

---

Cabinet

2<sup>nd</sup> December 2014

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

**Director Approving Submission of the report:**

Executive Director Resources

**Ward(s) affected:**

All

**Title:**

Pre-Budget Report 2015/16

---

**Is this a key decision?**

Yes

Cabinet is being recommended to approve, as a basis for consultation, the spending and savings proposals for 2015/16 and future financial years as adjustments to the Council's Budget.

---

**Executive Summary:**

There have been very large cuts across the public sector since 2010 and local government has suffered disproportionately badly within the Government's overall resource allocation framework. The City Council has received reductions in its core Government revenue funding equivalent to £55m per annum (26%) between 2010/11 and 2014/15 with the prospect of further cuts of £50m per annum over the next 3 years. Within this context, the Council approved a Medium Term Financial Strategy (MTFS) on 11<sup>th</sup> November 2014 which set out the national and local financial and policy context, as well as the key approaches being proposed to address the challenges.

At the start of 2015/16 budget setting, the Council faced a budget gap of £15m rising to £65m over the next three years. This report sets out spending and saving proposals that together narrow those respective gaps to £2m and £15m. Further details are provided on a line by line basis in Appendix 1.

The MTFS outlined the key strategies needed to enable the Council to balance its budget in the short to medium term incorporating Kickstart and the Customer Journey; City Centre First; a new Workforce Strategy; and Doing Things Differently. It is intended that these will deliver combined savings of nearly £15m in 2015/16 rising to £40m over the medium term. The report provides some further details on the overarching direction of the proposals and more will emerge as the strategies crystallise over the coming months.

Some of these savings proposals represent significant changes to services provided by the Council. It is essential that the Council overhauls and modernises the way that many of its services are delivered rather than try to maintain the status quo in how it operates – a state that will not be affordable in the light of the future financial challenges that face the Council. The Council will need to maximise the efficiency with which it delivers its services and make decisions about which services it will not be able to maintain at existing levels if it is to maintain its commitment to protecting its most vulnerable citizens and to deliver a range of core services to everyone in the city.

The MTFs re-stated the Council's commitment to protecting vulnerable people in the city. This report includes additional resources of £13m in 2015/16 for Children's Services. This reflects the current volume of cases and cost of care for looked after children and for safeguarding other children and young people. This financial investment re-affirms the Council's commitment to delivering the recommendations of the OFSTED inspection of Children's Services made in February 2014.

This report proposes that the budget consultation is carried out on the basis that the Council will increase Council Tax levels by the maximum amount allowable by Government without triggering a referendum. The assumption here is that this level will be 1% although there is a likely potential range of between 0% and 2%. It is possible that the threshold will not be announced before the end of January.

In addition the Council will also continue to lead the drive for economic growth and the regeneration of the city through existing revenue budgetary provision and through its capital programme, building on developments approved and kick-started over the past couple of years. These elements do not feature within the main recommendations of this report but will form a fundamental part of the Council's 2015/16 revenue and capital budgets. The long term future of the City and the Council's finance can only be secured by growing its economy, providing jobs and increasing tax revenues.

**Recommendations:**

Cabinet is recommended to:

- (1) Approve the content of the report, the revenue spending and savings options in Section 2 and Appendices 1 and 2 and the Capital Programme proposals in sections 2.7 and 2.8 as the basis for the Council's budget consultation process
- (2) Approve the proposed approach on Council Tax in 2.9

**List of Appendices included:**

- Appendix 1 – Pre-Budget Financial Proposals
- Appendix 2 – Kickstart & Customer Journey, City Centre First and Workforce Strategy
- Appendix 3 – Initial Indications of Equality Impacts

**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?**

No

## **Pre-Budget Report 2015/16**

### **1. Context (or background)**

- 1.1 Resources available to the Council have continued to decline, with government revenue funding reduced by £55m per annum between 2010/11 and 2014/15 with the prospect of a further £50m per annum reduction over the next 3 years. Whilst further clarity will be provided on the 2015/16 financial position within the Local Government Provisional Settlement due to be announced in December, it is forecast that grant will be over £24m (15%) lower in 2015/16 than in the current year. This is the biggest year on year reduction we have seen since 2010.
- 1.2 Within the context of continued downward pressure on local government resources the City Council's Medium Term Financial Strategy (MTFS), approved by Council on 11<sup>th</sup> November 2014, set out both the national and local context in detail, as well as the key strategies being proposed to address the financial challenges through the identification of savings grouped under Kickstart and Customer Journey; City Centre First, the Workforce Strategy and Doing Things Differently.
- 1.3 Prior to setting the final Budget in February, the Council will be required by law to establish the Council Tax and Business Rates tax-bases for 2015/16 and declare any projected deficits or surpluses from 2014/15. Early indications are that there are likely to be additional resources available from these areas to help balance the Budget and these are included within the detailed proposals.

