UNISON Coventry City Local Government Branch response to the Coventry City Council Budgetary Council proposals for 2015/16

UNISON is fundamentally opposed to the budget cuts proposed in the pre-budget report 2015/16 (02.12.15). Whilst the financial assumption in the report is that the level of resources allocated will continue to fall, it is by no means certain. It needs to be noted that pessimistic over cautious financial planning, has actually taken place alongside underspend on a grand scale. This combined with “windfalls” or one off income presents opportunity to preserve essential services which should be the priority of a Labour led Council.

This budget is based on the medium term financial strategy (11th Nov 2014), which was not subject to public consultation and yet it sets the agenda in terms of Kickstart, customer journey and importantly 2.3.10 states “will radically redefine what a local authority is for ….review the range and level of services it currently provides”.

A disaster scenario is being painted for the citizens of Coventry regarding the ”inevitability” of the closure of services yet examination of the reserves and Authorities asset register indicate we have some £81,000,000 in reserves and £952,586,986.81 showing on the assets balance sheet in October 2014. Some £9,985,700.49 is held for disposal and UNISON would question how long the Council intends to hold these assets whilst choosing to close services fundamental to our communities and their well-being. On this basis we challenge the view stated in 3.1 that we have to carry on with new models of service with a new relationship.

UNISON proposes that reserves and assets are used to maximise support for the delivery of services to our citizens in order to halt cuts to vital services.

UNISON posed the following questions to the Executive Director of Resources that at time of writing remain unanswered:

On 16.01.15 in relation to infrastructure and loans

- Will Friargate be owned by the Council or leased?
- Are the European funds given for the Friargate project loans or grants from the EU?
- For Council loans how much is spent annually on serving the debts, i.e. the annual payments?

UNISON wished to ascertain what debt the Council has taken on and to what extent do we use revenue to pay the debt? This is a fundamental question of principle when the authority makes decisions to prioritise Tarmac over people and business development over service delivery. Using revenue, as is clearly stated in the report, to support business growth, at the expense of service provision is immoral. The "significant changes to services provided by the Council" is an oblique reference to cutting libraries, closing children's centres, outsourcing all internally provided services in social care, reducing park activities and open hours. The Authority has not engaged meaningfully with the public during this consultation exercise relying too heavily on electronic channels whilst 20% of the population have no access to I.T. . The information provided is inadequate to fully understand the consequences of the proposals as detail is unavailable. UNISON will challenge strongly should general references in this proposal be used to restrict decision making options once detail is made known.

Equality impact assessments are vital before any non-reversible decisions are made. The proposals UNISON is aware of will affect the vulnerable, older and disabled people who are the service users of those areas under attack, particularly in relation to city centre first. We cannot support City Centre First as it undermines the support to the citizens of Coventry.

UNISON notes on the EIA included in the pack that Customer Journey (as "agreed" in last year's budget) has a positive impact in terms of disability. This is not correct; the proposal regarding the movement of the Blue Badge service as part of customer first acknowledged

> "These proposals will have a negative impact on customers of the department…"

Consultation Document Proposal for Transfer of Blue Badge to Customer Services 07.01.15

On 15th UNISON asked regarding the asset register.

- Why is the Net book value of the land asset of CC1, 2 3 and 4 (£45k, £45k,£45k, £75k) so low in comparison to the netbook value of the Council House land asset (£597,600k)?
- Are the net book values of the land assets of the civic centre's estimates? The values are rounded when compared to say the net book value of Elm Bank land value of £334,275.
- Could you detail the sum total of loans for infrastructure that are paid from revenue budgets?

Also on 15.01.15 UNISON said

"Given the current consultation on next year's budget, where citizens and employees are asked to accept that services must stop, libraries must consult on closure of all but 4 service points and citizens should don a high vis jacket to litter pick in their neighbourhood UNISON must ask that details of the agreements with the University are shared with the trade union side.

- What is the immediate financial benefit to the council of the acquisition of CC1, 2,3, & 4 by the university and how will this be used to preserve jobs and vital services and protect the terms and conditions of our members?
- On what basis are Coventry University using Elm bank, is it rented or sold?
- What tangible (financial) benefit, if any has been gained in the University “taking on” Elm Bank.”

