

Council – 10 July 2018

**Recommendation from Cabinet
12 June 2018**

Coventry City Council

Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 12 June 2018

Present:

Members: Councillor G Duggins (Chair)
Councillor F Abbott
Councillor K Caan
Councillor A Khan (Deputy Chair)
Councillor K Maton
Councillor J Mutton
Councillor J O'Boyle
Councillor E Ruane
Councillor P Seaman

Deputy Cabinet Members Councillor B Kaur
Councillor R Lakha
Councillor T Skipper

Non-Voting Opposition
Members: Councillor G Ridley

Other Members: Councillor J Clifford
Councillor M Mutton

Employees (by Directorate):

Chief Executive M Reeves (Chief Executive)

People P Fahy

Place M Yardley (Deputy Chief Executive (Place), S Bennett,
B Hastie, P Jennings, R Moon, J Newman,

Apologies: Councillors R Ali, A Andrews, D Gannon, J Innes,
J McNicholas

Public Business

RECOMMENDATION

4. **Revenue and Capital Outturn 2017/18**

The Cabinet considered a report of the Deputy Chief Executive (Place) which outlined the final revenue and capital outturn position for 2017/18 and which reviewed treasury management activity and 2017/18 Prudential Indicators reported under the Prudential Code for Capital Finance.

The Cabinet noted that the Audit and Procurement Committee would also be considering the report at their meeting on 18 June, 2018.

The report indicated that the overall financial position included a revenue underspend of £1.6m, which was required to be contributed to the Council's General Fund reserve. At quarter 3, there had been a projected over-spend of £1.8m and the report identified the underlying movements between quarter 3 and outturn, which had resulted in an overall favourable swing of £3.4m in the final quarter and which had led to the overall underspend of £1.6m. In particular, this related to improvements within Children's Services and Transformation and Contingency and Central budgets, which were detailed in the report.

This had enabled the Council to bring forward the fulfilment of several policy commitments and/or transactions recommended by the Council's Director of Finance and Corporate Services to strengthen the Council's balance sheet position and approval was sought to reserve contributions of £3.25m to meet future UK City of Culture costs and £2.1m into the Business Rates reserve to increase the Council's financial resilience.

Headline overspends of £2.7m within Children's Services and £4.2m relating to Housing Benefit payments were detailed in the report and were part of wider budgetary pressures in relation to housing and homelessness issues. An underspend of £6.6m within Corporate budgets related to variations in inflation contingency, pension, treasury management and Business Rates related budgets.

There had been a Capital Programme expenditure of £107m, which was £17m less than envisaged at the start of the year. The quarter 3 monitoring report to Cabinet approved a revised capital budget of £120.9m for 2017/18. Since then there had been a net programme increase of c£1m, giving a final budget for the year of £122.9m. Since February, a total of £14.7m net rescheduled spending had arisen on directorate capital programmes. The report provided a scheme by scheme analysis of rescheduling and accelerated spend.

There was also an increase in the level of Council revenue reserves from £51.3m to £67.1m. In addition, balances generated from capital receipts and capital grants to fund future capital projects had increased from £30.2m to £32.1 and reserve balances belonging to or earmarked to support schools had increased from £22.6m to £24.3m. Table 2 of the report provided a summary of reserve movements during the year.

In relation to Treasury Management Activity, the report indicated that, contrary to expectations following the EU referendum in June 2016, the UK economy strengthened by 1.8% in the calendar year 2017, the same level as 2016. However inflation rose to as high as 3.1% in November 2017, before falling back to 2.7% in February, 2018, meaning that real earnings fell. This meant that the

Bank of England increased the Bank Rate by 0.25% to 0.5% in November, 2017, the first increase in ten years. Current forecasts indicated that the Bank Rate would continue to increase gradually.

Given the interest rates provided by the Public Works Loans Board, it continued to be cheaper for local authorities to use short rather than long term funds for financing. At outturn, the Capital Financing Requirement, which indicated the authority's underlying need to borrow for capital purposes, had increased to £19.7m. No new long term borrowing was actually taken out during 2017/18, however, some borrowing would be required in the future to support current capital expenditure plans and the need for any such borrowing would be kept under review in 2018/19.

Appendix 3 to the report detailed the capital and treasury management related prudential indicators.

The Cabinet agreed to approve:-

1. The final revenue outturn underspend of £1.6m (section 2.1 and Appendix 1 of the report) which will be added to the Council's General Fund reserve.
2. The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £106.5m against a final budget of £121m; £14.7m expenditure rescheduled into 2018/19 and a net underspend £0.7m.
3. The outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.

RESOLVED that the Cabinet recommend that Council approves reserve contributions of £3.25m to meet UK City of Culture commitments and £2.1m to add to the Council's Business Rates reserve.