



### **Finance and Corporate Services Scrutiny Board (1)**

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**Time and Date**

2.00 pm on Wednesday, 15th November, 2017

**Place**

Committee Room 3 - Council House

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**Public Business**

1. **Apologies and Substitutions**
2. **Declarations of Interest**
3. **Minutes**
  - (a) To agree the minutes of the meeting held on 13 September, 2017 (Pages 3 - 6)
  - (b) Matters Arising
4. **ICT and Digital Update** (Pages 7 - 18)  
Briefing note
5. **Medium Term Financial Strategy 2018-2021** (Pages 19 - 32)  
Report of the Deputy Chief Executive (Place)
6. **Outstanding Issues Report**  
Outstanding issues have been picked up in the Work Programme
7. **Work Programme** (Pages 33 - 36)  
Report of the Scrutiny Co-ordinator
8. **Any other items of Public Business**  
Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved

**Private Business**

Nil

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Martin Yardley, Deputy Chief Executive (Place), Council House Coventry

Tuesday, 7 November 2017

Notes:1)The person to contact about the agenda and documents for this meeting is Carolyn Sinclair, Governance Services, Council House, Coventry, alternatively information about this

meeting can be obtained from the following web link:

<http://moderngov.coventry.gov.uk>

2) Council Members who are not able to attend the meeting should notify Carolyn Sinclair as soon as possible and no later than 9am on the day of the meeting giving their reasons for absence and the name of the Council Member (if any) who will be attending the meeting as their substitute.

3) Scrutiny Board Members who have an interest in any report referred to this meeting, but who are not Members of this Scrutiny Board, have been invited to notify the Chair by 12 noon on the day before the meeting that they wish to speak on a particular item. The Member must indicate to the Chair their reason for wishing to speak and the issue(s) they wish to raise.

Membership: Councillors R Auluck, S Bains, J Blundell, R Brown, L Harvard, J Mutton (By Invitation), T Sawdon, R Singh (Chair), K Taylor and R Thay

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting  
OR if you would like this information in another format or  
language please contact us.

**Carolyn Sinclair**

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**e-mail: [carolyn.sinclair@coventry.gov.uk](mailto:carolyn.sinclair@coventry.gov.uk)**

**Coventry City Council**  
**Minutes of the Meeting of Finance and Corporate Services Scrutiny Board (1) held**  
**at 2.00 pm on Wednesday, 13 September 2017**

Present:

Members: Councillor R Singh (Chair)  
Councillor S Bains  
Councillor J Blundell  
Councillor R Brown  
Councillor L Harvard  
Councillor G Ridley (Substitute for Councillor Sawdon)  
Councillor K Taylor  
Councillor R Thay

Other Members: Councillor Clifford  
Councillor Duggins  
Councillor Mutton

Employees:

People: A Bellingeri, G Quinton

Place: V Castree, B Hastie, P Jennings, C Sinclair and H Williamson

Apologies: Councillor T Sawdon

## **Public Business**

### **8. Declarations of Interest**

There were no declarations of interest.

### **9. Minutes**

The minutes of the meeting held on 12 July 2017 were signed as a true record.  
There were no matters arising.

### **10. Customer Services Briefing Paper with Action Plan**

The Board considered a briefing note which provided an update on Customer Services including feedback from the latest customer satisfaction survey and action plan.

The Customer Journey Programme had been introduced to bring together all customer facing activity into one service area. All customer contact had been moved into Customer Services.

The changes included:

- Aligning opening hours
- Improving customer correspondence

- New booking system
- Triage function to answer simple enquiries
- New phone platform
- Meet and greet function
- Improved physical environment

The briefing note set out the City Council's focus on electronic means of communicating and transacting with the organisation for example: kiosks for payments, an online payments system and continued development of the customer account facility. This had led to an increase in self-service from less than 1% to 28%.

Customer feedback had had been gathered during the first two weeks of opening, after 3 months of operation and at the 1 year anniversary of opening. The latest feedback had indicated an 87% positive response. The highest levels of satisfaction were for excellent service and friendly staff, there had been a slight decrease around waiting times. The results of the customer satisfaction survey were set out in Appendix 2 of the briefing note and showed that although positive overall, they did present themes to focus improvement activity – for telephones the priority remained improving call wait times and for face to face, the primary focus was on investigating increased kiosk availability.

The Board questioned officers on aspects of the briefing note and the action plan including seeking to understand the volume of people accessing customer services and how the trend had changed over time. It was agreed that this data be gathered and circulated to the Board for their information.

The Board also discussed their perception of the service either arising from members making 'mystery customer' calls to the customer services help desk or from comments made to them by constituents. Common themes were that customers were not clear where the Customer Service Centre was in Broadgate and the length of time taken for telephone calls to be answered.

The Board noted the content of the Briefing Note and Action Plan and requested that officers explore the possibility of making improvements to the signage to the Customer Services Centre in Broadgate and investigate ways of advising telephone callers how long they may need to wait before their call is answered.

## 11. **2017/18 Capital Programme**

The Board noted a briefing note in respect of the 2017/18 Capital Programme including an analysis of:

- Outturn expenditure for 2016/17
- Quarter 1 estimate of expenditure for 2017/18
- Budgeted estimate for expenditure over the following 4 years 2018/19 to 2021/22
- An indication of the funding mix for individual schemes
- A brief description of each scheme
- Individual breakdowns for Growth Deal and WMCA schemes in 2017/18 in separate appendices.

Officers went through the programme line by line and answered Members' questions. In respect of a question on the City Centre capital spend, the Board requested data on the gross value added for Coventry citizens on those projects which had been finalised.