Given the level of cuts to services proposed in the budget document one would expect transparency in relation to the disposal of prime city centre assets and assurance that the money generated will be used for the direct benefit of citizens and not by the intangible building business rate or private profit at the expense of public service.

UNISON has also suggested on numerous occasions that the authority should seek to maximise opportunity for grants to develop and sustain services to citizens.

UNISON would ask why we are looking to be a City of Culture in 2020 when we want to close the Priory Visitor Centre, Libraries and the History centre. We have the lowest opening hours of Records and Archives offices.

References are made in the budget proposal to Kickstart and the workforce strategy (2.4)that is being worked up. UNISON will not tolerate attacks on our member’s terms and conditions nor the policies and procedures designed to protect them.

UNISON would like to know how are you going to increase Business Rate growth (2.8)? What level of business rate growth has there been over the last 3years? We would also like to know what contingency plans are there if businesses don’t go into Friargate as expected by management?

We note that 3.1 suggests of schools should have a dual role, using them as community centres, however the authority has no authority over schools and the authority has no power to compel this change.

UNISON would seek reassurance that should the referendum limit be set above 1% in February that Council tax will rise accordingly in order that our tax revenue is not unreasonably limited. The real value of the council tax income has suffered as a result of previous acceptance of Council tax freeze grant. Management need to be clear and offer information in a timely way regarding how much we get from income various sources (1.3) e.g. windfall from airport last year., sale of CC1,2,3, & 4, Profit from Ricoh deal.

UNISON strongly disagrees with the suggestion of 5.1 that the abc programme has made savings “without having a fundamental impact on services delivered to the people of Coventry”. . UNISON cannot understand how a Labour control authority uses such language any cut in service has its own effect; what efforts have the Council taken to measure the impacts to validate this statement? As a result of abc our Children’s Centres no longer offer a universal offer to families, this had an enormous impact on families who can no longer use the service but also upon children who now access a targeted service and can no longer benefit from a mixed peer group. The longer term effect in terms of loss of early intervention and prevention, which is not just about focussing on “troubled families” will not be felt immediately but will have an impact on demand for expensive interventions later in a young person’s life.

UNISON requests details of who the partner organisations are identified in 6.6 who are willing and able to deliver services on behalf of or instead of the authority? We would ask the authority to note the experience of Lincolnshire in relation to running Libraries where numerous community groups have withdrawn from the process citing multiple difficulties?

Could the authority detail what buildings (referenced in 6.6) will be made available to partners and on what basis (loaned, rented, sold,).

UNISON requires details of what range of services with partners are being considered and believes this information needs to be made public and not restricted to those whom the authority believes may have an interest in taking up services. If services are run on behalf of the council how will savings be achieved? UNISON has strong concerns that outsourcing of services makes “efficiencies” at the cost of workers’ salaries. Also there is a concern in relation to accountability, particularly in statutory services, should a service fail the authority is still responsible. We also note that there is no budget line attached to this point

Appendix 2 (paragraph 4 Kickstart) states the authority will strip out red tape and focus on frontline services, focussing on frontline services that people value. UNISON would like to ask how the authority assesses what is valued by our communities. o we assess what is valued. A heavy focus on complaints does not give a true reflection of what matters to our communities. UNISON would like to know when the authority is going to start talking to the people of Coventry properly.

UNISON accepts that City Centre First programme is ambitious and wide reaching but has seen no evidence that the managers who are developing the proposal have a concept of the effects on our communities who need and use our neighbourhood services. It is disingenuous to suggest that going from seventeen Libraries to five is a service redesign; it is wholesale slashing of services to those in need. The authority needs to look at the Wirral report by Sue Charteris before progressing any further with city centre first if it wishes to avoid strong legal challenge, particularly around assessment of need.

Given some staff have been released this year on er/vr, what early savings have been achieved and how does this affect the budget proposal.

UNISON look forward to details of proposed management delayering as it has been acknowledged that we are a top heavy organisation.

In terms of paying down of debt this year to the value of £4m, Management have judged this to be Financial prudence however UNISON would challenge whether this is was necessary given the scale of the financial cuts we face over the next 3 years, particularly as finance managers have expressed the view that interest rates are currently low.

