.3	0.6
Carbon Reduction Commitment Levy Exemption	9a	(0.3)	(0.3)	(0.3)
Integrated Transport Authority	10a	(0.6)	(2.1)	(2.6)
Living Wage	15	(0.4)	(0.4)	(0.4)
City Deal Clearing House	16	(0.1)	0.0	0.0
Total		**0.0**	**15.1**	**44.2**

4.3 The single largest additional expenditure line since the Pre-Budget Report relates to pressures totalling £5.6m within the People Directorate. This is made up of:

- £2.6m relating to additional Looked After Children numbers.
- A shortfall of £0.4m in relation to an anticipated shortfall in the Special Educational Needs and Disability abc review.
- Additional temporary social work staffing costs of £0.8m to protect vulnerable children.
- £1.1m in relation to temporarily delayed savings identified as part of the A Bolder Community Services Review
- £0.7m relating to a range of further pressures within the People Directorate including continued fall-out of existing grant funding such as Education Support Grant and Adoption Grant.

These costs have been balanced by several areas for which the position has improved including the projected positions in relation to Council Tax and Busines Rates (2013/14 performance and 2014/15 tax-bases), the Asset Management Revenue Account (debt charges) and a lower than previously forecast cost of pension contributions.

4.4 The overall employer pension contributions included in this report result from discussions between the Council and the West Midlands Pension Fund. They increase the rate at which past service pension liability is recovered over the next three years compared with existing levels. Overall contributions will increase by £2.5m in 2014/15 rising to £8m by 2016/17, part of which relates to the city's schools with only the Council element (£2m rising to £6.4m) shown in **Appendix 2**. Further indicative rises are also expected in the years beyond the current triennial valuation subject to review in 2016 and the revised position of the Council's pension liability at that time. Final details in relation to pensions will be agreed with the Pension Fund shortly.

4.5 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**.

Table 4: Movement in Medium Term Budget Position

	2014/15 £000s	**2015/16 £000s**	**2016/17 £000s**
Initial Budget Gap	3,926	8,404	25,035
(Improved)/Worsened Resources Position	(1,878)	6,462	11,515
Immediate Cost Pressures	13,094	15,134	17,854
Long Term Cost Pressures	0	0	3,000
Technical Savings	(14,492)	(14,263)	(12,524)
Policy Savings	(1,500)	(1,500)	(1,500)
Policy Priorities	850	850	850
Final Bottom Line	**0**	**15,087**	**44,230**

4.6 **Reserves**
The level of City Council reserves as at 31st March 2013 is reflected in the table below.

Table 5: Reserves as at 31st March 2013

	Balance as at 31st March 2013 £m
Directorate Reserves	(18.6)
Corporate Reserves	(25.8)
Capital Reserves	(5.6)
Insurance Fund	(4.2)
Schools Reserves	(20.4)
Total Reserves	**(74.6)**

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

- £20m of schools specific reserves
- £9m of General Fund reserves to cover unforeseen financial problems
- £8m for planned future costs of the Council's Private Finance Initiative schemes in line with PFI financial models
- £6m for redundancy and pension strain costs over the medium term
- £6m to fund the Capital Programme
- £6m of grant funding earmarked for specific schemes
- £4m to cover the risk of potential insurance claims against the Council

The Council’s external auditors, Grant Thornton, have expressed the view that the level of General Fund reserves remains low although the balance increased at the end of 2012/13. It is the view of the Executive Director of Resources is that overall levels are adequate, although approaching the minimum acceptable level for a Council of this size in the current financial climate. Reserve levels will continue to be kept under review. This is covered further in section 9.1.

5 Medium Term Financial Position

5.1 Whilst this budget produces a balanced position for 2014/15, Government indications of future funding represent significant reductions in future years. The years beyond 2015/16 hold significant uncertainty also because they will be marked by a new Spending Review and a new parliamentary term whilst the Business Rate retention scheme introduced in 2013/14 continues to hold further scope for volatility in local government financial planning. Therefore, current projections for 2016/17 and beyond remains extremely challenging across the local authority sector. 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

	2015/16 £m	**2016/17 £m**
Spending after applying fees, charges and specific grants	254.6	271.8
Resources from general government grant, Council Tax and retained Business Rates	(239.5)	(227.6)
Anticipated Budget Gap	**15.1**	**44.2**

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 it’s Medium Term Financial Strategy. In addition, the Council’s proposed new administrative building within Friargate will offer the opportunity to further modernise how it operates and achieve further efficiency improvements. The anticipated outcomes from reviews identified so far are built into the position shown above. This approach, together with on-going 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. As a result of this the Council has begun to engage with local taxpayers and partners in a new conversation about the shape of the Council and its services going forward. This will become a major focus of consultation activity in the year ahead.

6 **Capital Programme**

6.1 In **Appendix 4** there are proposals for a Capital Programme of £142m. This compares with the current projected 2013/14 programme of £66m. The proposals include very significant and largely grant funded investment in the City's schools and highways investment programmes, together with 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 2014/15. Such borrowing of £2m is required for 2015/16 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. 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 £36m programme in 2014/15 for Education/Children and Young People relating to investments in schools across the City including continuation of programmes to increase primary school places. However, this programme is significantly reduced from 2015/16 onwards reflecting the published reductions in Coventry's future Basic Need funding allocations.
- A total investment of £38m in the City's transport and highways infrastructure including the £12m Friargate Bridgedeck and a Council funded £3m highways investment programme (down from £6m in 2013/14), spending on Cycle Coventry and city centre public realm works.
- 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.
- Initial spending on the long-term Coventry Investment Fund (CIF) programme of £50million to stimulate the local economy and create jobs.
- Further spending of £13m 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 £2.6m programme of Disabled Facilities Grants;
- Continuation of the investment in ICT infrastructure (£7m in 2014/15) funded largely from Prudential Borrowing;
- A £2.75m programme of property maintenance funded by revenue resources;
- A £1m programme of externally funded parks and play schemes;
- 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 the capital expenditure shown above are listed below:

- Capital grants from government bodies, Europe and the private sector (£91m). This includes £16m of European Regional Development Fund monies, £22m from the Regional Growth Fund, £22m of Government money for schools, and £21m of Government funding for highways and Nuckle.
- Unsupported or prudential borrowing (£40m) – this borrowing will support the Coventry Investment Fund (£6.5m), the Study Inn Loan (£5.5m), the Kickstart Office (£4m), £4m of ICT infrastructure spending, vehicle acquisition (£4m), the AT7 Centre (£2.5m) and Lenton's Lane Cemetery (£1m) plus £12m in areas for which grant resources have previously been used ahead of spend in 2013/14. 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 (£1.45m).
- £7m revenue funding for highways, property maintenance and ICT infrastructure investment.

6.5 **Forecast Capital Programme**

In line with previous practice, 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 2014/15 as a result of the 2013/14 budgetary control process. Full details of the proposed programme are included in **Appendix 4.**

Table 7: 2014/15 – 2018/19 Capital Programme (Expenditure & Funding)

Expenditure	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Business, Enterprise and Employment	50,139	61,039	39,137	7,851	2,908
Education/Children and Young People	36,628	12,399	5,800	9,268	9,014
Energy and Environment	1,937	322	26	0	0
Health and Adult Services	2,760	2,389	2,389	2,389	2,389
Housing and Heritage	5,618	912	0	0	0
Public Services	42,988	14,741	10,375	8,822	8,858
Strategic Finance and Resources	9,246	2,111	1,000	1,000	1,000
Total Approved Programme	149,316	93,913	58,727	29,330	24,169
Allowance for Rescheduling	(7,466)	2,397	1,879	1,564	336
Programme after Rescheduling	141,850	96,310	60,606	30,894	24,505

Funding	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Prudential Borrowing	40,209	57,202	37,946	6,415	1,317
Grants & Contributions	90,657	27,095	12,509	15,793	15,529
Capital Receipts	1,450	1,400	2,650	1,800	2,850
Revenue Contributions	9,279	7,977	6,248	6,793	6,750
Leasing	255	211	1,253	93	285
Total	141,850	93,885	60,606	30,894	26,731
Resources Available/(Shortfall)	0	(2,425)	0	0	2,226

Other significant Schools capital work programmes are excluded from the Programme and will be the subject of future reports to members. Between 2018 and 2022 the Council will need to expand secondary schools by the equivalent of up to 20 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 delivered 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 programme includes an on-going 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 whilst maintaining long term certainty in interest rate exposure;
- Manage the total debt maturity profile, having no one future year with a disproportionate level of debt repayments;
- Undertake the restructuring of debt, in order to minimise the costs through actively reviewing opportunities for rescheduling.

Investment, to:

- Maintain the capital security of sums invested,
- Maintain adequate liquidity;
- Maximise the revenue benefit by retaining external investments, repaying existing loans and avoiding new borrowing as appropriate given prevailing and forecast interest rates.

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk and the successful identification and control of risk are integral to the treasury activities and include the following: credit risk; liquidity risk; market or interest rate risk; refinancing risk and legal or regulatory risk

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, although current early signs of a recovery could apply upward pressure on rates. 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 2013/14 longer term PWLB rates have been in the region of 4% to 4.7%, although forecasts suggest that over the coming years these levels could rise by 1% or more. 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 2014 is as follows:

Table 8: Estimated Long Term Borrowing at 31st March 2014

Type of Debt	Total £m
PWLB	226.8
Money Market Loans	59.0
Stock Issue	12.0
Transferred Debt (other authorities)	18.3
Other	8.7
Total borrowing	324.8
PFI and Finance Lease Liabilities	64.3
Total Long Term Liabilities	**389.1**

The main funding sources currently 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. In addition, this trend has been extended with the introduction of a “project rate” which will enable the City Council, working with the Local Enterprise Partnership (LEP) to access borrowing for the Kickstart Project at 0.4% below standard PWLB rates;
- Money Market Loans - these are loans obtained from financial institutions and include LOBO (lender's option, borrower's option) loans typically with an initial fixed rate for 3-4 years, then variable thereafter. Should the lender exercise the option and seek to increase the rate beyond a certain level the borrower can choose to repay the loan, refinancing it at that point in time. This is, in effect, a call option for the lending bank. Coventry has £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 (Bond 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;
- UK Local Authorities – traditionally inter local authority borrowing has been used to manage shorter term cashflow demands, but there is now greater potential for longer term arrangements;
- PFI & Finance Leases - under accounting rules, liabilities to make payments under PFI schemes and finance leases are included within the City Council's balance sheet.