12. **Outstanding Issues Report**

There were no outstanding issues.

13. **Work Programme**

The work programme was noted.

14. **Any other items of Public Business**

There were no other items of public business.

(Meeting closed at 3.30 pm)

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## Briefing note

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**To: Finance and Corporate Services Scrutiny Board**

**Date: 15 November 2017**

**Subject: ICT & Digital Update – November 2017**

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### **1 Purpose of the Note**

- 1.1 To inform Finance and Corporate Services Scrutiny Board of the status on various topics within ICT & Digital covering – open data, staffing, customer feedback, benchmarking and the wider role we can play regarding cyber security in the city.

### **2 Recommendations**

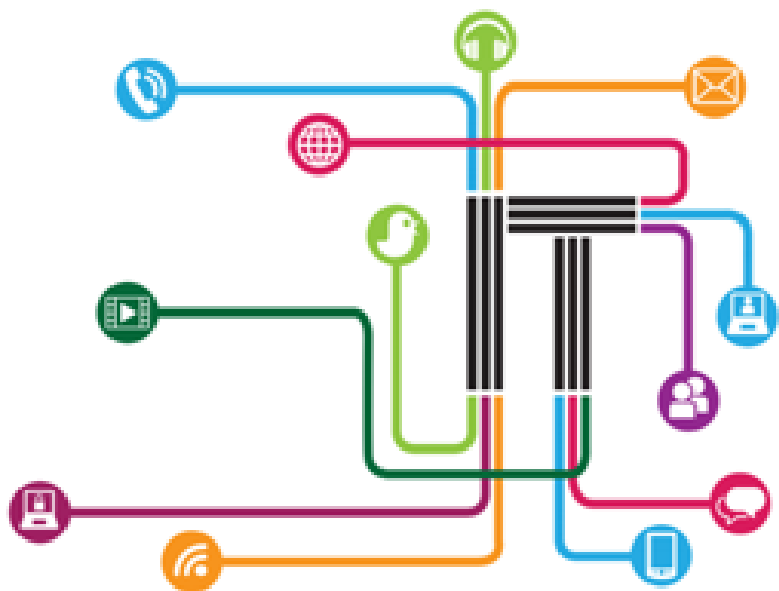
- 2.1 That Finance and Corporate Services Scrutiny Board
  - 1) Note the details in the presentation regarding the topics covered.
  - 2) Make any relevant recommendations to the Cabinet Member.

### **3 Information/Background**

- 3.1 Outline information is provided in the appended slides and the Board will receive a presentation from Officers at the meeting which will contain more detail and context on these topics.

**Paul Ward, People Directorate, 024 7678 7542**

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## ICT & Digital Update

Paul Ward  
Head of ICT & Digital

Finance and Corporate Services Scrutiny Board

15<sup>th</sup> November 2017

Topics we will be covering:

- Our position with Open Data
- Staffing: Recruitment, retention and use of agency staff.
- How we handle Customer Feedback for ICT & Digital
- How we work with/benchmark against peer organisations
- Role of the Council with regards to Cyber Security for the public



## About open data

**Insight**  
Intelligence

“Supporting open data and innovation” is an aim of the Digital Coventry strategy.

Insight leads on open data.

Progress regularly reported to Information Management Strategy Group.

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## Open data in Coventry

### Progress to date



Open data part of the Council's information and statistics hub.

Performance data published on GitHub.

**GitHub**



Coventry is on the West Midlands Open Data Forum steering group.



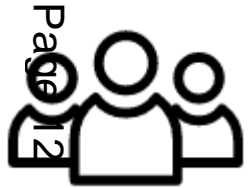
### Next steps

Explore regional approaches to develop a data and intelligence hub across the West Midlands – potential to bring about new markets and economic growth.

Cultural transformation to encourage and enable the publishing of service level data; creation of a publication schedule, reducing time taken to respond to FOIs etc.



# Staffing: Recruitment, retention and use of agency staff



ICT & Digital = 100 FTE



In the last year we have used 3 contractor resources. 2 to provide additional capacity on project work and 1 to provide a specialist skill set to cover sickness within the service



We are currently recruiting to one of our graduate posts. This is fixed term for 2 years and we have had great success in the past with previous graduates now undertaking senior roles within ICT



We are just coming to the end of the current cohort of 6 apprentices within ICT. All have either found an opportunity within or outside the council to continue their careers in ICT. Two new apprentices will be joining us over the next few weeks



We work closely with our suppliers when implementing new projects or technologies to provide joint resource



Challenges include:

- Very buoyant IT jobs market
- Market rates

These are tackled by:

- The exciting and varied technology we use
- Development opportunities to get involved in a lot of transformational work



In the past 12 months we have had 10 people leave ICT. 3 were apprenticeships coming to an end, 5 were temporary contracts coming to an end, only 2 were due to people finding other employment. We have had 5 new starters – 2 into permanent posts and 3 into fixed term contract posts

# How we handle customer feedback within ICT & Digital



3 x ICT Strategy Delivery Managers who proactively work with departments to develop ICT roadmaps for their areas and are the main strategic liaison between ICT & Service areas



3 x ICT Service Delivery Managers who are the first point of escalation for any operational ICT issues. This provides 24 hours on-call service.



We run user surveys for specific applications, the most recent being the Mitel Unified Communications (telephony) platform. The results of this are driving the future strategy for the platform



We run a series of “pop-up” service desks where some of our support staff sit within a service area or team to be on hand for any ICT support queries that may come up. Whilst they are within the service they carry on with their general service desk duties.



Through our MyServiceDesk self service portal we give people access to an email address for feedback and escalations which is monitored by our Service Desk team and Service Delivery Managers.



