



Finance and Corporate Services Scrutiny Board (1)

Time and Date

2.00 pm on Wednesday, 12th September, 2018

Place

Committee Room 3 - Council House

Public Business

1. **Apologies and Substitutions**
2. **Declarations of Interest**
3. **Minutes**
 - (a) To agree the minutes of the meeting held on 4 July 2018 (Pages 3 - 6)
 - (b) Matters Arising
4. **Medium Term Financial Strategy** (Pages 7 - 20)

Report of the Deputy Chief Executive, Place
5. **Work Programme and Outstanding Issues** (Pages 21 - 24)

Report of the Scrutiny Co-ordinator
6. **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

Martin Yardley, Executive Director, Place, Council House Coventry

Tuesday, 4 September 2018

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, R Brown, L Harvard, J Mutton (By Invitation), J O'Boyle (By Invitation), K Sandhu, 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

Telephone: (024) 7683 3166

e-mail: 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, 4 July 2018

Members: Councillor R Singh (Chair)
Councillor S Bains
Councillor R Brown
Councillor J Clifford
Councillor L Harvard
Councillor K Sandhu
Councillor T Sawdon
Councillor R Thay

Other Members: Councillor J Mutton, Cabinet Member for Strategic Finance and Resources

Employees:

People: D Ashmore, A Belingeri, P Ward
Place: V Castree, C Sinclair

Apologies: Councillor R Auluck and K Taylor

Public Business

1. Declarations of Interest

There were no declarations of interest.

2. Minutes

The minutes of the meeting held on 18 April 2018 were signed as a true record. There were no matters arising.

3. Customer Service Update

The Board considered a briefing note which detailed actions being taken to improve customer service.

The programme and current performance of the Customer Services department was last considered by the Audit and Procurement Committee in February 2018, therefore the briefing note focussed on the progress made between February and June 2018. In summary:

- Data showed that the call answer rate had increased from 63% to 72% compared to the previous year.
- Average wait time to answer had fallen from 6.27 minutes to 5.42 minutes.
- Total numbers of calls answered would increase for 2018-19 due to an increase in services that could now be measured.

The briefing note also detailed data on customer feedback from online satisfaction forms. A household survey was conducted in Spring 2018 and an analysis of survey results was currently being undertaken by the Insight Team.

The briefing note indicated that Adult Social Services had made significant improvements in their online offer and these were indicated in the report.

The future programme included:

- Maximising the use of the online platform to support customers to progress transactions within a self-service setting.
- Roll out of customer service monitoring
- Seek ways to further improve productivity
- Review of unified communications

The Board questioned officers and received responses on a number of matters arising from the report including:

- Why the call answer rate, although improved from the previous year, was only 72%
- How many incoming calls by service area
- What was the abandonment rate
- How the City Council compared with other similar local authorities
- How the City Council could make best use of social media to alert the public to potential anticipated issues (for example, messages when bins would not be collected in specific areas) and this would subsequently reduce incoming calls.
- Issues around the current telephony system
- The new recruitment process and staff turnover
- Issues around the current telephone system.

Following consideration, the Board wanted to further explore if there were any service areas that had significantly more calls which would indicate problem areas, and that if the problem(s) were addressed, the call rate would drop off. The Board asked that data be brought to a future meeting showing a breakdown and analysis of calls by service area.

The Board discussed how social media and public broadcasting could be used to its fullest potential to notify members of the public to service announcements or interruptions in advance. Following discussion, officers agreed to liaise with the Head of Communications to consider how to proactively engage using a variety of media. The Chair indicated that should there be any protocols obstructing progress, he would personally champion resolving the issues.

RESOLVED that the Board note the content of the Briefing Note and requested further information to be brought to a future meeting of the Board on the following:

- **Data on calls by service area**
- **Data on abandoned calls**
- **Staff turnover figures for the Contact Centre**
- **Using media to communicate with public**

4. Digital First

The Board considered a briefing note which set out long term plans to improve digital across the Council.

The Digital Coventry Strategy, adopted by Council in February 2017, aimed to set the scene for the City Council and partners for the future direction of digital services, infrastructure and innovation. It recognised that the digital strategy was for the city and not just for the Council. Universities, businesses, residents, public sector organisations, including the NHS and police, the voluntary and community sector would all be progressing digital work and would continue to innovate and devise digital solutions.