### **2. Options considered and recommended proposal**

- 2.1 The remainder of the report details the financial position facing the Council and the specific proposals put forward for consultation.
- 2.2 Following the 2014/15 Budget Report the Council faced an initial budget gap of £15.1m rising to £65.0m. A number of changes to the base position have emerged since then and a range of savings proposals identified to move towards balancing this position. These proposals have been itemised and described within Appendix 1.
- 2.3 The most significant individual item within these proposals relates to an investment of £13m (offset in part by a proposed £3m contribution from reserves) into Children's Services. This will provide additional resources reflecting the current volume of cases and cost of care for looked after children and for safeguarding other children and young people. This financial investment re-affirms the Council's commitment to delivering the recommendations of the OFSTED inspection of Children's Services made in February 2014. In the longer term, work is in train to identify how this level of spending can be reduced, as it is not sustainable in the face of continuing Government cuts to grant and control over Council Tax increases.
- 2.4 The MTFS outlined the key strategies needed to enable the Council to balance its budget in the short to medium term incorporating:
  - Kickstart and the Customer Journey – Rationalisation of the Council's city centre office estate and services combined with better use of technology and the way that customers perform transactions with the Council.
  - City Centre First - focussing the Council's service delivery and access points into a small number of clusters based in key areas within the city.
  - Workforce Strategy – Implementation of the existing voluntary redundancy and vacancy management exercises in addition to future reviews of the shape of the Council's workforce, people and performance.

Some further details on the overarching direction of these proposals are included in Appendix 2 and more will emerge as the strategies crystallise over the coming months. These together with a range of individual Doing Things Differently savings in Appendix 1 will deliver combined savings of nearly £15m in 2015/16 rising to £40m over the medium term.

- 2.5 Some of these savings proposals represent significant changes to services provided by the Council. It is essential that the Council overhauls and modernises the way that many of its services are delivered rather than try to maintain the status quo in how it operates – a state that will not be affordable in the light of the future financial challenges that face the Council. It is only through maximising the efficiency with which the Council delivers its services that it will be able to maintain its commitment to protecting its most vulnerable citizens and to deliver a range of core services to everyone in the city. The City Council is clear that whilst it will continue to drive efficiency - reducing costs wherever possible - to be able to deliver efficiency within this financial context will require a fundamental re-shaping of what a local authority is. Perhaps above all, this will require different ways of working with residents, businesses, the voluntary sector and everyone who has a stake in the city. It is inevitable also that the Council will need to end some of the services that it currently provides.
- 2.6 Table 1 below summarises the overall position. If all the proposals included within this report were accepted, this would bring the forecast budget gap down to £1.8m in 2015/16 rising to £15.3m in 2017/18. If some proposals are not accepted, alternative savings will need to be identified. In order to address the budget gap, further proposals will be brought forward as part of the final Budget Report which will ensure that a balanced budget position is achieved. This will include any amendments to the final Local Government Settlement, finalisation of the Council Tax and Business Rates base positions, fine-tuning of corporate budgets and reviews of any further Directorate proposals, in particular around the proposed Children's Services costs and the potential to identify any future transformational savings within this area.

Table 1: Overall Financial position 2015/16 to 2017/18

<b><u>Summary Position</u></b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
<b>Starting Position - 2015/16 Budget Setting</b>	<b>15,088</b>	<b>44,230</b>	<b>65,030</b>
Changes to Base Position	(8,760)	(13,815)	(19,315)
Children's Services Additional Costs	10,000	10,000	10,000
Kickstart, Customer Journey, City Centre First and Workforce Strategy	(7,000)	(13,000)	(25,000)
Doing Things Differently:			
Place Directorate	(3,275)	(4,175)	(4,675)
People Directorate	(2,100)	(3,650)	(3,650)
Resources Directorate, Public Health, Chief Executive's	(2,170)	(6,658)	(7,078)
<b>Current Budget Gap</b>	<b>1,783</b>	<b>12,932</b>	<b>15,312</b>

2.7 The medium term Capital Programme will be presented as part of the Budget Report in February subject to the latest estimate of current year expenditure and Government capital allocations. For the most part, the 2015/16 Capital Programme will see the continuation of a number of large investment programmes across the city, utilising a number of external grant resources as well as borrowing approvals made within 2014/15 Budget Setting. On 9<sup>th</sup> September the Council endorsed the Coventry and Warwickshire First Wave Growth Deal securing £74.6m of additional funding to support Economic Growth in the area from 2015/16 onwards. Subject to the imminent receipt of final offer letter this will be included in the February report. Beyond this, resources available nationally and locally in the form of capital receipts and other funds are relatively limited and consequently, it is unlikely that there will be significant scope for new expenditure plans from these sources.