We have a key group of customers who we use to test changes and provide feedback on their experience. This is especially important around the line of business systems we use and how they work with the core ICT infrastructure.



We have launched the “Ask About IT” online forum where we encourage users to post “how do I” type questions or post tips and hints. This is open for anybody to post a question and answer – not just ICT & Digital colleagues



From January 2018 we will be launching a more formal and periodic approach to customer feedback and service improvement. This will most likely be in the form of a customer satisfaction survey early in the new year.

How we work with/benchmark against peer organisations

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...and many more

# Role of the Council with regards to Cyber Security for the public

For the past 12 months we have been engaging with a student studying of a Masters degree as part of Warwick Manufacturing Group at Warwick University. He has produced a research paper entitled “Securing your Digital Future – A solution for Coventry City Council”.

This was an in-depth research project and we are working through the output. However, one of the stand-out figures comes from part of the research which interviewed members of the public (114 interviewees) looking at cyber awareness and attitudes of Coventry citizens both at work and home.

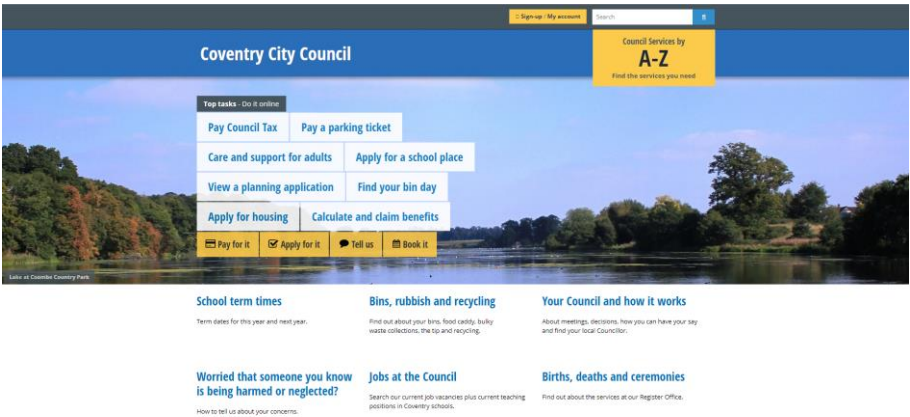
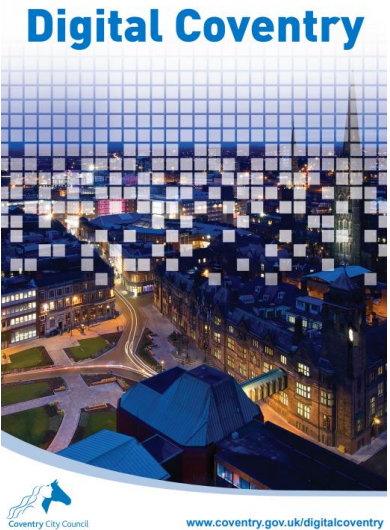
***“80% of the respondents believed that CCC should take some responsibility to protect society from cybercrime. 14% believed it should be the police and local government, whereas 6% claimed it is the responsibility of central government”<sup>1</sup>***

So, what will our approach be....

1: Dennis Scott – Securing your Digital Future – A solution for Coventry City Council  
- A best practice Information Security Research Paper – September 2017

# Promotion & Partnership

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Thank you

Any questions?

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## Public report Cabinet Report

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Finance and Corporate Services Scrutiny Board (1)  
Cabinet  
Council

15<sup>th</sup> November 2017  
28<sup>th</sup> November 2017  
5<sup>th</sup> December 2017

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Deputy Chief Executive Place

**Ward(s) affected: All**

**Title:**

Medium Term Financial Strategy 2018-21

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**Is this a key decision?**

Yes - Cabinet and subsequently Council are being recommended to approve the Medium Term Financial Strategy incorporating decisions which have financial implications in excess of £1m

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**Executive Summary:**

This report presents a Medium Term Financial Strategy (MTFS) for adoption by the City Council. The previous strategy was approved in October 2016. The Strategy sets out the financial planning foundations that support the Council's vision and priorities and leads to the setting of the Council's revenue and capital budgets.

Indications are that the government is maintaining its commitment to the current 4 year funding settlement for local government. To qualify for this, the Council approved an Efficiency Plan within the previously approved MTFS for 2017-20.

The Council's Pre-Budget Report is being brought to the same meeting of Cabinet as this MTFS. The final Budget Setting Report will be brought to Cabinet and council in February 2018.

Local authorities continue to face severe financial pressures. Although the previous government policy of targeting a budget surplus by 2020 has been pushed back, uncertainty as a result of BREXIT negotiations and over the future of local government finance means that the pressure on

public finances is unlikely to ease significantly in the foreseeable future. This Strategy assumes that reductions in available revenue resources and spending levels are likely to continue.

On a local level, the Council is faced with a challenging and fluid financial position affected by temporary shortfalls in delivery of its existing savings plans and growing costs within Children's Services and services related to housing and homelessness. Notwithstanding the approaches set out in this strategy, the Council will need to maintain a dynamic financial model that takes account of changes in its medium term budget position. This may include adopting some measures which have a short-term focus or which re-evaluate the Council's approach to financial risk. These will be set out fully at the point of decision making.