In addition, the City Council will consider other sources available to local authorities and may invest with these if appropriate: capital bond market investors; UK pension funds (excluding the West Midlands Pension Fund); vehicles set up by local authorities to enable joint local authority bond issues and other institutions authorised by the Prudential Regulation Authority.

Given the revenue budget and associated capital programme outlined in this report, the estimated underlying borrowing requirement for the City Council for each of the capital programme years from 2014/15 is summarised below:

Table 9: 2014/15 Borrowing Requirement (excluding PFI & finance leases)

Underlying Borrowing Requirement	2014/15 £m	2015/16 £m	2016/17 £m
New funds to finance the Capital Programme	40.2	59.6	37.9
Minimum Revenue Provision (debt repayment provision)	(14.7)	(16.7)	(17.8)
Forecast increase in borrowing requirement	**25.5**	**42.9**	**20.1**

This implies a significant increase in the Council's need to borrow over the coming years, which given the likely reduction in the level of City Council investments will increase the likelihood that the City Council will need to undertake some longer term borrowing during the coming year and beyond.

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

- Although local authorities have scope to borrow in advance of need, essentially borrowing on the basis of future planned capital spend, it is proposed that the City Council's current practice of not borrowing in advance of need continues;
- Non-capital programme factors including the level of short term cashflow balances, the use of reserve balances and the maturity of long term debt such as PWLB and, potentially, LOBO market loans;
- The impact of short term rates, including base rate, being lower than long term rates. This means that where the proceeds of long term borrowing are temporarily held as investment balances, there is a short term "cost of carry" reflecting the difference in short to long term rates. This is an immediate disincentive to undertake long term borrowing, even when long term rates are historically low;
- The potential to reschedule debt through redeeming existing borrowing early and replacing it with borrowing at lower interest rates. This will only be done if revenue benefits justify it, taking into account early repayment costs. However, the lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has tended to reduce the opportunities for local authorities to benefit through debt restructuring.

In the light of forecast interest rates, the objectives underpinning the Treasury Management Strategy and the forecast borrowing requirement for 2014/15 and future years, the Executive Director Resources will undertake the most appropriate form of borrowing depending on prevailing interest rates at the time.

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 balance sheet under accounting rules will match the annual principal repayment for the associated deferred liability.

7.7 Investments

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

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

- security of capital;
- liquidity or accessibility of the council's investments;
- yield or return.

The main investments used by the City Council are:

- Call accounts and deposits with banks, building societies, local authorities and the government, largely for fixed durations and rates of interest. During 2013/14 the amount held in these investments has ranged between £35m - £100m;
- Pooled funds such as Collective Investment Schemes (CIS) and Money Market Funds (MMF), which enable local authorities and other investors to diversify their investments. During 2013/14 the amount held in these investments has ranged between £15m and £30m.

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

Credit risk remains central to local authority investment management. Whilst the risk of banking failures has reduced, it has not dissipated altogether. Unqualified support by governments is now unlikely, in part as the result of regulatory changes. This means that in the event of a banking failure, it is almost certain that unsecured creditors and corporate investors would suffer some losses. This change in the nature of investment risk reflects a move away from "bail out" by government to "bail in" by corporate investors. This has recently been seen in the case of the Co-op where holders of debt are likely to suffer losses and internationally in respect of Cyprus. These trends increase the importance of the diversification of investments as a way of mitigating the potential impact of "bail in" risk.

The Council’s proposed Investment Strategy and Policy (**Appendix 5**) deals with the management of counterparty or "credit risk" by determining how City Council lending or depositing limits are set. Although credit ratings are key components in the management of credit risk, in line with best practice, other sources of information are used. In this respect the counterparty advice that the City Council gets from Arlingclose, the Council's Treasury Management advisors, is significant.

Given the need to ensure an appropriate level of diversification across counterparties, the emergence of “bail in” risk and the likely reduction in the level of investment balances it is proposed that:

a) the maximum limit for individual counterparties is reduced from £12m to £8m

b) non-credit rated building societies are included on the counterparty list with a £1m investment limit. An unrated building society will only be used where independent credit analysis by the City Council advisors shows them to be suitably creditworthy. In addition, the regulatory framework governing building societies and insolvency regime provides comfort;

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

d) Short Term credit ratings are no longer used as one of the investment criteria. It is the long-term credit rating that is the ultimate driver of creditworthiness of financial institutions, and of a bank’s funding costs. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency’s view of an institution’s capacity to honour its financial obligations and its vulnerability to foreseeable events;

e) The minimum sovereign rating for countries, other than the UK, in whom counterparties are located is revised from AA+ to A-, with any investments in countries with a rating below AA+ being classified as non-specified investments, subject to a total limit of £5m.

Non UK registered counterparties have for many years met the City Council’s lending criteria. This continues to be the case. However, as a discretionary measure, in recent years direct investments have not been made with non UK registered counterparties, on the basis that there is more comfort in holding funds “closer to home”. However, the use of non UK registered counterparties that comply with the lending criteria will again help ensure a greater diversification of funds. On this basis the placement of funds with non UK registered counterparties will restart in line with the lending criteria.

Separately, the City Council holds investments or provides loans for operational or policy reasons, for example, in order to stimulate economic development and growth. Such operational investments and loans will be assessed and reported on, on a case by case basis. This will include a full assessment of the risk, including credit risk, and how this will be managed. The development of the Coventry Investment Fund, with the drive for economic growth at its heart, is a prime example of such an initiative.

7.8 Treasury Management Advisors

The authority employs Arlingclose consultants to provide treasury management advice. A key element of this is the provision of advice on credit risk and the supply of information on credit ratings from the 3 rating agencies, referred to above. Regular review meetings with the consultants provide a vehicle through which quality is managed. In addition, within the City Council, senior managers within the Resources Directorate 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 the Council's capital expenditure as a proportion of it's income from Council Tax and government grant is forecast to increase from 12.68% in 2013/14 to 18.34% in 2016/17. This increase reflects the combined effect of significant investment under PFI contracts and increased levels of prudential borrowing funded spend within the capital programme. In addition, the impact on a Band D Council Tax of the current proposed programme compared to the programme approved last year is set out in indicator 2. This also shows an increase to 2016/17 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 2014/15 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 11, Maturity Structure of Borrowing, includes a limit of 30% (previously set at 15%) of total debt that can mature in less than 12 months. This takes into account the potential need to take out short term borrowing to meet day to day cashflow requirements.

- Other indicators highlight Planned Capital Spend (Indicator 4), Actual Debt at 31st March 2013 (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 2014/15. 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. The Authority carries some inevitable 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 corporate or directorate based risk registers and will therefore be monitored through the Council's existing processes for managing risk or where more appropriate through on-going 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 2014/15. 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 its 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 on-going spending and income are controlled to budgets. This pressure is certain to increase due to on-going national financial circumstances and, therefore, compliance with the Council's budgetary control rules remains essential,
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 2014/15.

8.3 **Children's Social Care Services –** This area continues to face very significant challenges, some of which are reflected by the proposals in this report. The volume of cases and 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. This has been compounded by the Council's need to take appropriate service responses to the tragic death of Daniel Pelka. The Council will also need to take any steps deemed necessary when it receives the final report from the recent Ofsted inspection of Children's Social Care. In addition, an existing abc review to ensure that appropriate and cost effective responses are implemented to meet the needs of children, young people and their families in Coventry has not been able to deliver its original financial savings target.

8.4 **Kickstart –** Within an overarching Kickstart Programme, the Council is in the process of constructing a new purpose built office within the Friargate development, refurbishing existing accommodation to create a new customer contact centre in the heart of the city centre and streamlining the remainder of its operational property portfolio. These building changes will create a platform for the Council to transform the city, generate Business Rates growth and transform the Council to improve services and deliver savings. Kickstart also provides the opportunity for the Council to exploit new ways of working, which will require the utilisation of modern technology to improve its efficiency and deliver culture change in order to drive further savings. Customer Journey is one project within the overall Programme which will deliver improvements for the customer whist reducing demand for Council services by maximising the use of technology to enable customers to undertake transactions on line. These new ways of working will be critical to enable the Council to improve the efficiency of working practices and make the financial savings needed as part of the overall Programme, and at this relatively early stage, it is clear that if it is not delivered successfully, this would be a significant future financial risk.

8.5 **Delivery of the abc Programme –** Savings from previously approved abc reviews increase in value by £18m in 2014/15 rising to £36m in 2015/16. Delivery of these savings continues to represent a massive challenge to the Council. The overall risk in relation to these areas of activity can be measured by the fact that these future savings represent in excess of 10**%** of the non-grant funded element of the Council's 2014/15 gross expenditure budget. The programme management effort required will continue to demand significant officer time to undertake the detailed work to deliver these savings.

8.6 **Health and Adult Social Care –** The A Bolder Community Services review, 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 are now heavily dependent on successful partnership working with the health sector delivered in large part through the Better Care Fund, integration of Public Health services and the knock-on impact of national Welfare Reform changes (with consequent reductions in overall benefit levels) all of which are now part of the fabric of social care services.