In regard to appendix 1

- Line 4- Asset Management Account Requires further explanation. What does the commentary mean and how would you make savings of £3.2million in the coming year rising to £6million in 2016/17
- Line 6- City Centre rent loss. Did this “insurance against loss” occur in previous budgets? Why is this no longer seen as necessary? What actual loss of rental income has occurred because of city centre south and the delays?
- line 8-Business rates- Was there a saving in 2014/15 from this contingency if business rates “held up well” ?
- line 11 Please explain why this hasn’t been achieved
- line 15 – We object to revenue underspend being used to offset capital programme. What is the overall saving for the terms of the loan?. Borrowing is the cheapest it has ever been in any event.
- line 17 We need an explanation of the information provided.
- line 44 – UNISON believes this will mean an attack on young and old peoples care packages, those who are often the most vulnerable in society. How do you make savings without service users missing out and being put at risk? If you plan to commission differently will you ensure the minimum wage is paid as an essential criteria for award?
- line 33 – Have you discussed schools taking on this financial responsibility and carried out a risk assessment should they fail to take up the service?

- line 38, 40 and 41 – How does this encourage Tourism and Income and economic regeneration ?

Adult Education has attracted great praise for its achievements – Why are we reducing its capacity.

- line 50 – This highlights a reduction in skills and expertise in an area where you employ qualified staff. There is an impact on safeguarding. De-professionalising of the service which counters the criticism after last year's highly publicised safeguarding issue.
- line 48 Fostering - this policy hasn't worked previously, what are you doing differently to achieve this?
- Line 49 – UNISON requests information on Children's services transformation as there isn't any currently
- Line 54 Public Health – How will this be achieved given we are a marmot city?
- Line 55 – Reduction in Voluntary service Grants – UNISON request which grants will go
- App 1 – Reduction in Grant Line 1 – how did you arrive at a figure of £1.6m drop in 2017?
- Line 14 – Can you clarify why revenue account will be used for Microsoft office licences?

Further Questions

The New Homes Bonus for Coventry increases from £5,712,016 in 2014/15 to £7,084,365 – an increase of £1,372,349 – it is not clear whether this increase has been included in the pre budget report 2015/16. We request clarification on this matter.

The pre-budget report includes £10m growth for the additional costs of children's services (£13m in 2015/16 of which £3m is one off addition financed by use of reserves). This is in addition to the reinstatement of a £4m planned saving that was not achievable and the £5.6m growth built into 2014/15 (reduced to £5m). UNISON requests a detailed breakdown of how £5.6m has been spent and how the £10m figure is arrived at. Any reduction in growth to meet budget pressures will reduce the level of cuts required.

UNISON wishes to clarify whether the basis for calculating the Minimum Revenue Provision has been reviewed. Other local authorities have revised the basis on which the MRP is calculated utilising greater flexibility allowed for in regulations. (See Appendix 1 for an example involving a change that resulted in an outcome that was £1.4m better)

Fuel Prices have fallen significantly and UNISON wishes to clarify how assumptions about expenditure on fuel have been revised

Table below Fuel Prices (November 2014 compared with January 2015) courtesy Fleet News.co.uk

County	Diesel	Unleaded	Super Unleaded	LPG	Unleaded	Diesel	Super Unleaded	LPG
	PPL	PPL	PPL	PPL	PPG	PPG	PPG	PPG
07 November 2014								
Coventry	129.71	125	N/T	72.9	568.24	589.65	N/T	331.4
26 January 2015								
Coventry	116.9	105.73	109	N/T	480.64	531.42	495.5	N/T

Energy Prices have also fallen and UNISON seeks clarity on how assumptions about expenditure on energy have been revised

UNISON requests details of the Earmarked Reserves which are shown to grow by £15.237m to £49.194m at 31 March 2014 and when each earmarked reserve was last reviewed.

UNISON seeks clarity whether

i. Coventry council uses revenue to pay directly for capital projects

ii. the base budget includes a revenue contribution to capital

iii. there are revenue reserves for capital projects

iv. The council has considered whether it will be better to borrow and spread the costs over time

v. The council has a policy of minimising revenue contributions to capital

It should be noted that row 21 below which identifies the financial impact of a 1% referendum limit of £1m in 2015/16, £2m in 2016/17 and £3m in 2017/18 should no longer be included as the Government is not proposing to reduce the referendum limit from 2% to 1%.