In summary, the national and local contexts that frame this Strategy include:

- A paramount need to protect the most vulnerable people in the city including children at risk, children and young people in care, victims of domestic abuse and vulnerable adults and older people;
- Significant reductions in government resources with an expected further fall of c£12m in the next 2 years following reductions totalling c£107m in the 6 years to 2017/18;
- Fast population growth causing greater demand and expenditure pressures in areas such as housing, social care and waste disposal;
- A move towards greater localisation of income, including Business Rates, and uncertainty arising from the review of the Business Rates system and other funding programmes;
- The increasing importance of promoting growth in the local economy;
- The transfer of schools to Academy status putting increasing pressure on the Council's core education functions and other services that trade with the city's schools;
- More complex service delivery models across the Council driven by the need to modernise and rationalise services and work in tandem with partners and neighbouring authorities;
- Continued expectations on the Council to maintain service levels and standards across the full range of core services despite the financial challenges;
- The development of the West Midlands Combined Authority providing a source of financial support for key transformation programmes.

Taken together, these factors represent a combination of reducing resources, challenging underlying economic and demographic conditions, increased demand, a heightened need to improve the quality of services and new challenges represented by government reform and local structural and governance relationships. In these circumstances it is crucial that the Council's financial strategy is both robust and flexible. This will provide the financial foundations required to ensure that Council services are fit for purpose to protect the most vulnerable as well as providing decent core services for every citizen in the city.

In support of these aims, the City Council's strategic financial approach to the demands that it faces includes:

- A Council Plan focusing on economic growth, quality of life and a commitment to protecting the vulnerable, whilst delivering services with fewer resources;
- A Local Plan setting the blueprint for taking the City forward, identifying land to satisfy housing, infrastructure and developmental demand;
- Strong corporate financial planning, monitoring and project management arrangements;
- Growing the city's local income base, within the environment of increasing localisation of funding sources, including Business Rates;
- Managing the demand for services, through digital working and community engagement;

- A transformation programme, including the delivery of major capital investment schemes, to change the way the Council works and engages with its customers, as well as to drive economic growth and the delivery of savings;
- Partnership working, including as part of the West Midlands Combined Authority, together with voluntary organisations and other partners;
- A continued drive towards income maximisation, including investment in commercial ventures within the context of robust risk management arrangements;
- A fundamental commitment to protecting the city's vulnerable children, adults and older people;
- Changing the relationship between the Council and its citizens reflecting the reality that the Council will provide a smaller range and lower level of services in new ways and out of far fewer locations;
- Doing things differently by considering alternative service delivery models and options for delivering service outcomes in different ways with less reliance on Council delivered services;
- A continued Workforce Strategy requiring a significantly smaller workforce working in flexible ways consistent with a modern organisation, ensuring that the Council has the talent in place necessary to deliver the challenging agenda that it faces;
- Seeking to optimise the use of pooled or new funding available to support social care and health;
- Investing in the environmental elements that support the regeneration of the city including its public realm, the city's highways network and its cultural and leisure offer to make Coventry an attractive place to live and work.

Based on the 2017/18 approved budget, the initial financial gap for the following 3 years as at the start of the new Budget Setting round was:-

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
<b>Revised Revenue Budget Gap</b>	0.0	0.0	11.4

It is important to be clear as indicated above that the position set out is dependent on the achievement of outstanding savings programmes over the medium term. In total these amount to c£20m and although there are plans in place to deliver the majority of these, there remains up to £6m of savings for which plans still need to be formalised.

The 2020/21 position shown in the table is based on early estimates and could be subject to change. An updated financial position is considered further in the Pre-Budget report.

### **Recommendations:**

- (1) Finance and Corporate Services Scrutiny Board 1 is recommended to consider whether there are any comments/recommendations that they wish to make to Cabinet.
- (2) Cabinet is recommended to:
  - (a) Consider any recommendations from Scrutiny Board 1
  - (b) Agree the report and recommend that Council approve the Strategy.
- (3) Council is recommended to approve the Strategy as the basis of its medium term financial planning process.

**List of Appendices included:**

None

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

Yes, Finance and Corporate Services Scrutiny Board (1), 15<sup>th</sup> November 2017

**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, 5<sup>th</sup> December 2017

## **Medium Term Financial Strategy 2018-21**

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

#### **1.1 Background**

- 1.1.1 This Strategy sets out the financial planning foundations that support the setting of the Council's revenue and capital budgets. Last year's Strategy also included an Efficiency Plan which was required by government as part of the 4 year funding settlement. The principles of the Plan continue to apply and are reflected in this proposed Medium Term Financial Strategy, although local authorities are not being required to produce a separate Efficiency Plan this year.
- 1.1.2 Local authorities will continue to face severe financial pressures for the foreseeable future. From 2016/17 government, provided local authorities with 4 year funding settlements, with the aim of providing greater certainty for authorities in planning their budgets. However, the country's move towards Brexit and the subdued level of economic growth mean that significant uncertainties remain across a number of areas, including, for example, the way that the role of Combined Authorities will evolve, the shape of any future Government Fair Funding review of local authority resource distribution, the implementation of localised Business Rates and the overall level of funding available to local authorities.
- 1.1.3 Resources available to Coventry have reduced significantly with a fall of c£107m over a six year period to 2017/18, whilst the most recent Settlement Funding Assessment for Coventry shows annual reductions to 2019/20 with a total further fall of £12m over the coming two years.
- 1.1.4 Within this environment of downward pressure on resources, the Council has delivered very significant savings and in broad terms the more straightforward savings have already been made. This Medium Term Financial Strategy forms part of the process to refresh the Council's strategic approach to the nature and scale of services it provides in the context of the need to close future budgetary gaps.
- 1.1.5 Approaching the current Pre-Budget process, the Council's financial position has worsened as a result of shortfalls in delivery of its existing savings plans and growing costs of looked after children and homelessness. The Council's current medium term budget process will need to be applied flexibly and may for instance require the adoption of measures which have a more short-term focus or re-evaluate the Council's approach to financial risk. Where this is necessary, the implications will be set out in full as part of the decision making process.