The Council's role would be focussed on helping to identify the priorities that would lead to the biggest impacts on economic growth and public service reform – this would include the infrastructure to support digital innovation in the city, providing insight and delivering public service reform directly, including working in a more digital way as a Council and promoting work that will support every resident in the city to benefit from digital change.

The Board welcomed the briefing note and discussed a number of matters including cyber safety and associated issues including compliance with GDPR regulations and data captured by apps. In respect of third party apps, existing and widely used apps were integrated into the City Council's existing systems and business process where appropriate. An example of a third party app that would be use was free public Wi-Fi. People would be prompted to use the Citi-Wise app to long on to the free Wi-Fi. The Chair indicated that our systems are opened up using tools available, to empower and enable citizens. Officers responded that the intention is to look to innovate and to make data as open as possible.

RESOLVED that the Board endorse the approach of delivering the digital infrastructure across the City as an enabler for digital innovation.

5. **Work Programme 2018/19**

The Work Programme was noted with the following updates:

- 'City of Culture Finance' to be considered in November 2018
- 'Customer Service Improvement' and 'Income Generation' to be considered in December 2018

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

There were no other items of public business.

(Meeting closed at 4.15 pm)

This page is intentionally left blank



Finance and Corporate Services Scrutiny Board (1)
Cabinet
Council

12th September 2018
2nd October 2018
16th October 2018

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 2019-22

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

Executive Summary:

This report presents a Medium Term Financial Strategy (MTFS) for adoption by the City Council. The previous strategy was approved in December 2017. The Strategy sets out the financial planning foundations that support the Council's vision and priorities and the financial and policy context for the Council's forthcoming Budget process. Cabinet will consider proposals within the Pre-Budget Report in November and the final Budget Setting Report will be brought to Cabinet and Council in February 2019.

The national funding background to the MTFS is that the Council is approaching the final year (2019/20) of the current four year funding settlement from Government. From 2020/21 there will be significant upheaval in the funding arrangements for all councils and 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 over the future of local government finance and wider financial matters including future BREXIT negotiations mean that the pressure on public finances is unlikely to ease 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 continues to be faced with a challenging and fluid financial position affected by temporary shortfalls in delivery of its existing savings plans and financial pressures within services for children, housing and homelessness. Although the Council has some ambitious Capital Programme plans, the scale and pace of these represent a significant challenge in terms of the Council's ability to deliver them to the required timescales and within its existing project capacity.

Notwithstanding the approaches set out in this strategy, the Council will need to maintain dynamic financial models that take account of changes in its medium term budget position and ongoing re-evaluation of its Capital Programme. This may include adopting some measures which have a shorter-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 key national and local contexts that frame this Strategy include:

- A paramount need to protect the most vulnerable people in the city;
- Expectations on the Council to maintain service levels and standards across a wide range of core services;
- Fast population growth causing greater demand and expenditure pressures in areas such as housing, social care and waste disposal;
- Likely future reductions in government resources within a revised local government funding framework;
- A 75% Business Rates retention system emphasising the increasing importance of promoting growth in the local economy;
- A massive Capital Programme which defines the Council's aspirational outlook but which establishes a major programme and logistical challenge in order to deliver it.

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;
- A fundamental commitment to protecting the city's vulnerable children, adults and older people;
- Managing the demand for services selectively, through digital working and community engagement;
- Transformation projects to change the way the Council works and engages with its customers in part to achieve the delivery of savings;
- A programme of major capital schemes to drive regeneration and economic growth in 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.
- Growing the city's local income base, within the environment of increasing localisation of funding sources, including Business Rates;
- 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 and mindful of sector guidance;
- A continued Workforce Strategy requiring a 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 funding available to support social care and health;
- Seeking to modernise, rationalise and prioritise services, consider alternative service delivery models and work in tandem with partners and neighbouring authorities;
- Strong corporate financial planning, monitoring and project management arrangements;

Based on the 2018/19 approved budget, the initial financial gap for the following 3 years as at the start of the new Budget Setting round was:-

	2019/20 £m	2020/21 £m	2021/22 £m
Revised Revenue Budget Gap	0.0	20.8	23.5

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 are still expected to amount to c£111m in 2019/20 although there are plans in place to deliver the majority of these.