Impacts of the proposed referendum principles for 2015/16

Table below is a detailed breakdown of changes to base position

Row		2015/16	2016/17	2017/18
		£m	£m	£m
1	2017/18 Resource changes	0	0	-1.600
2	Pension Auto Enrolment and Actuarial Review	0	0	-2.000
3	Demand Management non delivered saving in budget	3.000	3.000	3.000
4	Asset Management Review Account	-3.200	-6.000	-6.400
5	Integrated Transport Levy	0.200	-0.600	-0.600
6	City Centre Rent Loss	-2.000	-2.000	-2.000
7	Coventry and Solihull Additional Waste Dividend	-0.667	-0.667	-0.667
8	Remaining Business Rates Contingency	-1.000	-1.000	-1.000
9	Business Rates Pooling Benefit	-0.400	-0.400	-0.400
10	Review of LEA functions and cut in ESG	1.952	1.952	1.952
11	ABCS Financial Strategy Re-phasing	2.200	1.200	-0.300
12	Waste Disposal	0.800	0.800	0.800
13	Carbon Reduction Commitment	0.200	0.200	0.200
14	Microsoft EA licences	0.450	0.450	0.450
15	Revenue Underspend set aside to fund capital	-0.600	-0.600	-0.600
16	Leisure Facilities Model contribution revenue savings	-0.400	-0.400	-0.400
17	Inflation contingencies (inc £0.35m cost of 2.2% pay award)	-6.650	-9.650	-10.650

18	Centralise function and equipment budget	-0.100	-0.100	-0.100
19	Strategic Business Rate Growth additional target	0.000	-1.000	-1.000
20	Council Tax estimated outturn and taxbase	-2.000	-1.000	-1.000
21	Council Tax potential 1% referendum limit	1.000	2.000	3.000
22	Business Rates estimated outturn and taxbase	-1.545	0.000	0.000
	Subtotal changes to base position	-8.760	-13.815	-19.315

UNISON would seek clarity on why the Council will not therefore increase the Council tax base beyond 1%.

Appendix 1

Extract from Cheshire West and Chester Budget Report 2011/12

Paragraph 130

Paragraphs 84 to 88 of this report seeks approval to a revised policy on the Minimum Revenue Provision for the repayment of debt. Approval is sought to adopt this new policy retrospectively for 2010/11. The impact of this policy change has been built into the general reserves position and improves the three quarter year review position by £1.4m.

Paragraphs 84 to 88

Provision for Debt Repayment

84 The Local Government and Public Involvement in Health Act 2007 places a requirement on all councils to approve, prior to the start of the financial year, a policy on how the amount provided for the repayment of debt is calculated. There are 4 options available in respect of this policy for the Council to choose from and these are outlined and explained at Appendix D together with the Policy Statement on the Minimum Revenue Provision for the Repayment of Debt for 2011/12.

85 Having evaluated the options available, it is proposed that two key changes are made within the Statement for 2011/12 when compared to 2010/11. The first is that it is proposed that Option 1 as discussed in Appendix D be used instead of Option 2 (currently used) for the calculation of the MRP charged to the Revenue Account, and the second being that MRP charges will commence in the year following the creation of the capital asset rather than the year after the capital expenditure was incurred. As part of this report Council are also recommended to approve the adoption of this new policy retrospectively for 2010/11.

86 Option 1 has been selected as it allows the Council to defray the costs of borrowing over a longer period of time than Option 2. Adopting Option 1 would reduce the annual costs to the Council by approximately £300k per annum in the medium term, giving the Council the ability to redirect this funding to support the delivery of services. Whilst this option does defer a greater proportion of costs to later years the prudence of this approach is explicitly approved by CIPFA in their Code of Practice on Financial Management as it matches up asset lives to their capital costs. Furthermore, all future repayments are expected to be affordable to the Council. Commencing MRP based on when the time an asset becomes operational has similar benefits and also allows the MRP charges to more closely reflect the periods over which the Council will benefit from use of the asset.