#### **1.2 National and Local Context**

- 1.2.1 Apart from the increasing financial pressures that all public bodies face, there is a range of developments set out below, which impact on the City Council:-
- The development of the West Midlands Combined Authority (WMCA), of which the Council is a member, as a route to maximising investment in Coventry to drive growth and more efficiently co-ordinate services across the sub-region. The WMCA's Devolution Deal plans to provide financial support in 2 broad areas: City Centre South and Friargate (£150m capital) and transport/connectivity (£370m capital). The precise arrangements

and processes through which WMCA programmes are delivered will continue to develop through the course of the MTFS planning period.

- The stated government intention to move towards localising 100% of Business Rates. This localisation, as well the uncertainty arising from the review of the Business Rates system, offers the prospect of authorities benefitting from growth, but with the corresponding downside risk of falling local income bases or the Government expecting localised Business Rates to fund a disproportionately large range of new services. The changes required to move to 100% localisation do not appear to be included in the Government's current legislative timetable so it is now likely that this will be pushed back beyond 2020. However, prior to full localisation the Council continues to be part of the West Midlands business rates pilot scheme through which 99% of business rates are retained locally with the benefits of this being shared between the Council and the WMCA, and a "no detriment" clause to protect the Council against any adverse movements.
- The operation of integrated social care and health services within the Better Care Fund, now within the context of Sustainability and Transformation Plans across the health sector. This area continues to operate within a very dynamic environment with expanding adult social care user numbers and increasingly complex care packages.
- The increasing focus of local authorities on wider commercial sources of income, including investment in commercial property has the potential to expand the resource base, but also present authorities with different types of financial risk which need to be managed. Nationally, the development of the Prudential and Treasury Management codes will require local authorities to manage their exposure to these risks both through existing processes, such as the Treasury Management Strategy, and potential new ones such as a Capital Strategy.
- The critical importance of regeneration and economic growth, particularly in the light of the planned changes to Business Rates. Within the regeneration arena, the next few years are likely to see significant fluidity in the range of funding streams available from European and sub-regional sources as a result of Brexit and the development of the Combined Authority.
- The city's rapid population growth and the consequent demographic and socio-economic trends are causing increases in demand or expenditure pressures in areas such as social care and waste disposal. The costs of housing homeless individuals and families has emerged as a significant additional cost pressure more recently and now represents one of the most challenging financial developments facing the Council.
- The continued difficult economic circumstances for many, affecting the number of people seeking to access local government and voluntary sector services.
- A schools sector which continues to experience greater fragmentation with the move towards free and academy schools, although the intention to force all schools to commit to becoming academies by 2022 has been dropped. This changing face of local education provision and reducing role of councils is putting more pressure on the remaining rump of local authority education services and finances.

1.2.2 Coventry has significant potential for growth with two global universities, an unrivalled location, exceptional transport infrastructure links and a talent pool for employers to recruit across the region. The city has a growing population and a continued high enterprise growth rate. However, the local economy needs to grow and, for example, the

city's Gross Value Added per head (an average level of economic value generated per person) ranks significantly below the national average.

- 1.2.3** The financial starting point for the Council's MTFS is the forecast 3 year balanced programme to 2019/20 as at budget setting in February 2017. This reflected resourcing assumptions, including for example the continuation of a 3% Adult Social Care precept into 2018/19 and the impact of Business Rates retention through the regional pilot scheme as well as the delivery of existing programmes. Moving the three year planning horizon on by one year, financial year 2020/21 is showing a significant starting budget gap of £11m. The Pre-Budget Report, which will be considered by Cabinet at the same meeting as this report, sets out the detailed financial position over the next 3 years, including emerging pressures and the non-delivery of programmed savings, together with potential technical savings to partially offset the impact of these. More recently, the Quarter 2 2017/18 Financial Monitoring Report sets out a forecast overspend in the year of £3.1m, highlighting significant pressures, with the potential to impact on future years.

- 1.2.4** The current Capital Programme approved in February 2017 is:-

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Capital Programme Spend	199.2	98.1	74.3

- 1.2.5** This Programme, provided for a number of large investment programmes across the city including the construction of the City Centre Leisure Facility; Coventry Station Masterplan and regionally significant infrastructure schemes through the UK Central Connectivity programme, as well as investment in school buildings and business development. The major proportion of the total planned capital spend of £372m over the next 3 years is being met from grant (£276m), including significant sums through the WMCA, and also prudential borrowing (£76m). Although the level of prudential borrowing in recent years has been low, this has in part been due to the temporary use of grant received up front prior to the implementation of the various capital schemes. The higher level of prudential borrowing assumed in the Programme is based on a more limited capacity to temporarily use grants in this way. The position will be updated in the Pre-Budget Report.