8.7 **Children's Education Services -** The service is facing service and financial challenges from the conversion of Coventry schools, both secondary and primary, to Academy status. The Government is diverting resources in the form of the Education Support Grant directly to Academies for functions provided previously by the Council in its capacity as the Local Education Authority. This is requiring the People 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 has also reduced previously the level of Early Intervention resources available to support fundamental services within the sector which was translated into a budget saving required in the 2013/14 budget. The combined financial impact of these changes has been reflected in some of the cost pressures included within this report but these residual budget challenges remain and will continue to increase over time. This 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.

8.8 **Local Government Finance Changes –** From April 2013 local councils have been able to retain the benefit of 49% of any increase in Business Rate income. At the same time they are at risk from any falls in such income and from any increases in Council Tax Support (benefit) levels. This serves to increase the potential volatility in local council bottom lines and requires the Council to include some necessarily prudent assumptions in order to anticipate adverse fluctuations in these areas. In addition, the trend for Local Government finance will reduce the reliance upon central government funding and towards locally generated funding sources in the future and the Council will need to continue to secure its Business Rates base through the initiatives such as the Coventry Investment Fund to help ensure that the Coventry is well placed to demonstrate that it is a city that is open for business.

8.9 **Other Factors –** A variety of other factors represent a degree of financial risk going forward.

- Additional service and cost pressures or reduced income for Council services as a result of continuing national economic circumstances include increases, for instance, in housing benefit caseloads and reduced income from fees charged to customers for Council services.
- Additional service and cost pressure on Council services resulting from welfare and benefit reform changes
- The impact on trading services and overheads as a result of the Council becoming a smaller organisation and the transfer of Academy Schools from local authority control for instance which prevents a number of services from achieving their income targets.
- Financial and reputational risk from involvement in major projects that rely upon external partners and external sources of finance (e.g. Nuckle, Friargate).

8.10 To protect itself from the underlying risks associated with setting any budget, the Council maintains general reserves, including the Working Balance which stands at £9.6m currently which is a safeguard against unforeseen risk. The overall level of reserves available as set out in **Section 4.4** provides sufficient financial protection against the risks outlined above within reasonable levels of assessed risk for 2014/15. However, the number and potential impact of the risks outlined above reflect the fact that the whole of local government faces 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 ensuring that the level of borrowing undertaken adheres strongly to prudential principles.

9 Comments from the Executive Director of Resources

9.1 Financial implications

This report is concerned wholly with financial matters. The proposals within this report represent the basis of the Council's 2014/15 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 Executive Director of Resources) is required to give assurance on the robustness of the estimates included in the budget. In the view of the Executive Director of Resources 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 Strategic 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 2014/15 will not be known until finalisation of the 2013/14 accounts and reserve levels will be kept reviewed at that time. It is the view of the Executive Director of Resources that the City Council holds an adequate level of reserves to support the recommended budget for 2014/15. 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 2014/15 directorate-based budgets (including schools) and Corporate commitments both for capital and revenue purposes.
iv) The level of uncommitted Working Balances provides a sufficient level of short-term resource to meet any other unforeseen eventualities (within reasonable limits of

assessed risk) balanced against pressures to not hold an excessive level of reserve balances.

The Council's policy on reserve usage is set out in the Medium Term Financial Strategy. The overriding aim is to ensure that reserve usage is focused on delivery of the Council's corporate priorities, recognising that reserves can only be used once and that they should not be used to support on-going expenditure. A number of these reserves are dedicated to specific purposes, such as schools and insurance, and the remainder have been brought together and are scrutinised by the Strategic 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 2014/15 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 consultations undertaken

The proposals in this report have been subject to eight weeks public consultation ending on the 5th February 2014 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 face continued very tight resource constraints as it enters the period covered by the next Spending Review. Although it 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, this approach is coming under greater pressure each year. The Council will have to be very clear about its priorities going forward. These have been refreshed in the latest approved Council Plan and the Council is intending to undertake a consultation exercise through 2014 that engages with local people and organisations to gather their views on the future shape of the Council.

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. The scale and scope of the increased abc savings included in the Council’s bottom line budget position are such that they represent a significant risk of non-achievement in the future. The savings programme will continue to be monitored robustly to ensure that Strategic Management Board and members are kept up to date with the progress of these reviews. The other external and internal pressures, particularly those in relation to adults and children’s social care, continue to pose further risk and feature strongly in the proposals put forward as part of this Budget.

11.3 What is the impact on the organisation?

As indicated within the recent Medium Term Financial Strategy report, the Council will need to make some decisions about which are its core priorities and which services it considers that it can no longer afford in the future. It will also need to become more flexible about the mechanisms through which it delivers its services.

The Council has operated several Early Retirement/Voluntary Redundancy windows in recent years as the key mechanism for reducing staffing levels across the Council. It is anticipated that this mechanism will continue to be used periodically to enable the Council to continue to reduce employee numbers over the course of the medium term. The number of posts that have been made redundant since 2010/11 now exceeds 1,000. This compares with the most recent head-count calculation of the current workforce of c6,300. 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.

11.4 Equalities / EIA

The Council has started to identify potential equality impact issues and **Appendix 2** provides further details on any equality issues for each proposal and, where relevant, the process for any further detailed analysis. This analysis will be considered by elected members at the different stages of subsequent decision making. This can be illustrated by the equality and consultation analyses that have been carried out as part of the 'A Bolder Community Services' Programme, which were reviewed in the light of further consultation. The equality information included in the Pre-Budget report has been updated, where appropriate, as part of this report. It should be noted that the majority of savings identified for 2014-15 are largely technical in nature. In relation to spending for 2014-15, the Council's continuing commitment to protect vulnerable young people in the city is reflected by the proposed reduction in the Children's Social Care and Early Intervention Review savings target by £4m and further investment in the People Directorate in relation to both children's and adults social care. In addition to this, the Council is continuing work to understand the wider impact of welfare reform in the context of reductions to public expenditure and work is on-going to evaluate the impact on protected groups in the city.

The Council has also consulted on changes to the non-domestic rate discretionary relief policy for charitable and non-profit making organisations. All registered charities will continue to receive 80% mandatory rate relief. The new policy, recommended for adoption as part of this report has been produced in light of the significant financial challenges being faced by the Council and focuses on support to key organisations. The policy proposes that community groups or advice organisations providing advice or support to the most vulnerable residents may be eligible for up to 100 per cent relief. The Council has carried out an equality and consultation analysis on the proposed policy to fully understand the impact on protected groups in the city and this is available on the Council's website.

11.5 Implications for (or impact on) the environment

No specific impact

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 through obtaining higher contributions from partners in the commercial sector (e.g. the Coventry and Solihull Waste Disposal Company) and revised

Commissioning and Procurement arrangements and reviews looking at other organisations. This activity will continue on a r ange of fronts to ensure that the Council is able to demonstrate good value from every pound that it spends. Revised proposals for Discretionary Rate Relief will have an impact on a number of organisations from April 2015 and they have been consulted with fully as part of the Budget Setting process. The Council will be seeking to consult widely on its medium term plans through 2014 and will engage with its partners as part of this process.

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

Appendix 1

CONSULTATION ON THE COUNCIL'S BUDGET PROPOSALS

1. **Introduction**

1.1. Between December 2013 and January 2014 the Council undertook an extensive round of consultation on its budget proposals for 2014/15, prior to making the final decision on its budget. This year, the Council also consulted upon its draft Discretionary Rate Relief (DRR) Policy as part of the budget consultation.

1.2. The Council reported on its priorities, the national financial 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, as well as details of the DRR Policy. The Council asked consultees for their views on its priorities, on the budget proposals and on how it could meet the financial challenges it faced over the next few years. In addition, the Council asked respondents their views on the DRR Policy

2. **Consultation process**

2.1. A series of meetings were held between December and February. The consultation process was led by the Cabinet Member Strategic Finance and Resources and supported by members of Strategic 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. Organisations who were likely to be affected by the DRR Policy were invited to the budget consultation events and were given the opportunity to comment on the draft Policy and discuss how it would affect them.

2.2. The consultation involved the following:

- Coventry Youth Council;
- Coventry and Warwickshire Chamber of Commerce;
- All organisations affected by the draft DRR Policy (approx. 250 organisations in the city);
- Local business community;
- Public and private partner organisations;
- Voluntary and community groups;
- The Council's Trade Unions;
- Local residents;
- Older People's Partnership;
- Physical and Sensory Impairment Partnership.

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 and a separate online survey asking for views on the DRR Policy. The results of both surveys 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 2013 and January 2014. 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. In summary, respondents to the consultation recognised the financial challenges faced by the Council, and supported the priorities of regenerating the city and creating more jobs for local people whilst protecting the most vulnerable residents in the city. Respondents highlighted the need to lobby central Government and make the case for increased resources for the city, especially given the continued pressure on Council services.

3.2. A table is included at the end of this report that provides a summary of the comments made during the consultation, grouped into subject areas.

4. **Council Priorities**

Helping Local People into Jobs

4.1. Consultees commented upon the importance of creating jobs for local people and recognised that it was important for the Council to continue investing in the city, in order to support the city's economy and stimulate growth. The Physical and Sensory Impairment Partnership, in particular, highlighted the need to ensure young people were supported into work.

4.2. The Council's decision to pay the living wage was welcomed by consultees, who felt that the Council should encourage other organisations in the city to follow suit and adopt the living wage.