87 The budgeted provision for the repayment of debt in the year 2011/12 comprises of 3 elements:

• The first element comprises a charge in respect of supported borrowing. Here the charge for the repayment of debt is calculated as 4% of the estimated supported borrowing at 31st March 2011.

• The second element comprises a charge in respect of unsupported borrowing. The provision for the repayment of unsupported borrowing is calculated on a basis that charges the amount borrowed to the Council's income and expenditure account in equal instalments over the anticipated life of the asset.

Policy

Appendix D

2011/12 POLICY STATEMENT ON THE MINIMUM REVENUE PROVISION FOR THE REPAYMENT OF DEBT

Purpose of this Statement

1 The annual Minimum Revenue Provision (MRP) Statement sets out the Council's responsibility to ensure it makes adequate provision for funding the consequences of its capital investment decisions. It allows Members to consider the options it has available for making this provision and to select an approach which appropriately balances the funding of these costs with the benefits the Council receives from the capital expenditure.

Background and Legal Requirements

2 Capital expenditure is expenditure that provides ongoing benefits to the Authority for a period of longer than 1 year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from service revenue budgets it must be charged against the Authority's General Fund Balance. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Authority.

3 Such charges are shown in the Authority's Movement in Reserves Statement (MiRS) as repayment of debt (more commonly known as the Minimum Revenue Provision).

4 A Council's policy on MRP (i.e. the basis on which such costs will be charged to the General Fund) must be approved by Full Council (and no less a body) prior to the start of the year to which the policy will apply. Should it be necessary to amend this policy either retrospectively or prospectively in year then all changes must also be approved by Full Council.

5 The amount that a council charges against its General Fund in respect of the MRP is for the council alone to determine. However, Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) in respect of MRP charges, requires that councils make a prudent provision for the repayment of debt, i.e. charge a prudent amount of MRP each year.

6 In this context prudent is generally taken to mean in a way that is affordable on a sustainable basis and which charges the costs over a period that is no longer than the estimated length of time the expenditure will provide benefits for.

7 To help councils in this respect the Department of Communities and Local Government (CLG) has issued guidance on how councils should calculate MRP charges. It is a requirement under s21 (1A) of the Local Government Act 2003 that all councils 'have regard' to such guidance.

Options Available

8 Capital expenditure is categorised as supported or unsupported (more commonly known as prudential borrowing) dependent on how it needs to finance the costs of the expenditure (i.e. the MRP and interest payable). These classifications in part determine the approach that Councils should take to determining their MRP Policy.

9 Supported capital expenditure is where part of the cost of such expenditure is funded by Central Government through the general grant it pays to the Council.

10 Unsupported capital expenditure, as its name suggests, attracts no funding from Central Government. All of the costs of such expenditure need to met from a combination of Council Tax, housing rents and external income.

11 The guidance from CLG sets out 4 possible options for calculating the MRP charge.

These are detailed below:

Option 1 - Regulatory Method

Applies the statutory formula set out in the 2003 Regulations (as amended) before it was revoked by the 2008 Regulations. Broadly speaking this mechanism assesses the Council's non-housing Capital Financing Requirement (CFR) and charges MRP at 4% of that figure. This option also allows the Council to exclude an element of the CFR from this calculation to mitigate the impact of changes to capital financing introduced in 2004. This adjustment (known as Adjustment A) is fixed at its 2004 level and allows Cheshire West and Chester to set aside £7.9m of its CFR each year before calculating its annual MRP charge.

Option 2 – CFR method

As above except that no adjustment is made for the changes in capital financing legislation. The MRP is based on 4% of the non-housing capital financing requirement. As there is no allowance made for Adjustment A this approach is slightly more prudent as it sets aside a larger balance each year although over the long term the provisions under the two approaches would equalise.

Options 1 and 2 are both recognised as being prudent approaches for any expenditure incurred prior to 1st April 2008 and any supported capital expenditure incurred after this date. A council can only choose to use option 1 or option 2. It cannot use both concurrently.

These options are not considered appropriate for unsupported expenditure incurred after this date, for which alternative more prudent approaches based on individual asset lives are recommended.