- 1.2.6** The Council's revenue reserve balances totalled £51.3m as at 31<sup>st</sup> March 2017 with a further £30.2m of capital reserves that are only available to fund major capital schemes. These are being reviewed in order to assess their adequacy for current known liabilities and approved policy commitments, with the objective of releasing reserves where they can be better used to drive efficiencies and service improvement. The make-up of the Council's reserves as at 31<sup>st</sup> March 2017 was:

	<b>Balance at 31st March 2016 £000</b>	<b>(Increase)/ Decrease £000</b>	<b>Balance at 31st March 2017 £000</b>
<u>Council Revenue Reserves</u>			
General Fund Balance	(3,823)	689	(3,134)
Private Finance Initiatives	(11,771)	463	(11,308)
Potential Loss of Business Rates Income	(2,670)	700	(1,970)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	(8,261)

Birmingham Airport Dividend	(4,400)	0	(4,400)
Children's Social Care	(2,000)	2,000	0
Leisure Development	(876)	(18)	(894)
Public Health	(1,037)	297	(740)
Health and Social Care Schemes	(280)	280	0
Troubled Families	(701)	15	(686)
Insurance Fund	(2,402)	616	(1,786)
Management of Capital	(2,337)	(3,229)	(5,566)
Other Corporate	(2,343)	1,370	(973)
Other Directorate	(6,920)	(1,905)	(8,825)
Other Directorate funded by Grant	(3,101)	298	(2,803)
<b>Total Council Revenue Reserves</b>	<b>(57,161)</b>	<b>5,815</b>	<b>(51,346)</b>
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(6,660)	(13,829)	(20,489)
Capital Grant Unapplied Account	(5,736)	(4,001)	(9,737)
<b>Total Council Capital Reserves</b>	<b>(12,396)</b>	<b>(17,830)</b>	<b>(30,226)</b>
<b>Total Council Reserves</b>	<b>(69,557)</b>	<b>(12,015)</b>	<b>(81,572)</b>

- 1.2.7 Separately, balances for the Council's local authority maintained schools stood at £22.6m at 31<sup>st</sup> March 2017

#### **School Reserves**

Schools (specific to individual schools)	(19,983)	1,857	(18,126)
Schools (for centrally retained expenditure)	(5,841)	1,348	(4,493)
<b>Total School Reserves</b>	<b>(25,824)</b>	<b>3,205</b>	<b>(22,619)</b>

## **2. Options Considered and Recommended Proposal**

- 2.1 The remainder of the report contains the proposed Medium Term Financial Strategy. It is recommended that Cabinet and Council approve the Strategy subject to any comments or changes from Finance and Corporate Services Scrutiny Board. The Strategy is structured around the following core elements:
- The Council Plan;
  - Strategic Policy Assumptions within the MTFS;
  - Strategic Financial Management Framework.

### **2.2 Council Plan**

- 2.2.1 The MTFS rests on the principles, visions and priorities set out for the City within the Council Plan 2016-2024, which was revised in August 2016. In summary these are:
- Globally Connected;
  - Locally Committed;

- Delivering our Priorities with Fewer Resources.

The full plan is available on the Council's website or via the following link: [Coventry Council Plan - August 2016](#)

## 2.3 Strategic Policy Assumptions within the MTFS

2.3.1 The policy assumptions that will drive the Council's financial strategy are set out below:

2.3.2 The Council's **transformation programme** is centred on the following overlapping strategies: Connecting Communities, Kickstart, incorporating Customer Journey, the Workforce Strategy and Children's Services Transformation. Most of these strategies are aligned to and are being driven by an extensive rationalisation of the Council's office accommodation, investment in new technology to support agile working and an improved customer experience including a shift towards enabling the Council's customers to self-serve on line. A number of capital investment projects are key components of transformation. Capital projects will only go forward on the basis of a sustainable financial model.

2.3.3 In addition to this however, the Council is moving into a new phase of Budget planning that will require a fresh look at some major areas of expenditure and how it can deliver the savings required to deliver a balanced budget. This will include policy led consideration of which services are provided, whether it is appropriate for the Council to continue to deliver them in the same way and whether there are some new and innovative approaches to delivering services. At the same, a line by line review of the Council's budget is being undertaken, led by the Cabinet Member for Strategic Finance and Resources.

2.3.4 The engagement in partnership working is central to the delivery of the Council Plan and the MTFS, through:-

- The Council's membership of the West Midlands Combined Authority providing the opportunity to maximise investment in the city and work more efficiently across the region;
- Integrated working of Health and Social Care through the Better Care Fund;
- Partnership with various stakeholders in driving economic growth;
- Engaging voluntary bodies in order to develop alternative delivery models to enable local services to be delivered at a reduced cost.

2.3.5 The Council will continue to drive towards Income Maximisation through a number of routes:

- maintaining the Council's default position that fees and charges should increase annually in line with inflation;
- generating capital receipts where there is a clear business case for doing so by disposing of property and thereby providing funds for capital reinvestment in services, driving growth or making savings through the repayment of debt.

2.3.6 In addition, the Council will also consider investing in more commercial ventures (e.g. property investment, share purchase or commercial loan finance), in order to secure a financial return or to give opportunities for important local organisations or businesses to develop and flourish. In doing this the Council will robustly assess risk as part of individual project appraisals as well as through strategic risk management strategies. The starting point for this type of arrangement is that it will be no worse than cost neutral to the Council and that it will support the regeneration of the city and/or that it will protect the Council's financial or strategic interests. At the time of writing current proposed changes

in regulatory and governance requirements on local authorities indicate that commercialisation will have to be considered robustly within the context of the Council's Treasury Management and Capital Strategies.

- 2.3.7** Through the Local Plan, the Council is seeking to take the city forward by working closely with its neighbours and partners. In order to drive further growth the plan identifies land to satisfy the demand for homes, community and commercial uses, as well as addressing the need for digital connectivity and the right infrastructure.
- 2.3.8** The Capital Programme will continue to be resourced from a number of sources including: prudential borrowing, capital receipts and grant. The Council will seek to minimise the revenue funding of capital, in particular where the capital expenditure is of a one-off nature.
- 2.3.9** The Council is obliged to work towards ensuring that its pension liabilities within the West Midlands Pension Fund are funded. The Council's level of funding last reported was at 77%. The Council's contributions to the pension fund have increased significantly in recent years and, following the latest triennial review, stand at 27.3% from 2017/18. As an alternative to making monthly payments, in order to efficiently manage the burden of contributions, an upfront payment of £93m was made in 2017/18 to cover the next 3 years. The Council will continue to work with the West Midlands Pension Fund to agree employer pension contributions that strike a balance between increasing the funding level over the long-term and maintaining sustainability and affordability in relation to the Council's overall financial position.