The position from 2020/21 onwards is based on early estimates and could be subject to major change depending on the outcome of the forthcoming changes in the local government finance regime which will not emerge until 2020. The scale of the financial gap is not unusually large in a historical context or compared with authorities similar to Coventry. It will nevertheless require the Council to consider further reductions in services and the need to prioritise the services that it wishes to maintain in the future and identify those that may be allocated fewer resources or ceased altogether.

Recommendations:

Finance and Corporate Services Scrutiny Board (1) is recommended to

- (1) Consider whether there are any comments/recommendations that it wishes to make to Cabinet.

Cabinet is recommend to:

- (1) Consider any comments/recommendations from the Finance and Corporate Services Scrutiny Board (1)

- (2) Recommend that Council the approve the Strategy as the basis of its medium term financial planning process.

Council are recommended to:

- (2) Approve the Strategy as the basis of its medium term financial planning process.

List of Appendices included:

None

Other useful background papers:

None

Will this report go to Council?

Yes, 16th October 2018

Medium Term Financial Strategy 2019-22

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, including the policy assumptions and financial management framework that underpin the strategy. The process will culminate with the Budget Setting Report in February 2019, following the consideration of the Pre-Budget report in December 2018.
- 1.1.2 Local authorities are facing severe financial pressures, which are likely to continue for the foreseeable future. The National Audit Office recently reported that local authorities have faced significant central government funding cuts of nearly 50% since 2010/11, which at a time of increasing service demand, particularly in the social care sphere, mean that many authorities are using reserves to fund services in a way that is financially unsustainable. Within the context, earlier in 2018 a Section 114 Notice was issued at Northamptonshire indicating that the authority was at risk of spending more than the resources they have available.
- 1.1.3 At a local level, the level of resources available to Coventry has reduced significantly with a fall which will total c£120m between 2010 and 2020. Within this environment of downward pressure on resources, the Council has delivered very significant savings and identified other sources of income in order to balance its overall budget. 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.
- 1.1.4 Approaching the current Pre-Budget process, the Council's financial position has remained under pressure as a result of shortfalls in delivery of its existing savings plans and the growing costs of looked after children, housing 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.
- 1.1.5 Although there is significant uncertainty with regard to the national local government funding regime from 2020/21, it is clear that the starting point for the Council is a large financial budget gap. The Council will continue to seek to identify solutions that minimise the impact on services but it remains highly likely that the overall package of measures will include reductions in those Council services that are considered to be of a lower relative priority.

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, as well as financed, through for example any potential Council Tax levy or Business Rates supplement, will continue to develop through the course of the MTFS planning period. Consequently, the significance of the programmes and the associated resourcing streams mean that these areas continue to represent a financial risk to the authority over the MTFS period.

- The government's review of local government funding which it is anticipated will take effect from 2020/21, along with the move from 50% to 75% local business rate retention from the same date, increases the uncertainty surrounding the level of resources available to local authorities as a whole and the distribution of those resources between authorities. However, prior to 75% 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 regulatory framework within which local authorities invest in commercial assets has changed following revisions to statutory investment guidance and the Prudential Code for capital spend, reflecting a concern that authorities are increasing their risk exposure through commercialisation. From 2018/19 authorities are required to develop strategies for broader commercial investments which support the active management of the risks associated with the investments.
- 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 be fragmented across maintained, academy and free school provision. This changed face of local education provision and the reduced role of councils is putting more pressure on the remaining rump of local authority education services and finances.
- The designation of Coventry's as 2021 City of Culture, which provides a great opportunity for the city to move forward. Financially, it is forecast that the city will benefit by £350m through increased tourism and the unlocking of capital investment, helping to drive

economic growth and job generation in the process. To date £4.75m has been allocated from reserves to support the 2021 City of Culture events. However, there will undoubtedly be financial pressures on the authority's revenue and capital resources, as investment schemes are brought forward running up to 2021. In the context of the wider budget pressures, one of the key considerations for the Council as 2021 approaches will be to decide the right level of investment that it is required to provide for City of Culture preparations. The desire to deliver a successful and well-regarded City of Culture year and to maximise the opportunity to achieve positive future cultural and financial legacies will depend to some degree on the level of the Council's support. However, any additional investment in services to achieve this will inevitably result in financial pressure and a need to reduce the Council's budget provision elsewhere. This will be a crucial point of consideration and decision for the Council going forward.