Creating the Infrastructure for the City to Grow and Thrive

4.3. There were a range of views on the development of the city centre. A number of respondents felt that Friargate and other developments were key to regenerating the city and creating jobs. The Chamber of Commerce lauded the infrastructure improvements to the city centre, which were seen as good for businesses. The Council was praised for its ambitious projects and for the delivery of schemes that would put the city on a positive footing in terms of jobs and growth. The Older People's Partnership also stressed the importance of creating jobs for local people by stimulating the local economy. The Partnership also recognised the role of Friargate and the new business district in levering new businesses into Coventry.

4.4. The Physical and Sensory Impairment Partnership emphasised the need to ensure that the city centre developments took into account the differing needs of the population, so that the city centre was accessible to all.

4.5. In the short term, some residents suggested that the Council support new, local businesses to establish themselves by giving them the opportunity to occupy empty shops in the city centre at reduced rates and encouraging pop-up shops and local markets. They also suggested that the Council could consider short term lets for vacant properties.

4.6. Whilst recognising that it is important for the city's economy to grow, a number of respondents to the Council's online budget consultation survey were concerned about the Friargate development and the effects this would have on the city centre. Respondents to the online survey felt that the development of Friargate would take away business from the High Street, forcing businesses to close. Instead, it was felt that the Council should do more to increase footfall and encourage new businesses to locate into the city centre. Respondents also suggested that the Council make the city centre more accessible to shoppers and visitors alike by investing in the city's public transport infrastructure.

4.7. A number of respondents to the online survey were also concerned about the amount of capital expenditure being invested into Friargate. Consultees suggested that the Council should invest in its current property portfolio and seek to make it more energy efficient, rather than create a new office block. In addition, it was suggested that the Council look to co-locate some its front line services alongside other consumer services e.g. in supermarkets and banks.

Raising the Profile of Coventry

4.8. Discussions on the Council's priorities highlighted the importance of enhancing the reputation of the city. Respondents felt that Coventry was a great city already, but needed to market itself well in order to attract tourists and investment. Linked to this, consultees, including the Physical and Sensory Impairment Partnership, called for the Council to invest in leisure and cultural facilities so that both residents and visitors enjoyed life in the city.

Increasing the supply, choice and quality of housing

4.9. A number of comments were received about ensuring the supply of affordable housing in the city. Respondents felt that the city needed a greater supply and choice of housing, and that the quality of the existing housing stock needed to be improved.

Support for our most vulnerable residents

4.10. Consultees across all groups welcomed the Council's priority of protecting the most vulnerable residents of the city whilst dealing with the changes in the level of funding. Respondents stressed the importance of continuing to provide services to those who need them the most, in particular social care and advice services, thus supporting the Council's decision to invest in this area.

4.11. Added to this, there was concern over the cumulative impact of changes to benefits, zero hour contracts and low paid and temporary work on local residents. The voluntary and community sectors underlined the importance of working in partnership to ensure that vulnerable people continued to receive the support that they needed. It was explained that the Council has been working over the past few years to ensure that it understands both, the equality impacts of its own decisions on the local population, and also the cumulative impact of Government cuts on local residents and organisations. These assessments are used to inform the Council's decision making processes.

Creating an attractive, cleaner and greener city

4.12. 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 young children 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 Council should invest more in repairing and maintaining the roads and pavements.

Youth Services

4.13. The key message from Coventry Youth Council was about the need to ensure that, as a vulnerable group, children and young people continued to be supported. It was felt that services for children and young people were essential to ensuring that they were safe, were enabled to achieve their best and were able to engage in meaningful and fun activities in their social time. The Youth Council felt that investing in preventative services would benefit the Council by reducing dependence on statutory services in the longer term.

5. **Council Tax**

5.1. There was a general recognition that in the current financial climate, and given the on-going reduction in the Council's reduced resources, the proposed increase in Council Tax was a fair approach. Most respondents to the consultation supported an increase in Council Tax to continue to provide services for vulnerable people.

6. **Delivering Efficiencies**

6.1. Respondents to the consultation praised the Council for delivering the level of savings that it had achieved through its transformation programme. Through both the discussions and the online survey, a number of areas were highlighted that the Council could explore in order to deliver further efficiencies. These included:

- Reviewing how the Council is organised and deliver savings through reducing both the number of staff and in particular the amount spent on senior pay;
- Reviewing the Council's refuse collection services and consider providing a fortnightly refuse collection,
- turning off street lighting after a certain time to save on energy costs;
- Discontinue dressing of the city, e.g. planting flowers;
- Expand the use of libraries, and use these as community hubs;
- Allowing the public to use facilities in schools, e.g. as community rooms;
- introducing charges for services that are currently free;
- reducing the opening hours of certain services, such as libraries; and
- Consider providing statutory services only.

6.2. Consultees also highlighted the need for the Council to secure efficiencies through either delivering shared services with neighbouring authorities, thereby reducing the cost to the Council, or outsourcing all of its services to the most cost effrective supplier. The voluntary and community sectors felt that they were best placed to support the Council by delivering citizen focused services, and suggested that the third sector and the Council work together to consider which services, currently delivered in-house, might be delivered more cost effectively by the voluntary sector.

7. **Discretionary Rate Relief Policy**

7.1. This year, as part of the budget consultation, the Council consulted upon its revised Discretionary Rate Relief policy. Discussions on the DRR Policy recognised that Council faced a difficult financial situation and that the need to protect vulnerable residents was a key priority. However, it was felt that the DRR Policy would have a significant impact on the ability of small, local voluntary and community sector organisations to operate. Of the 26 respondents who completed the online survey, 69% indicated that the DRR Policy would have a negative effect on their organisation, whilst 19% said that they were unsure as to what the impact would be. Respondents wanted the Council to recognise that the voluntary sector has faced a reduction in income from different funders over the past few years, and that the proposed Policy would have a significant impact on a number of already struggling organisations.

7.2. Participants felt that limiting the ability of voluntary and community sector organisations to operate through increasing rates would have a detrimental impact on the people they served. The affected groups span the spectrum of the protected equality groups, many of whom were often on low incomes and living in deprived areas of the city (the Equalities and Consultation Analysis will be available on the Council's website). Respondents felt that the proposals would have a negative impact on the wider social benefits of their work, such as community cohesion and community engagement. These views were supported through the online survey responses, with 61.5% of the 26 respondents who completed the survey, reporting that the DRR Policy would have a negative effect on their customers/service users.

7.3. Respondents highlighted the range of work that voluntary and community organisations did within their communities and how this contributed to improving the quality of life for vulnerable people, supported the delivery of the Council's aims and objectives, and by early intervention work, also ensured that service users did not rely on costly Council services. It was felt that the voluntary and community sector were saving the Council money by providing early intervention/support services. The voluntary and community sectors emphasised that they wanted to work in partnership with the Council, but these proposals were seen as counter-productive to developing good working relations and were seen as contrary to the Council's stated aims of delivering Council priorities by active citizens and through strong and involved communities.

7.4. Submissions to the consultation highlighted that, as a Marmot city, the Policy should recognise the importance of active participation in sporting activity by children and older people in the city, which will help improve the health and well-being of local residents. Comments to the consultation also highlighted that the proposed Policy would have a negative impact on the delivery of the Council's Sports Strategy, and in particular, the ability of the Council to secure future funding for the emerging Strategy and associated undertakings.

7.5. Responses to the DRR Policy also highlighted a number of specific issues in relation to the policy documentation, which are as follows:

- Respondents felt that the **limitation of relief on one property** was inequitable and would affect small organisations who needed to operate from various locations to deliver their services, e.g. housing associations, scouts
- The issue of **reserves** was contentious. Consultees felt that organisations who had budgeted carefully, who were able to manage financial risks to their organisation whilst continuing to deliver services, would be unfairly penalised under the proposals. Instead, respondents asked the Council to consider the criteria applied by of the Charity Commission and Bristol City Council. Respondents also asked that the criteria that will be used to conduct the means test should be published.
- Representatives of housing charities felt that the **exclusion of housing associations** was unfair, given the role that these organisations played in supporting vulnerable people in the city, and creating safe, secure and attractive accommodation for local residents. Partners such as WM Housing felt that the proposals would affect their ability to initiate or contribute to community investment projects in the city in future.
- Consultees emphasised the need to phase in the Policy over a period of time to enable organisations to deal with the financial challenges presented to them
- Comments received highlighted the need for the Policy to recognise the benefit of **active engagement in sport as beneficial** to the health and well being of residents and clearly articulate this in the criteria for inclusion.

7.6. Participants of the consultation suggested a number of alternatives that the Council could consider. These included:

- Considering policies applied elsewhere, such as Bristol City Council and Southwark Council, and adopting similar approaches;

- The proposals contained within the report by Social Enterprise UK '*Business Rates, Economic and Social Value*' and the report by the Sport and Recreation Alliance '*Discretionary Rate Relief for Sport Clubs'*; and
- Using £1m of the £50m Coventry Investment Fund to subsidise DRR for a two year period to enable the third sector to deliver vital services, whilst exploring the contribution that voluntary organisations make to the city during that time.

8. **Involving Residents and Communities**

8.1. As part of this year's budget consultation, participants were asked to think about what they could do to help improve quality of life for themselves and for their communities. The majority of respondents were positive about being involved in their local communities and suggested ways in which they wanted to be involved. These included:

- Keeping pavements in the vicinity of their homes clean;
- Creating local task and finish groups, made up of residents, aimed at improving the locality;
- Allowing charities/communities to run libraries instead of the Council;
- Engaging residents and communities in dressing the city, e.g. planting flowers;
- Businesses to sponsor flower displays;
- The Chamber of Commerce working with the Council to use business rate monies to grow existing businesses and support the emergence of new enterprises; and
- Businesses and organisations giving employees time to engage in volunteering opportunities.