## **2.4 Strategic Finance Management Framework**

**2.4.1** The Strategic Financial Management Framework encompasses the Council's strategic financial management processes and also the key financial assumptions on which the MTFS rests.

**2.4.2** The financial management processes that underpin the MTFS are:-

- A corporate planning and monitoring process that considers capital and revenue together;
- Overall direction undertaken by Strategic Management Board (SMB);
- A framework founded on delegation and clear accountability, with budgets managed by the designated budget holder, reported through Directorate Management Teams, SMB, Cabinet and Audit and Procurement Committee;
- A drive to identify efficiencies and achievable savings to enable the Council to optimise delivery of its policy priorities;
- Strong project management approaches, including a specific focus on cost control;
- Where feasible, the establishment of a balanced revenue budget and capital programme over the medium term planning period.
- The management of reserves in a way that supports the MTFS and the Council's priorities. In particular, the City Council's approach is based on:
  - A policy that reserves are not to be used to: (i) meet on-going expenditure or (ii) fund capital expenditure other than for mostly short life asset rolling programmes or in exceptional circumstances, for capital schemes of major importance;

- The classification of reserves as a corporate resource, with Cabinet via Strategic Management Board considering the application of budgeted amounts unspent at year end;
- Holding reserves for a clearly identifiable purpose. This will include protecting against known or potential liabilities, at a minimum level consistent with adequate coverage of those liabilities, taking into account the overall level of risk faced by an organisation of the City Council's size.

#### 2.4.3 The key financial or technical assumptions that underpin the MTFS are:

- The Council will plan for funding levels in line with those set out by government as part of the multi-year settlements for local authorities. Current plans are based on no significant unforeseen financial changes to local or central government finances;
- As a technical assumption, Council Tax increases of just under 2% per annum and one further Social Care precept increase of 3% in 2018/19. This will be subject to political debate and decision as well as any changes at a national level;
- 1% p.a. pay awards will be assumed until 2019/20 in line with indicative Government announcements. Subsequent to its initial announcement of the 1% level, the Government has indicated subsequently that some public sector awards will be above this. This area will be kept under close review over the coming months and it is expected that the Council will reflect national pay awards;
- Business Rate income will be assumed to be inflated broadly in line with recent CPI inflation levels but flexed each year where shorter term inflation expectations dictate.
- Planning on the basis of the underlying Council Tax-Base growing at 0.6% per annum in line with historical trends but flexed each year where shorter term expectations dictate;
- The budget for the Council's Asset Management Revenue Account will continue to be reviewed annually in detail as part of the MTFS, taking into account any impact of changes in: the capital programme, cash-flow forecasts, the level of provision to repay debt through Minimum Revenue Provision (MRP) and forecast interest rates. The Council's Minimum Revenue Provision (MRP) policy will be based on an approach that is both prudent and affordable in a way that reflects the long term nature of local authority debt and assets;
- Forward financial estimates will be guided by existing CPI inflation levels in line with practice adopted across a broad range of public sector areas. This will provide the financial planning benchmark for increases in fees and charges and any areas of expenditure subject to specific inflation requirements assessed by the Director of Finance and Corporate Services. Actual increases in fees and charges will depend upon local factors such as the need to generate sufficient income to meet the cost of trading services. The majority of non-employee based expenditure budgets will not be inflated – the assumption will be that continued procurement and commissioning work plus underlying efficiency savings and the reduced purchasing requirements of some services will deliver savings equivalent to the cost of inflation. A number of areas subject to external contracts are more likely to reflect inflation patterns dictated by pay inflation and this expectation will be built into Council budgets in the affected areas.

### 3. Results of consultation undertaken

- 3.1 No consultation has been undertaken as part of the MTFS. The implementation of the Strategy through Budget Setting and other individual projects, programmes and initiatives will be accompanied by specific consultations as appropriate.

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

- 4.1 The MTFS will underpin the proposals and approaches that will be set out in the forthcoming Pre-Budget Report and will be implemented in parallel to the proposals for setting the 2018/19 Budget.

#### **5. Comments from the Director of Finance and Corporate Resources**

##### **5.1 Financial implications**

The main body of this report is concerned wholly with financial matters. It is important that the assumptions and principles detailed in the Strategy are adopted in order for the City Council to be able to deliver balanced budgets over the medium term. Taking into account both the strategic policy and financial management assumptions set out in the report, a revised projected gap will be set out in the forthcoming Pre-Budget Report.

Moving into the 2018/19 Budget Setting process there is an initial forecast gap of £11m in 2020/21 which is expected to rise further in the years beyond that. In addition, the Pre-Budget Report for 2018/19 to 2020/21 sets out some further developments which are affecting the Council's Budget position adversely over this period. It is clear that Coventry faces the challenges and major policy choices faced by many other authorities and the size of the gap makes it inevitable that areas not previously considered will now need to be reviewed with some services being delivered differently or quite possibly not at all. In addition, the Council will need to consider some financial approaches that provide some flexibility allowing a relatively short-term focus. This in turn will provide more time to identify further necessary structural changes to the Council's services. These approaches may include but will not be restricted to; the use of reserves, the use of Capital receipts, repayment of debt, investment in property and other investment assets, application of the Council's Minimum Revenue Provision policy and updating estimates of the Council's Business Rates and Council Tax resources.