Option 3 - Asset Life method

This identifies a specific capital financing requirement for each asset generated through unsupported expenditure. The annual MRP is calculated as the sum of the CFR for each piece of expenditure amortised over the estimated useful life for assets created.

Option 4 - Depreciation method

This involves setting the annual MRP charge in line with the depreciation charge being applied to each asset created through unsupported capital expenditure.

14 Options 3 and 4 can be used for any types of capital expenditure irrespective of when the expenditure was incurred. These 2 options are, however, used predominantly for unsupported capital expenditure.

Proposals

The options proposed below are intended to ensure a prudent amount of funding is set aside each year commensurate with the timing of receipt of funds to meet these costs and the benefit it receives from the assets. At the same time they are considered to be proportionate and do not place an excessive burden upon the Council's revenue resources.

15 The majority of the capital expenditure that the Authority is charging through MRP is supported capital expenditure incurred prior to 1st April 2008. The Council proposes to charge such expenditure on the basis of Option 1. This option will also be used for supported capital expenditure incurred after 1st April 2008.

16 Option 1 has been selected as it allows the Council to defray the costs of borrowing over a longer period of time than Option 2. Adopting Option 1 would reduce the annual costs to the Council by approximately £300k per annum in the medium term, giving the Council the ability to redirect this funding to support the delivery of services. Whilst this option does defer a greater proportion of costs to later years the prudence of this approach is explicitly approved by CIPFA in their Code of Practice on Financial Management. Furthermore, all future repayments are expected to be affordable to the Council. Commencing MRP based on when the time an asset becomes operational has similar benefits and also allows the MRP charges to more closely reflect the periods over which the Council will benefit from use of the asset.

17 For unsupported capital expenditure incurred after 1st April 2008 the Authority is proposing to charge MRP in equal annual instalments using Option 3.

18 The 'asset lives' to be used are:

- **Property 25 years**
- **Infrastructure 17 years**
- **Equipment 5 years**
- **Vehicles 5 years**

Invest to save projects a prudent estimate of the likely payback period

These asset lives are broadly commensurate with the periods over which the expenditure is expected to provide benefits. Should a material asset be created with a useful life which is significantly shorter than those shown above then officers may determine that it is more prudent to set aside funding over a shorter period. In some circumstances capital expenditure does not directly lead to the creation of a capital asset for the authority but by statute can still be treated as capital by the Council. The MRP cost for such expenditure will be calculated based on the period over which the Council will benefit from the expenditure. In the case of the Council receiving a capitalisation order this period will be no longer than 20 years.

19 MRP charges will commence in the year following the creation of the capital asset, i.e. in the assets first full year of operation. No charges will be raised for assets which are still classified as "under construction" or "work in progress" at the end of the previous financial year.

20 Option 3 will also be used to calculate the amount of MRP that needs to be charged in respect of assets held under PFI schemes or finance leases. The life of the asset will be equal to the length of the initial lease period. This will result in the MRP charge for the year being equal to the 'principal' element of the unitary charge/lease payment made in the year.

Recommended:

That the policy of Cheshire West and Chester Council for the year 2011/12 be that the provision for the repayment of debt should be calculated as follows:

i) The provision for the repayment of all capital expenditure incurred prior to 31st March 2008 be calculated under Option 1, based on 4% of the adjusted CFR at the end of the previous financial year;

ii) The provision for the repayment of supported capital expenditure incurred after 31st March 2008 be calculated under Option 1 and charged at the rate of 4% of the CFR at the end of the previous financial year;

iii) The provision for the repayment of unsupported capital expenditure incurred after 31st March 2008 be calculated under Option 3 and charged according to the asset lives set out in this report.

iv) The provision for repayment of expenditure which does not generate a Council asset but is capitalised under statute will be calculated under Option 3 and charged based on the period that the Council will benefit from the expenditure.

v) The provision for repayment of expenditure incurred on PFI and Finance Lease contracts will be calculated under Option 3 with the charge equalling the repayment of principal for that financial year.

vi) The policy proposed for 2011/12, also be adopted retrospectively for 2010/11, the 2 changes being the adoption of Option 1 instead of Option 2, and that MRP charges will commence in the year following the creation of the capital asset rather than the year after the capital expenditure was incurred.