2.8 The report that will come to Council in February will include a full Capital Programme that is likely to reflect the following over the next 5 years:

- Continued investment on the Friargate regeneration project including the completion of the bridgedeck and the development of offices;
- The Coventry Investment Fund programme to facilitate economic and business rate growth within the city;
- A revenue funded commercial property repairs programme;
- Further highways investment in roads, partly revenue funded, and through the Integrated Transport Programme, including safety scheme and improvements;
- Continuation of Public Realm works to improve the City Centre and Whitley Junction
- Vehicle and Plant replacement programme;
- School expansion to address basic need and condition
- The continuation of the Nuckle project to improve rail access in the sub-region;
- An externally funded programme of Disabled Facilities Grants, including Social Care Grant;
- Continued investment in strategic ICT projects
- Additional investment in new infrastructure, driving innovation in Advanced Manufacturing and Engineering and Supporting Businesses and growing local skills and talent from investment from Coventry and Warwickshire first wave growth deal.

## 2.9 Council Tax

In recent years the Government has awarded a Council Tax Freeze Grant to local authorities that have chosen to freeze Council Tax at existing levels. In 2014/15 the grant was available equivalent to a 1% increase in Council Tax and Coventry chose not to freeze its Council Tax but instead to increase it by just under 2%. This was the limit above which the Council would have been required to seek referendum approval from Coventry voters.

The Freeze Grant scheme has not been announced yet for 2015/16 although it is reasonable to assume that it will once again be set at 1%. The referendum limit has not been announced either but there are some concerns that this may be set at a lower level than previously. The financial planning assumption built into this report is that the referendum limit could be reduced to 1%, compared to a 2% Council Tax rise assumed in previous financial plans. At this reduced level, the Council would suffer a £1m reduction in Council Tax revenue compared to previous financial plans.

Final Council Tax proposals will be brought forward in February once the 2015/16 Freeze Grant and Referendum limits proposals have been finalised.

### **3. Results of consultation undertaken**

- 3.1** Following agreement by Cabinet, the proposals in this report will be subject to eight weeks public consultation ending on 27th January 2015 February. The Council will invite comments on the proposals from members of the public including through social and digital media. The consultation period will culminate in a series of consultation meetings with consultees including: the Youth Council; the Council's trade unions; the business community, through the Coventry & Warwickshire Chamber of Commerce; public sector organisations in the city; community and voluntary sector organisations and other partner organisations. The outcome of this consultation will be included in the February budget report.

Comments received during the 2014/15 Budget consultation process were considered in detail by Councillors. Some are already being implemented (eg fewer Council employees, fewer senior staff, turning off street lights) whilst others will be incorporated within forthcoming reviews such as the development of City Centre First proposals (using libraries as hubs, using schools more as community centres). It is vital that the Council and Coventry citizens continue a dialogue of this nature in relation to new models of service delivery which will require a new relationship between the Council and the residents, businesses and stakeholders of the City.

Where more detailed savings proposals are not yet available and are likely to emerge in subsequent review exercises, appropriate consultation processes with relevant stakeholder groups will be undertaken at that time.

### **4. Timetable for implementing this decision**

- 4.1** Many of the expenditure and savings identified within this report will be implemented from 1<sup>st</sup> April 2015 although the proposals set out in Appendix 2 will, by their nature, be profiled across a three year period. This report does not authorise spending and savings decisions. This will happen in the final Budget Setting report in February 2015.

### **5. Comments from Executive Director, Resources**

- 5.1** Financial implications

In line with all other similar authorities Coventry has no option but to identify ways of reducing its overall budget in order to respond to cuts in Government resources.

The Council is approaching the final year of its abc Programme which will, once completed, have delivered over £60m of savings by the end of 2015/16. Many, though not all, of these savings have been delivered without having a fundamental impact on services delivered to the people of Coventry. The further cuts in Government resources expected over the next three years will mean that future budget savings proposals are likely to have an increasing impact on services experienced by the Council's citizens and customers.

The savings proposals brought here will see fundamental changes in the way that many of the Council's services are delivered. These changes are included within a range of savings programmes which contain some challenging targets and complex delivery models. As a result, actual delivery of these budgetary targets would represent a significant achievement over the next few years and it is anticipated that there will be considerable management focus on this area.