##### **5.2 Legal implications**

The proposals in this report provide the foundations to allow the Council to meet its statutory obligations in relation to setting a balanced budget by mid-March each year, in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003.

#### **6. Other implications**

##### **6.1 How will this contribute to achievement of the Council's Plan**

The Council will continue to be faced with challenging resource constraints in the coming years. Whilst the focus is to identify additional income generation and savings options that are intended to have as little adverse impact as possible on services, this will not always be possible, and it is inevitable that changes will have a more marked effect on front-line services. Within these very difficult circumstances, the MTFS is closely aligned to the Council Plan priorities that are so critical to ensuring the city's success.

##### **6.2 How is risk being managed?**

Inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed at mitigating this risk by providing a robust platform from which to deliver balanced budgets.

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

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. It will also need to become more flexible

about the mechanisms through which it delivers its services. In addition, the Council continues to use Early Retirement/Voluntary Redundancy opportunities as the key mechanism by which it is able to reduce staffing levels across the Council. It is anticipated that this mechanism will continue to be used and that the Council will continue to reduce employee numbers over the course of the Strategy. However, changes to the landscape of pensions regulation are expected over the next few years and these may affect the way in which Early Retirement/Voluntary Redundancy programmes are managed.

#### **6.4 Equalities / EIA**

Equality impacts that flow from proposals within the Council's budget will be subject to assessment prior to the relevant decisions being taken. The Pre-Budget Report will provide a further indication of how any equality issues will be managed.

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

No specific impact

#### **6.6 Implications for partner organisations?**

Implementation of the Council's financial plans continue to affect the way it works with some of its partners and the implications of these changes need to be managed in consultation with partners as individual changes are identified.

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Please see page 2 onwards for background to items

<b>12<sup>th</sup> July 2018</b>
<ul style="list-style-type: none"> <li>- Impact of changes to Local Council Tax Support Scheme</li> <li>- Cyber Security (Private Item)</li> </ul>
<b>13<sup>th</sup> September 2017</b>
<ul style="list-style-type: none"> <li>- Customer Service briefing note with action plan</li> <li>- 2017/18 Capital Programme</li> </ul>
<b>15<sup>th</sup> November 2017</b>
<ul style="list-style-type: none"> <li>- ICT @ CCC</li> <li>- Medium Term Financial Strategy</li> </ul>
<b>24<sup>th</sup> January 2018</b>
<ul style="list-style-type: none"> <li>- Workforce Strategy Work Strands</li> <li>- Impact of changes to Local Council Tax Support Scheme</li> </ul>
<b>21<sup>st</sup> March 2018</b>
-
<b>18<sup>th</sup> April 2018</b>
-
<b>Date to be determined</b>
Social Value Act Procurement Strategy Budget – meeting savings targets Council Reserves Outside Body Reports Workforce Resource

<b>Date</b>	<b>Title</b>	<b>Detail</b>	<b>Cabinet Member/ Lead Officer</b>
<b>12<sup>th</sup> July 2018</b>	- Impact of changes to Local Council Tax Support Scheme	To look at the impact of the changes a year after implementation, including collection rates, cost of collection, levels of arrears, enforcement arrangements the impact on residents.	Barrie Strain/ Glenda Cowley
	- Cyber Security (Private Item)	To receive an update on measures being put in place to address cyber security issues.	Lisa Commane/ Paul Ward
<b>13<sup>th</sup> September 2017</b>	- Customer Service briefing note with action plan	Work is being undertaken by the Cabinet Member to review the customer service centre. Information on this work will be brought to the Board and the impact of this work reviewed later in the municipal year.	Lisa Commane/ Adrienne Bellingeri
	- 2017/18 Capital Programme	To receive a line by line update on the 2017/18 Capital Programme. Annual item. Included information on WMCA programmes.	Paul Jennings
<b>15<sup>th</sup> November 2017</b>	- ICT @ CCC	To look at ICT at the Council to include policies, strategies, risks, resilience, effectiveness and value for money.	Lisa Commane/ Paul Ward
	- Medium Term Financial Strategy	To discuss the Council's Medium Term Financial Strategy prior to its approval through the political process.	Paul Jennings
<b>24<sup>th</sup> January 2018</b>	- Workforce Strategy Work Strands	To look at workforce strategy work strands at an appropriate time as identified at the meeting on 25th January 2017. To include a strand focussing specifically on recruitment.	Barbara Barrett
	- Impact of changes to Local Council Tax Support Scheme	To look at the ongoing impact of the changes, including collection rates, cost of collection, levels of arrears, enforcement arrangements the impact on residents. This item was requested at the July meeting.	Barrie Strain/ Glenda Cowley
<b>21<sup>st</sup> March 2018</b>	-		

Date	Title	Detail	Cabinet Member/ Lead Officer
<b>18<sup>th</sup> April 2018</b>	-		
<b>Date to be determined</b>	Social Value Act	To examine the extent to which the Social Value Act is delivering added value when we are letting contracts. Annual item. (January?)	Liz Welton
	Procurement Strategy	To ensure we are getting value for money from the Procurement Strategy and its impact on society. (January?)	Liz Welton
	Budget – meeting savings targets	To scrutinise whether the Council is on track to meet its savings targets.	Barry Hastie
	Council Reserves	To receive an update on the position of Council Reserves. Annual item.	Paul Jennings
	Outside Body Reports	To take appropriate outside body reports and to scrutinise the funding provided by the Council to each organisations.	Various
	Workforce Resource	To look at whether we have sufficient resource within our workforce to deliver the Council's ambitions for the City. (identified at SCRUCO 12.07.17)	Various

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