- 1.2.2 Coventry has significant potential for growth with two global universities, excellent transport infrastructure links and a talent pool for employers to recruit across the region. The city has a young and growing population and on the most recent measure had a high enterprise growth rate. However, it fares less well on other measures, for instance Gross Value Added per head (an average level of economic value generated per person) where Coventry ranks significantly below the national average.
- 1.2.3 The starting point for the Council's MTFs is the forecast 3 year programme set out in the 2018/19 Budget Report in February 2018. Whilst the 2018/19 and 2019/20 financial years were balanced, the current planning process starts with a significant forecast deficit in 2020/21:

Per Budget Report 2018/19	2018/19 £m	2019/20 £m	2020/21 £m
Forecast Revenue Bottom Line deficit	0.0	0.0	20.7

- 1.2.4 The Pre-Budget Report, which will be considered by Cabinet in November 2018, 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 1 2018/19 Financial Monitoring Report sets out a forecast overspend in the year of £2m, highlighting significant pressures, with the potential to impact on future years.
- 1.2.5 The current Capital Programme approved in February 2018 is:-

	2019/20 £m	2020/21 £m	2021/22 £m
Capital Programme Spend	262.5	239.7	191.3

- 1.2.6 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 £694m over the next 3 years is being met from grant (£490m), including significant sums through the WMCA, and also prudential borrowing (£172m). The level of prudential borrowing has been low in recent years, in part as a consequence of temporarily using grant received up front prior to the implementation of the various capital schemes. However, 2017/18 saw the highest level of prudential borrowing in several years and the current capital programme indicates a

significant level of prudential borrowing over the MTFS period, increasing the authority's underlying indebtedness in the coming years. The position will be updated in the Pre-Budget Report.

1.2.7 The Council's revenue reserve balances totalled £67.1m as at 31st March 2018 with a further £31.2m of capital reserves that are only available to fund major capital schemes, and £24.3m of reserve balances belonging to or earmarked to support schools. The Council's revenue reserves 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 or support policy priorities. The make-up of the Council's reserves as at 31st March 2018 was:

	Balance at 31st March 2017	(Increase)/ Decrease	Balance at 31st March 2018
	£000	£000	£000
<u>Council Revenue Reserves</u>			
General Fund Balance	(3,134)	(1,568)	(4,702)
Private Finance Initiatives	(11,308)	527	(10,781)
Potential Loss of Business Rates Income	(1,970)	(1,444)	(3,414)
Early Retirement and Voluntary Redundancy	(8,261)	0	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
City of Culture	0	(5,050)	(5,050)
Kickstart Project	(2,986)	(2,082)	(5,068)
Adult Social Care	(18)	(4,780)	(4,797)
Leisure Development	(894)	(705)	(1,599)
Public Health	(740)	134	(606)
Troubled Families	(686)	200	(486)
Insurance Fund	(1,786)	191	(1,595)
Management of Capital	(5,566)	(766)	(6,332)
Other Corporate	(973)	375	(598)
Other Directorate	(5,839)	(1,355)	(7,194)
Other Directorate funded by Grant	(2,785)	592	(2,194)
Total Council Revenue Reserves	(51,346)	(15,731)	(67,077)
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(20,489)	(3,489)	(23,978)
Capital Grant Unapplied Account	(9,737)	2,558	(7,179)
Total Council Capital Reserves	(30,226)	(931)	(31,157)
<u>School Reserves</u>			
Schools (specific to individual schools)	(18,126)	(1,464)	(19,590)
Schools (for centrally retained expenditure)	(4,493)	(249)	(4,742)
Total School Reserves	(22,619)	(1,713)	(24,332)
Total Overall Reserves	(104,191)	(18,375)	(122,566)

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 Council has been engaged in delivering a transformation programme in recent years but is now 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. The revised approach is currently being developed under the initial banner of 'One Coventry' with its component parts being analysed into the following headings: Housing and Homelessness; Children's Services Transformation; Customer Services (digital demand); Business Services redesign; delivering the Capital programme; delivering the Council's savings target; Workforce Reform.
- 2.3.2 Even if the Council achieves significant success through this approach and those set out below, it will nevertheless need to consider reductions in the level of some of its services. Therefore, a key part of its approach will be to prioritise the services that it wishes to maintain in the future and those that may be allocated fewer resources or ceased altogether.
- 2.3.3 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 such as the Coventry and Warwickshire Local Enterprise Partnership 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.