9. **Conclusion**

9.1. All consultees recognised the scale and very difficult decisions that the Council was facing in planning its finances and setting a balanced budget for 2014/15, and there was continued support for the Council's priorities and recognition of the importance of regenerating the city and creating more jobs, and ensuring that vulnerable people are supported. There was concern about the impact the DRR policy would have upon the ability of the voluntary and community sectors to continue to deliver vital services, and upon their service users who relied upon these organisations.

Summary of Responses from the Council's Public Budget Consultation – January 2014

Priority / Theme	Comments	Sector
Priorities		
Helping People into Jobs	• Most important to create jobs, without this people will not have money to spend in the City Centre. • Support young people into jobs • Jobs should be our priority • Promote the city to bring new businesses into the City who can provide more jobs.	Older People's Partnership and Physical and Sensory Impairment Partnership
Creating the Infrastructure for the City to Grow and Thrive	• There are a lot of empty shops in the city centre • We need to encourage more businesses into the city centre • 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 • Concern about the amount of spending earmarked for Friargate • City centre is currently declining and businesses are moving out. Friargate will mean more businesses and people working in the city centre • The infrastructure improvements to the city centre are laudable and the city is on the cusp of great opportunities with the development of Friargate • Friargate and developments are good forward planning and will help to regenerate the city • We should encourage external investment but Friargate development is a huge risk • Concerns about amount of money spent on Friargate • Need to bring retailers into the city centre to encourage spending • Suggestion that the Council improve the energy efficiency of its existing properties rather than create Friargate • Friargate will help to lever in external businesses into the city • Need to work together in partnership to address the issues of business rates. • Cut all spending on regeneration • AT7 centre is a good idea • Need to regenerate the city and consider public transport in Broadgate	Residents Online survey respondents Chamber of Commerce Older People's Partnership

Priority / Theme	Comments	Sector
Increasing the Supply and Choice of Housing	• The city needs good quality housing • Make more land available for housing and improve the quality of existing housing stock	Older People's Partnership Residents
Support for our most vulnerable residents	• How will the Council define 'vulnerability' in different circumstances, when talking about protecting the most vulnerable people? • Reducing services now 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. • Protecting the most vulnerable residents should the Council's top priority • Opposition to cuts to services for disabled people and children's services • The voluntary sector has a role not just in early service provision, but also delivering specialist support and reducing demand on statutory services. The voluntary sector can contribute and help to create more independence for service users. • It is crucial for the council to protect those who cannot protect themselves • Improve access to citizen's advice and support services.	Youth Council Voluntary and community sector partners Residents Older People's Partnership
Creating an attractive, cleaner and greener city	• 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. • Clearing roads in the snow is particularly important for vulnerable people. Young people could be involved by helping residents to clear paths. • Council should spend money on doing repairs properly once rather than doing lots of repairs	Residents Youth Council

Priority / Theme	Comments	Sector
Youth Services	• Create a city wide awards scheme aimed at young people specifically, to encourage them to be involved in community activities • Important to reduce youth unemployment. • Importance of having safe and friendly places that young people can meet and engage with each other • More leisure activities for young people are needed • Cuts to Youth Services now will create pressures later for the Council, e.g. increased anti-social behaviour	Residents Older People's Partnership Youth Council Trade Union
Council's Budget Proposals		
Council Tax	• The council should rise rates (council tax rate) • I am happy to pay more council tax if the money is spent on worthwhile services • Increase in council tax seems fair	Residents
Efficiency Savings	• Impression that the Council has a lot of managers • The Council should freeze senior pay • Council needs to spend its money sensibly and not on grandiose projects • The council should consider a fortnightly waste collection • Turn off street lighting after certain times • Reduce opening hours of libraries • Stop dressing the city, e.g. flower displays • Council should explore joint working with other councils	Residents Older People's Partnership

Priority / Theme	Comments	Sector
Discretionary Rate Relief Policy	• Reduction in DRR will reduce the ability of the organisation to operate • The proposals, in addition to other funding cuts, will exacerbate the existing disadvantages experienced by service users • Loss of 20% discretionary award would result in us passing those costs onto our most vulnerable users • Any change in the policy that results in the club need to pay out any more money, would have a detrimental effect on all of our members irrespective of age, gender, disability, race or relief • The 250 charities affected by the proposals provide many local services across the City, often dealing with very vulnerable people and delivering vital interventions that can significantly shift a person or family from crisis to some level of stability. For some organisations, these changes will mean closure. • The proposed policy threatens the sustainability of sporting organisations and the availability of facilities; undermines volunteerism and community engagement. • The proposed policy is contrary to the councils stated aims of improving the quality of life for Coventry people by working with local communities to create an attractive greener city, improve the health and wellbeing of local residents, and delivering council priorities by active citizens, through strong and involved communities. • Restricting relief to one property is inequitable	Respondents to online survey
Involving Residents and Communities	• Provide more services through the not for profit sector. • Keep pavements in the vicinity of their homes clean • Charities and communities to run libraries • Volunteers to plant flowers instead of the council • Ask business to sponsor flower displays	Residents Older People’s Partnership Chamber of Commerce

Appendix 2: Revenue Budget Proposals and Equality Issues

	2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
Starting Budget	275,677	288,071	296,813		
Initial Resources Assumption	(253,679)	(243,294)	(235,406)		
Abc Savings in Programme	(18,072)	(36,372)	(36,372)		
Initial Budget Gap	**3,926**	**8,404**	**25,035**		
(Improved)/Worsened Resource Forecast **- Figures Revised Since Pre-Budget Report**	**(1,878)**	**6,462**	**11,515**		

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
	Immediate Cost Pressures					
1	Children's Social Care and Early Intervention abc Review	4,000	4,000	4,000	It is now considered impossible to achieve the target saving which rises to £4m in 2014/15 as a result of an increasing population of children, higher numbers of contacts, referrals and caseloads and early intervention services now supporting more families. The Council is re-assessing the steps it needs to take, to protect vulnerable young people in the city. This proposal is therefore to reduce the review savings target by £4m.	The Council is revisiting service priorities originally identified for this review to ensure that the equality needs of protected groups continue to be identified.
1a	People Directorate - Children's Social Care and A Bolder Community Services **- Figures Revised Since Pre-Budget Report**	5,600	5,000	5,000	The year 1 costs provide for £2.6m relating to additional Looked After Children numbers, a shortfall of £0.4m in relation to an anticipated shortfall in the Special Educational Needs and Disability abc review, additional temporary social work staffing costs of £0.8m to protect vulnerable children, £1.1m in relation to temporarily delayed savings identified as part of the A Bolder Community Services Review and £0.7m relating to a range of further pressures within the People Directorate including continued fall-out of existing grant funding.	The Council updated the original equality and consultation analyses carried out for each of the reviews following consultation with service users. The additional resource now being made available is for areas that have a strong focus on vulnerable children, young people and adults.
2	Education Support Grant	561	561	561	Proposal to back-fill the loss of Education Support Grant caused by the transfer of schools to academy status.	This item demonstrates the Council's commitment to ensuring the continued delivery of core LEA services in the light of the national government reduction of this grant.

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
3	Pension Contributions Current Service **- Figures Revised Since Pre-Budget Report**	400	960	1,360	Unavoidable increase in current service employer pension contributions from the current rate of 12.1% to 12.5% in 2014/15 and 13.4% by 2016/17 in line with the Council's external actuarial review in 2013. Schools will bear an equivalent increase. These costs are lower than those included in the Pre-Budget Report as a result of revised arrangements agreed with the West Midlands Pension Fund.	This maintains the financial viability of the West Midlands Pension Fund and the future payments of pensions to current active members of the scheme. There are no specific equality issues arising in relation to this.
4	Pension Contributions Past Service **- Figures Revised Since Pre-Budget Report**	2,000	4,080	6,400	Unavoidable increase in past service employer pension contributions in line with external actuarial review in 2013. The estimated lump sum payment for the Council will increase from the current c£7m to £9m in 2014/15 rising to c£14m by 2016/17. Schools will bear an equivalent increase. These costs are lower than those included in the Pre-Budget Report as a result of revised arrangements agreed with the West Midlands Pension Fund.	This maintains the financial viability of the West Midlands Pension Fund and the current and future payments of pensions to retired and current active members of the scheme. There are no specific equality issues arising in relation to this.
4a	Local Government Pension Scheme 2014 - Increase in Payroll Costs Subject to Superannuation **- Figures Revised Since Pre-Budget Report**	533	533	533	The introduction of the Local Government Pension Scheme 2014 changes will see certain elements of the Council's payroll become pensionable for the first time including overtime payments. This represents a cost to the Council in relation to its Employer superannuation contributions.	This maintains the financial viability of the West Midlands Pension Fund and the current and future payments of pensions to retired and current active members of the scheme. There are no specific equality issues arising in relation to this.
	Total Immediate Cost Pressures	**13,094**	**15,134**	**17,854**		

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
	Long-Term Cost Pressures					
5	National Insurance Contracting Out	0	0	3,000	Increase in employer National Insurance contributions for all employees in an occupational pension scheme. This is the result of a change in Government policy expected to be introduced in April 2016.	As a change in Government policy it is anticipated that this will be subject to equality analysis at a national level. There are no specific equality issues arising in relation to this.
	Total Long-Term Cost Pressures	**0**	**0**	**3,000**		