The most fundamental single item within these Pre-Budget proposals is the increase in budget provision relating to Children's Services. This reflects the need identified by the Council following the Ofsted report into its Children's services to increase the capacity to

respond to the needs of vulnerable children across the city. The investment of £13m (balanced by a contribution of £3m of reserves in 2015/16) reduces to £10m in 2016/17. Further work is anticipated ahead of the final budget proposals to identify how the Council can reasonably reduce this cost estimate whilst ensuring a robust service continues to be provided.

## 5.2 Legal implications

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2015/16 budget by mid-March 2015. This includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 31A of the Local Government Act 1992 (as amended) and Section 25 of the Local Government Act 2003 refer.

## 6. Other implications

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

The Council, in common with all local authorities, will continue to be faced with challenging resource constraints over the coming years, which will inevitably have an increasing impact on front-line services. However, the budget is developed within the context of the approved Medium Term Financial Strategy, which in turn rests on the principles set out for the City within the Council Plan. In this way pre budget proposals are aligned to existing policy priorities.

### 6.2 How is risk being managed?

The inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. The scale and scope of the savings that will be 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.

### 6.3 What is the impact on the organisation?

The size of the revenue gap to be managed means that the Council will have to change radically to meet the challenges that it faces, both in terms of the way it works and the services it provides. The very large savings included within this report will be met largely from savings in employee budgets. The Council has already begun a new Early Retirement and Voluntary Redundancy programme following approval on 9<sup>th</sup> September with a broad plan to reduce employee numbers by c1,000 over three years. Reduced employee numbers across the Council plus the need to do things differently and a new focus on the City Centre will further accentuate the importance of new ways of working under Kickstart and will change the nature of the services provided, and the way the Council works.

### 6.4 Equalities / EIA

In order to evaluate the impact of the Budget on protected groups, the Council has looked across all major areas of the 'new focus'. Equality analysis is underway for Kickstart, City Centre First and the Workforce Strategy proposals through individual Equality and Consultation Analyses. The detailed impact of these programmes will be considered as necessary by elected members at the appropriate stages of subsequent decision making for the individual Projects. However, initial indications of any positive or negative impact for these areas, alongside other planned savings (listed under Doing things Differently) have been detailed in Appendix 3. From this it can be seen that Older People and Disabled people are the groups most likely to be impacted upon by planned areas of work, both positively (through Kickstart) and negatively (through changes to the Adult Social Care

Policy and work on City Centre First). Young people and looked after children will benefit from the investment in Children's Services.

**6.5 Implications for (or impact on) the environment**

None

**6.6 Implications for partner organisations?**

It is anticipated that the City Centre First proposals could prompt a range of different working arrangements with the City Council's partners. These could range from partners sharing Council premises or taking on buildings formerly owned by the Council to delivering a greater range of services in partnership with, on behalf of or instead of the Council. There is also a specific proposal to reduce the level of grant funding provided by the Council compared with historical levels and this will affect a number of the Council's partners for whom funding could be reduced or ended. This report commits the Council to the overarching savings detailed in Appendix 2 although the specific details will emerge as individual reviews are undertaken.

**Report author(s): Paul Jennings**

**Name and job title: Finance Manager (Corporate Finance)**

**Directorate: Resources**

**Tel and email contact: 02476 833753 paul.jennings@coventry.gov.uk**

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Lara Knight	Governance Services Team Leader	Resources	19/11/14	19/11/14
Jaspal Mann	Policy Officer	Chief Executives	19/11/14	20/11/14
Michael Rennie	Lead Accountant	Resources	11/11/14	14/11/14
Helen Williamson	Lead Accountant	Resources	19/11/14	19/11/14
Fran Collingham	Assistant Director Communications	Chief Executive's	19/11/14	19/11/14
Brian Walsh	Executive Director People	People	19/11/14	19/11/14
Martin Yardley	Executive Director Place	Place	19/11/14	19/11/14
Martin Reeves	Chief Executive	Chief Executives	19/11/14	20/11/14
<b>Names of approvers for submission:</b> (officers and members)				
Finance: Barry Hastie	Assistant Director Finance	Resources	19/11/14	19/11/14
Legal: Christine Forde	Assistant Director Legal and Democratic Services	Resources	19/11/14	20/11/14
Director: Chris West	Executive Director Resources	Resources	19/11/14	20/11/14
Members: Councillor Damian Gannon	Cabinet Member (Strategic Finance and Resources)		19/11/14	20/11/14

This report is published on the council's website:

[www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)