Appendix 2: Revenue Budget Proposals and Equality Issues

			2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
		Technical Savings					
	6	Business Rates - Lower Contingency Against Business Rate Loss	(5,000)	(5,000)	(5,000)	The 2013/14 Budget introduced a contingency budget (£6m for 2014/15) to mitigate the risk of lost Business Rates within the newly introduced Business Rates localisation regime. Current trends indicate that the Business Rates base has held up well such that most of this contingency can now be removed from the budget.	There are no equality issues arising in relation to this area.
6a		Council Tax and Business Rates Collection Fund Surplus & Tax-Base Increase **- Figures Revised Since Pre-Budget Report**	(2,262)	1,625	1,527	This indicates the balance of projected 2013/14 surpluses and 2014/15 tax-base changes for Council Tax and Business Rates.	There are no equality issues arising in relation to this area.
	7	Asset Management Revenue Account Debt Repayment **- Figures Revised Since Pre-Budget Report**	(5,000)	(5,000)	(3,000)	The AMRA is a corporate budget which incorporates the revenue financing costs of capital spending. Re-profiling of such spend and low interest rates mean that there will be a significant saving in this area.	There are no equality issues arising in relation to this area.
	8	Housing Benefit Administration Grant - Lower Contingency Against Loss **- Figures Revised Since Pre-Budget Report**	(600)	(300)	0	The phasing out of Housing Benefit Administration Grant received by the Council is now expected to be slower than anticipated previously when a provision of £1m was set aside. This item assumes a loss of nearer £0.4m for 2014/15 rising in later years.	There will be no equalities impact in relation to the provision of this grant or on the workforce in the next financial year. An expenditure pressure was allowed for in 2013/14 and this item reflects the updated position in this area.
	9	Corporate Inflation Contingencies	(724)	(788)	(788)	Inflation contingencies allow for planned and ad hoc expenditure including extra-ordinary rises in enegy or contract inflation. The savings here show that part of the existing budget which will not be required for these purposes in 2014/15.	There are no equality issues arising in relation to this area.

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
9a	Carbon Reduction Commitment Levy Exemption **- Figures Revised Since Pre-Budget Report**	(298)	(298)	(298)	The Council has previously been responsible for paying a levy on its energy usage - the CRC Levy. The Council now has an exemption fom paying the levy because it has dropped below the threshold that triggers liability.	There are no equality issues arising in relation to this area.
10	1% Pay Award 2015/16	0	(2,400)	(2,400)	Government has announced a continuation of public sector pay restraint indicating that this will be maintained at 1% in 2015/16.	This proposal is in line with our previous 2014/15 planning assumption. There are no equality implications for 2014/15.
10a	Integrated Transport Authority Levy **- Figures Revised Since Pre-Budget Report**	(608)	(2,102)	(2,565)	The previous financial plan assumed a stand-still budget in 2014/15 and inflationary increases thereafter. Ths updated position shows a 5% saving in the overall West Midlands' ITA levy for 2014/15 and a further 5% in 2015/16. As a result of this reduction and a higher proportionate share of the levy based on population shares the City Council will pay an overall levy of £16.2m in 2014/15 falling to £15.4m in 2015/16.	The ITA has undertaken a consultation on options to deliver these savings. These options include service changes that would affect protected groups likely to include disbility, age and those living in deprived areas. The ITA will be responsible for undertaking equality analysis on these changes.
	Total Technical Savings	**(14,492)**	**(14,263)**	**(12,524)**		

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
	Policy Savings					
11	Resources Directorate	(1,250)	(1,250)	(1,250)	Savings delivered from organisational restrucuture. These savings relate principally to reduced employee costs from the creation of the Resources Directorate. The savings will total £3m and will deliver £1.75m of existing abc targets and a new target of £1.25m.	These planned changes will be achieved from savings across the full spectrum of grades. The equality impact will be assessed when more information is available.
12	Non-Payment of Hay Pay Award	(100)	(100)	(100)	Decision to not make a pay award to most senior Council employees in 2013/14.	This affects 85 of the highest paid employees in the City Council.
13	JEEP (Justify Expenditure, Examine Performance) Programme	(150)	(150)	(150)	Savings target for proposals coming forward through the JEEP Programme. Savings already identified to part-meet the target include paper procurement and £50k reduction in spend on leaflets.	It is anticipated that savings generated through the Programme will be technical/management type initiatives such that there wil be no equality impact.
	Total Policy Savings	**(1,500)**	**(1,500)**	**(1,500)**		

Appendix 2: Revenue Budget Proposals and Equality Issues

		2014/15 £000	2015/16 £000	2016/17 £000	Description	Equality Issues
	Policy Priorities					
14	Domestic Violence	250	250	250	Proposal to extend a city-wide funding model for Domestic Violence service, extending the temporary funding provided for at 2012/13 Outturn.	The equality issues in reltion to this policy priority have been picked up by the detailed policy analysis that has already been conducted.
15	Living Wage **- Figures Revised Since Pre-Budget Report**	600	600	600	Proposal to incorporate the 2013/14 Living Wage increase to £7.45 an hour approved by Council on 25th June 2013 and approve the further 2014/15 increase to £7.65 per hour. Recent data has indicated that the combined impact of these changes will be in the region of £0.6m.	Introducing the Living Wage will improve the income levels of a substantial number of low paid individuals in the Council, the majority of whom are female employees. An equality analysis will be undertaken in due course
16	City Deal Clearing House **- Figures Revised Since Pre-Budget Report**	0	0	0	Funding of a dedicated Clearing House service to promote growth across Coventry and Warwickshire LEP region is now anticipated to be funded wholly from a combination of resources identified previously plus funding channelled through the LEP (report to Cabinet 7th January 2013)	There are no equality issues arising in relation to this area.
	Total Policy Priorities	**850**	**850**	**850**		
	Total Budget Gap	**0**	**15,087**	**44,230**		

Summary Revenue Budget **Appendix 3**

2013/14 £'000	CABINET MEMBER PORTFOLIO'S	Inflation & Previous Budget Decisions £'000	Budget Changes £'000	2014/15 Final Budget £'000
(4,577)	Business, Enterprise & Employment	115	0	(4,462)
52,872	Children & Young People	(4,173)	9,061	57,760
14,974	Community Safety & Equalities	(1,562)	0	13,412
16,851	Education	(46)	0	16,805
3,349	Energy & Environment	(65)	(298)	2,986
83,388	Health and Adult Services	(5,846)	250	77,792
7,390	Housing and Heritage	(254)	0	7,136
236	Policy and Leadership	199	0	435
21,247	Public Services	(868)	0	20,379
9,592	Strategic Finance and Resources	598	(780)	9,410
205,322	**TOTAL CABINET MEMBER PORTFOLIO'S**	**(11,902)**	**8,233**	**201,653**
33,042	Borrowing & Investments	(1,664)	(5,000)	26,378
(942)	Contingencies & Corporate Budgets	4,984	(10)	4,032
17,535	Levies From Other Bodies	0	(612)	16,923
5	Parish Precepts	0	0	5
9,452	Revenue Contribution to Capital Spend	(2,452)	0	7,000
4,000	Contributions to / (from) Reserves	3,814	(5,300)	2,514
268,414	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**(7,220)**	**(2,689)**	**258,505**
	Financed by:			
(121,545)	Central Government Resources	18,817	(172)	(102,900)
(93,813)	Council Tax @ 1.9% increase	(2,451)	(2,524)	(98,788)
(53,056)	Business Rates	(4,219)	458	(56,817)
(268,414)	**TOTAL RESOURCES**	**12,147**	**(2,238)**	**(258,505)**

2013/14 £'000	CABINET MEMBER PORTFOLIO'S	Gross Expenditure £'000	Gross Income £'000	2014/15 Final Budget £'000
(4,577)	Business, Enterprise & Employment	11,766	(16,228)	(4,462)
52,872	Children & Young People	67,631	(9,871)	57,760
14,974	Community Safety & Equalities	16,620	(3,208)	13,412
16,851	Education	240,888	(224,083)	16,805
3,349	Energy & Environment	6,506	(3,520)	2,986
83,388	Health and Adult Services	121,978	(44,186)	77,792
7,390	Housing & Heritage	7,413	(277)	7,136
236	Policy & Leadership	556	(121)	435
21,247	Public Services	38,877	(18,498)	20,379
9,592	Strategic Finance and Resources	129,149	(119,739)	9,410
205,322	**TOTAL CABINET MEMBER PORTFOLIO'S**	**641,384**	**(439,731)**	**201,653**
33,042	Asset Management Revenue Account	30,878	(4,500)	26,378
(942)	Contingencies & Corporate Budgets	16,111	(12,079)	4,032
17,535	Levies From Other Bodies	16,923	0	16,923
5	Parish Precepts	5	0	5
9,452	Revenue Contribution to Capital Spend	7,000	0	7,000
4,000	Contributions to / (from) Reserves	2,514	0	2,514
268,414	**NET BUDGET AFTER SPECIFIC GRANTS, FEES & CHARGES**	**714,815**	**(456,310)**	**258,505**
	Financed by:			
(121,545)	Central Government Resources			(102,900)
(93,813)	Council Tax @ 1.9% increase			(98,788)
(53,056)	Business Rates			(56,817)
(268,414)	**TOTAL RESOURCES**			**(258,505)**

Appendix 4

CAPITAL PROGRAMME 2014/15 - 2018/19					
Expenditure	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Portfolio:					
Business, Enterprise & Employment	50,139	61,039	39,137	7,851	2,908
Children & Young People and Education	36,628	12,399	5,800	9,268	9,014
Energy & Environment	1,937	322	26	0	0
Health and Adult Services	2,760	2,389	2,389	2,389	2,389
Housing and Heritage	5,618	912	0	0	0
Public Services	42,988	14,741	10,375	8,822	8,858
Strategic Finance and Resources	9,246	2,111	1,000	1,000	1,000
TOTAL PROGRAMME	**149,316**	**93,913**	**58,727**	**29,330**	**24,169**
Allowance for 5% Rescheduling	**(7,466)**	**2,397**	**1,879**	**1,564**	**336**
PROGRAMME AFTER RESCHEDULING	**141,850**	**96,310**	**60,606**	**30,894**	**24,505**
Resources Available to fund the programme	**141,850**	**93,885**	**60,606**	**30,894**	**26,731**
Resources in Hand / (Shortfall)	**0**	**(2,425)**	**0**	**0**	**2,226**

CAPITAL PROGRAMME BY CM PORTFOLIO

CABINET MEMBER: BUSINESS, ENTERPRISE & EMPLOYMENT

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Nuckle	10,574	2,224	0	0	0
Regional Growth Fund (RGF 3, 4 & Wave 2)	8,496	0	0	0	0
Growing Places	6,449	4,370	0	0	0
Coventry Investment Fund (CIF) - Unallocated	5,749	15,000	20,000	5,000	0
Study Inn Loan	5,500	6,000	0	0	0
Kickstart Office	4,528	27,314	16,285	32	90
Far Gosford Street	3,482	755	0	0	0
Property Repairs	2,750	2,750	2,750	2,750	2,750
Canley Regeneration	1,083	25	0	0	0
Coventry &Warks Enterprise and Business Growth	1,082	400	0	0	0
Lythalls Lane (CIF)	335	2,132	33	0	0
New Deal for Communities	111	69	69	69	68
TOTAL APPROVED PROGRAMME	**50,139**	**61,039**	**39,137**	**7,851**	**2,908**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	9,919	7,274	2,819	2,819	2,818
Prudential Borrowing	16,112	50,446	36,318	5,032	90
Grant	24,037	3,319	0	0	0
Section 106	71	0	0	0	0
TOTAL RESOURCES	**50,139**	**61,039**	**39,137**	**7,851**	**2,908**

CABINET MEMBER: CHILDREN, YOUNG PEOPLE & EDUCATION

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
School Expansion Programme (Basic Need Grant)	29,214	5,636	0	435	493
School Condition (Maintenance Grant)	5,007	5,830	2,414	3,988	3,712
Infant School Catering Adaptations	755	0	0	0	0
Devolved Formula Capital	631	568	511	460	414
Early Years	334	0	0	0	0
Broad Park House (Breaks for Disabled Grant)	306	0	0	0	0
Pathways to Care (Support to Foster Carers)	206	190	200	210	220
Suitability/Access	100	100	100	100	100
Leased Equipment	75	75	75	75	75
Broad Spectrum School	0	0	2,500	4,000	4,000
TOTAL APPROVED PROGRAMME	**36,628**	**12,399**	**5,800**	**9,268**	**9,014**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	14,190	2,390	200	210	220
Grant	22,020	9,816	5,525	8,983	7,962
Leasing	75	75	75	75	75
Section 106	343	118	0	0	757
TOTAL RESOURCES	**36,628**	**12,399**	**5,800**	**9,268**	**9,014**

CABINET MEMBER: ENERGY & ENVIRONMENT

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Play Areas	1,009	252	0	0	0
Lentons Lane Cemetery	748	70	26	0	0
Tackling Fuel Poverty	162	0	0	0	0
Holbrooks Park	11	0	0	0	0
The Lodge - Canley Crematorium	7	0	0	0	0
TOTAL APPROVED PROGRAMME	**1,937**	**322**	**26**	**0**	**0**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	11	0	0	0	0
Prudential Borrowing	755	70	26	0	0
Grant	162	0	0	0	0
Section 106	1,009	252	0	0	0
TOTAL RESOURCES	**1,937**	**322**	**26**	**0**	**0**

CABINET MEMBER: HEALTH & ADULT SERVICES

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Disabled Facilities Grants (inc Social Care grant)	2,580	2,389	2,389	2,389	2,389
Recovery Community In Coventry	180	0	0	0	0
TOTAL APPROVED PROGRAMME	**2,760**	**2,389**	**2,389**	**2,389**	**2,389**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Grant	2,760	2,389	2,389	2,389	2,389
TOTAL RESOURCES	**2,760**	**2,389**	**2,389**	**2,389**	**2,389**

CABINET MEMBER: HOUSING & HERITAGE

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
AT7 Centre	2,521	0	0	0	0
Coventry Transport Museum	1,931	912	0	0	0
Siskin Drive	1,073	0	0	0	0
Investment in Sporting Facilities	93	0	0	0	0
TOTAL APPROVED PROGRAMME	**5,618**	**912**	**0**	**0**	**0**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	93	0	0	0	0
Prudential Borrowing	2,521	0	0	0	0
Grant	3,004	912	0	0	0
TOTAL RESOURCES	**5,618**	**912**	**0**	**0**	**0**

CABINET MEMBER: PUBLIC SERVICES

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Friargate Bridgedeck	12,303	4,018	174	0	0
Whitley Junction	6,243	0	0	0	0
Highways Maintenance (inc Maintenance Grant)	5,934	5,600	5,600	5,600	5,600
Vehicle & Plant Replacement	4,499	1,452	2,780	1,401	1,437
A4600 Congestion Relief Scheme	3,770	0	0	0	0
Public Realm Phase 2	2,862	0	0	0	0
Integrated Transport Programme	2,139	1,821	1,821	1,821	1,821
South West Coventry Junction Improvement Programme	1,725	0	0	0	0
Cycle Coventry	1,588	0	0	0	0
Whitefriars Housing Estates	1,000	850	0	0	0
Highways S106	925	1,000	0	0	0
TOTAL APPROVED PROGRAMME	**42,988**	**14,741**	**10,375**	**8,822**	**8,858**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	3,588	3,000	3,000	3,000	3,000
Prudential Borrowing	4,319	1,316	1,602	1,383	1,227
Grant	33,976	9,289	4,595	4,421	4,421
Leasing	180	136	1,178	18	210
Section 106	925	1,000	0	0	0
TOTAL RESOURCES	**42,988**	**14,741**	**10,375**	**8,822**	**8,858**

CABINET MEMBER: STRATEGIC FINANCE & RESOURCES

CAPITAL SCHEME	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Strategic ICT Projects	6,771	2,111	1,000	1,000	1,000
Super Connectivity	2,475	0	0	0	0
TOTAL APPROVED PROGRAMME	**9,246**	**2,111**	**1,000**	**1,000**	**1,000**

RESOURCES	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Corporate Resources	2,115	1,111	1,000	1,000	1,000
Prudential Borrowing	4,175	1,000	0	0	0
Grant	2,350	0	0	0	0
Revenue Contribution to Capital Outlay	606	0	0	0	0
TOTAL RESOURCES	**9,246**	**2,111**	**1,000**	**1,000**	**1,000**

Appendix 5

COUNCIL INVESTMENT STRATEGY AND POLICY

1. Governance

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

2. Principles Governing Investment Criteria

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

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counter parties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments, taking into account known and potential cashflow requirements.

3. Types of Investments Available to the City Council

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

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

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

All other investments are classified as non-specified.

The total limit for all non-specified investments is £15m, with specific "sub" limits of:

	£m
Total Long Term Investments	£10m
Total Investments without credit ratings (excluding MMFs)	£10m
Total Investments in foreign countries rated below AA+ (minimum A-)	£5m

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

The Executive Director Resources 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 P oor's and Moody's, in determining the lowest acceptable credit quality.

The following investments can be used by the City Council:

Counterparty	Limit £m	Minimum Long Term Rating	Duration Limit
Banks, financial institutions & other organisations	£8m	A- to A+	1 year
Banks, financial institutions & other organisations	£8m	AA-	3 years
UK Government (irrespective of credit rating)	unlimited		3 years
UK Local Authorities (irrespective of credit rating)	£8m		3 years
Registered Providers (Social Landlords)	£4m	A-	1 year
UK Building Societies without credit ratings	£1m		1 year
Money Market Funds (MMFs) and Collective Investment Schemes *	£8m		n/a
Any other organisation, subject to an external credit assessment and specific advice from the City Council's treasury management advisors	£1m		1 year

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

Group	Limit £m
Organisations under the same ownership	Same limit as the organisation. Limit per group
Collective Investment Schemes under the same management	£8m per manager
Negotiable instruments in a nominee account	£16m per broker/custodian
Non UK Countries	£8m per country
Building Societies	£16m in total
Registered Providers (Social Landlords)	£8m in total
Money Market Funds *	£40m in total

*These are "pooled" investments which entail taking a small share of a large pool, with risk spread across a number of investments. Some MMFs and Collective Investment Schemes are not given a credit rating, reflecting the practice within the financial services industry. In addition there are currently EU proposals to stop MMFs from having credit ratings. Where MMFs are not credit rated investments will only be made in line with the advice of the City Council's Treasury Advisers. This will include an as sessment of whether a M MF is categorised as a specified or non-specified investment.

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.

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 Executive Director Resources 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.

5. Investment Instruments to be Used by the City Council

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

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

6. The Monitoring of Investment Counter parties

The credit rating of counter parties will be monitored regularly. The Council receives credit rating information from its advisers, Arlingclose, on a weekly basis. As and when ratings change, the Council will be notified immediately by Arlingclose by telephone and email. There will be a minor time delay between rating changes and the Council receiving notification, and on occasion ratings may be downgraded when an investment has already been made. Any counter party failing to meet the criteria will be removed from the list immediately by the Executive Director Resources and new counter parties which meet the criteria will be added to the list.

In addition, Arlingclose, the City Council's treasury advisers, provide analysis and advice that pulls together credit rating and other information. This facilitates the management of credit risk on a broader base than would credit ratings alone.

7. Financial Derivatives

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

8. Operational Investments and Loans

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

Recent developments include the creation of the Coventry Investment Fund, which will help drive local economic growth.

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

Summary Prudential Indicators

Appendix 6

		Est Outturn 13/14 £000's	Forecast 14/15 £000's	Forecast 15/16 £000's	Forecast 16/17 £000's
1	**Ratio of financing costs to net revenue stream:**				
	(a) General Fund financing costs	34,022	36,805	39,287	41,753
	(b) General Fund net revenue stream	268,414	258,505	239,512	227,606
	General Fund Percentage	12.68%	14.24%	16.40%	18.34%
2	**Estimates of Council Tax Impact ~ Proposed Programme**		£162.40	£189.89	£222.19
	Estimates of Council Tax Impact ~ Feb 13 Programme		£173.05	£186.04	
3	**Gross Debt & Capital Financing Requirement**				
	Gross debt including PFI liabilities	389,062	417,827	449,419	466,114
	Capital Financing Requirement	445,026	479,383	522,962	539,813
	Gross Investments	-61,856	-46,854	-10,000	-10,000
	Gross Debt to Net Debt:				
	Gross debt including PFI liabilities	389,062	417,827	449,419	466,114
	less investments	-61,856	-46,854	-10,000	-10,000
	less transferred debt reimbursed by others	-18,264	-17,411	-16,471	-15,436
	Net Debt	308,942	353,562	422,948	440,678
4	**Capital Expenditure (Note this excludes leasing)**				
	General Fund	60,241	141,595	96,099	59,353
5	**Capital Financing Requirement (CFR)**				
	Capital Financing Requirement	445,026	479,383	522,962	539,813
	Capital Financing Requirement excluding transferred debt	426,762	461,972	506,491	524,377
6	**Authorised limit for external debt**				
	Authorised limit for borrowing	403,847	441,514	462,578	477,652
	+ authorised limit for other long term liabilities	60,812	73,902	75,370	73,026
	= authorised limit for debt	464,659	515,416	537,948	550,678
7	**Operational boundary for external debt**				
	Operational boundary for borrowing	359,847	401,514	422,578	437,652
	+ Operational boundary for other long term liabilities	60,812	73,902	75,370	73,026
	= Operational boundary for external debt	420,659	475,416	497,948	510,678

8	**Actual external debt**	
	actual borrowing at 31 March 2013	311,511
	+ PFI & Finance Leasing liabilities at 31 March 2013	54,458
	+ transferred debt liabilities at 31 March 2013	19,040
	= actual external debt at 31 March 2013	385,009

9	**CIPFA Treasury Management Code ~ has the authority adopted the code?**				Yes
10	**Interest rate exposures**				
	Upper Limit for Fixed Rate Exposures	403,847	441,514	462,578	477,652
	Upper Limit for Variable Rate Exposures	80,769	88,303	92,516	95,530
11	**Maturity structure of borrowing - limits**	est out	**lower**	**upper**	
	under 12 months	12%	0%	30%	
	12 months to within 24 months	13%	0%	20%	
	24 months to within 5 years	5%	0%	30%	
	5 years to within 10 years	8%	0%	30%	
	10 years & above	62%	40%	100%	
12	**Investments longer than 364 days: upper limit**	10,000	10,000	10,000	10,000

Appendix 7

Coventry City Council

Non Domestic Rate Discretionary Relief Policy for Charitable and Non Profit Making Organisations

Introduction

1 A National Non-Domestic Rate (NNDR) is payable on all non-domestic properties.

2 The amount payable is calculated by multiplying the rateable value (set by the Valuation Office Agency) with a national multiplier (which is increased each year by the retail price index). Councils are responsible for the collection of rates and any business rate growth or loss is shared between Central Government, the Council and its preceptors.

3 Councils have the power to grant discretionary rate relief (DRR) to organisations that meet certain criteria.

4 The provisions for DRR are set out in Section 47 of the Local Government Finance Act (LGFA) 1988 and subsequent amending legislation. Councils have discretion to grant rate relief from all or part of the amount of non-domestic rates.

5 Section 47 of the LGFA 1988 determines the qualifying conditions for DRR as one or more of the following:

(a) the ratepayer is a charity or trustees for a charity, and the hereditament is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities);

(b) the hereditament is not an excepted hereditament, and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts;

(c) the hereditament is not an excepted hereditament, it is wholly or mainly used for purposes of recreation, and all or part of it is occupied for the purposes of a club, society or other organisation not established or conducted for profit.

Section 47(2) Local Government Finance Act 1998

6 This Policy outlines Coventry City Council's (hereafter referred to as 'the Council') criteria for granting discretionary relief from non-domestic rates for charitable and non-profit making organisations.

7 This Policy takes effect for all applications made in respect of rate liabilities incurred from 1 April 2015 onwards and for applications made after the 1 April 2015 in respect of liabilities incurred prior to 1 April 2015.

8 The Council has ultimate discretion in considering an application for DRR. This policy provides an overarching framework for DRR in order that the Council's decision-making in respect of DRR may be fair, consistent and transparent.

9 The Council is responsible for 49 per cent of the cost of funding the DRR scheme and therefore DRR represents a direct cost to council tax payers in the city. This policy seeks to ensure that the DRR scheme is fair, transparent and ultimately affordable to the Council and the local council tax payers that it serves.

General exclusions

10 In general terms the following organisations are unlikely to be granted DRR:

- Schools
- housing associations
- Charity shops who do not operate exclusively in Coventry
- National charities
- Organisations that provide gaming facilities and/or a licenced bar as the major function in relation to the services provided
- Those that do not meet the specific objectives that the Council wishes to promote and which are set out in the Key Criteria below.

Key criteria

11 The council may grant up to 100 per cent discretionary rate relief to those charities and other organisations where contractual commitments exist with the Council therefore alleviating the need for the council to provide services direct and where additional costs would fall to council tax payers.

In all cases the following criteria must be satisfied by organisations wishing to claim DRR:

I. The organisation must submit its two most recent sets of audited accounts in order that the Council may conduct a financial assessment. Where such an assessment shows that an organisation has the means to pay its full rate liability DRR will not be granted;
II. Applications must be made annually;
III. The organisation must demonstrate that it supports the Council's objectives of attracting business, growth and jobs to the city or that it is a community group or an advice organisation providing advice or support to the most vulnerable residents;
IV. The organisation must provide services primarily to people who live in Coventry;
V. The organisation must be accessible to all. Membership should be open to all sections of the community. Applicant organisations should operate equal opportunities policies; and
VI. In the case of sports clubs the organisation must not provide payments or other significant benefits to players.

12 Where an organisation has been successful on the basis of the criteria outlined above, and where that organisation is liable for non-domestic rates at more than one property, the Council will award DRR in respect of one property only – that being the property with the highest rateable value unless additional costs fall to the council tax payers from such a position.

General Principles

13 To be eligible for relief properties must be occupied and used for the purposes of the organisation's objectives to the benefit of Coventry people. DRR will not normally be considered for properties that are empty.

Relationship to other forms of Rate Relief

14 Applications under this policy will only be considered after consideration of any other forms of rate relief to which the applicant may be eligible (excluding hardship rate relief).

Claiming DRR

15 All applicants are required to complete annually the Council's discretionary rate relief application form which will be available on the Council's website.

16 The Council may request additional information in support of an application for DRR. If supporting information is not provided within one calendar month from the date of request the Council may deem the application to be unsuccessful.

Maximum award

17 The Council will consider the merits of each application and the specific circumstances of each applicant. The maximum amount of DRR that will normally be awarded is 50 per cent of the net rate liability but this is subject to paragraphs 11 above and 18 below.

18 Subject to the criteria detailed in 'Key Criteria' above, community groups or advice organisations providing advice or support to the most vulnerable residents may be eligible for up to 100 per cent relief.

Timescale for Decisions

19 Decisions will be made within three months of receipt of an application form.

Notification

20 The Council will inform the organisation applying, in writing (or email), of the outcome of their application for DRR within seven days of making a decision. Where the application is not successful, the notification will provide full reasons for the decision and confirm the applicant's right to request a review of the decision.

21 Where the application is successful, the notification will include the following information:

a. The period of the award.
b. The percentage of the rate liability awarded for that period.

c. The amount of Rate Relief to be awarded for the period.
d. Details of when an amended Non Domestic Rate Demand will be issued.

Requirement to Make Payment of Amounts Falling Due

22 Ratepayers must continue to pay any amount of business rates that fall due pending the outcome of a DRR application. The Council may apply its normal recovery procedures in cases where payments are not received.

Awards for Retrospective Periods

23 For successful applicants DRR will be effective from the date that the Council receives the application. Rate relief will not normally be awarded in respect of any day prior to the day that an application is received except where:

- The applicant is newly liable for business rates and an application is received within one calendar month of the new liability arising
- There are exceptional circumstances and the ratepayer can demonstrate good cause for not submitting the application earlier.

24 No consideration shall be given to an award for a retrospective period where the Council is not able to verify to its satisfaction that the circumstances giving rise to the application pertained for that period.

Reviews and Appeals

25 Decisions on the award or otherwise of rate relief will normally be taken by the Head of Revenues and the decision will normally be final except as set out in this paragraph. An applicant may make a request for the decision maker to review a decision but only where either;

(a) Additional information that is relevant to the application and that was not available at the time the decision was made becomes available, or

(b) There are good grounds to believe the application or supporting information was not interpreted correctly at the time the decision was taken.

26 A request for a review must be made within four weeks of notification of the decision and must set out the reasons for the request and any supporting information.

27 Cases will be reviewed by the relevant Assistant Director in consultation with the Executive Director, Resources and Cabinet Member for Strategic Finance and Resources.

Payments

28 All awards of DRR will be credited against the applicants business rate account to reduce the amount payable.

Duration of Awards

29 Each award of rate relief made in accordance with this policy shall apply for a period of not more than one financial year and applicants will be required to submit a new application annually. Organisations receiving DRR will be notified annually of their requirement to submit a new application for the new financial year.