- 2.3.4 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.
- 2.3.5 The Council will continue to look for opportunities to invest in commercial ventures in order to secure a financial return where this is consistent with the parameters of its priorities and the Council Plan. This will potentially include property schemes, share purchase and the provision of loans to external organisations. This will only be done in line with the developing regulatory framework in these areas, including the new Treasury Management Code; Prudential Code for Capital Finance, the statutory Guidance on Minimum Revenue Provision and the revised government Statutory Guidance on Local Government Investments. The Council's approach to these requirements will be brought together in an overarching report alongside, or as part of, the Council's 2018/19 in-year monitoring and 2019/20 budget setting.
- 2.3.6 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.
- 2.3.7 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.
- 2.3.8 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's funding level for 2019/20 has been set out by Government. Beyond that, the initial forecast assumes resource reductions broadly in line with those experienced in the latter years of the multi-year settlement;
- As a technical assumption, Council Tax increases of just under 3% per annum and no further Social Care precept increases. This will be subject to political debate and decision as well as any changes at a national level;
- The existing 2% local government pay award has been built in for 2019/20 but beyond this, 1% pay awards have been assumed. This area will be kept under close review and it is expected that the Council will continue to reflect sector agreed 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 2019/20 Budget.

5. Comments from the Director of Finance and Corporate Services

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 next phase of financial planning the initial position shows a balanced position in 2019/20 followed by a forecast gap of £21m in 2020/21 which is expected to rise further in the years beyond that. In addition, there are further developments which could affect the Council's Budget position adversely over this period: challenges in delivering its remaining savings targets, growth in demand pressures across several major services and the uncertainty surrounding the local government finance regime.

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 continue to be faced with some decisions about; which are its core priorities; which services it may no longer be able to afford; the best mechanisms through which to deliver its services. In addition, the Council will continue to make selective use of early retirement/voluntary redundancy as a mechanism by which it is able to reduce staffing levels across the Council and will review the pay and conditions of its employees through the Workforce Reform programme.

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.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Michael Rennie, Lead Accountant (Corporate Finance)

Directorate: Place Directorate

Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place Directorate	31/7/18	24/8/18
Paul Jennings	Finance Manager Corporate	Place Directorate	31/7/18	31/7/18

	Finance			
Martin Yardley	Deputy Chief Executive (Place)	Place Directorate	28/8/18	29/8/18
Names of approvers for submission: (officers and members)				
Legal: Carol Bradford	Solicitor	Place Directorate	31/7/18	7/8/18
Director:-Barry Hastie	Director of Finance and Corporate Services	Place Directorate	31/7/18	3/9/19
Members: Cllr John Mutton	Cabinet Member for Strategic Finance and Resources		24/8/18	29/8/18

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

Please see page 2 onwards for background to items

4th July 2018
<ul style="list-style-type: none"> - Customer Service Improvement - Digital First
12th September 2018
<ul style="list-style-type: none"> - Medium Term Financial Strategy
7th November 2018
<ul style="list-style-type: none"> - 2018/19 Capital Programme - City of Culture - Finances
12th December 2018
<ul style="list-style-type: none"> - Council Reserves - Customer Service Improvement - Income Generation
6th February 2019
-
13th March 2019
<ul style="list-style-type: none"> - Business Rates
2018/19
<ul style="list-style-type: none"> - Budget – meeting savings targets - Investment Strategy and Assets - Costs of temporary accommodation - spend on hotels and B&B's - Workforce Strategy Review - Leadership Development Investment - Results of the 2018 Staff Satisfaction Survey - Coventry City Council Apprenticeships - ICT Strategy - ICT Service Level Agreements - ICT Asset Register - Social Value Act - Procurement Strategy

Date	Title	Detail	Cabinet Member/ Lead Officer
4th July 2018	- Customer Service Improvement	To include the actions being taken to improve Customer Service, including work by other Service Areas. To include reference to the Household Survey results to raise the voice of the citizen.	David Ashmore
	- Digital First	To look at longer term plans to improve digital across the Council. Paper to include feedback from other Directorates on their role in moving towards digital first. Also include use of third party apps, such as fix my street, rather than reinventing the wheel. Include work being undertaken to address Digital Inequality.	David Ashmore
12th September 2018	- Medium Term Financial Strategy	To discuss the Council's Medium Term Financial Strategy prior to its approval through the political process.	Paul Jennings
7th November 2018	- 2018/19 Capital Programme	To receive a line by line update on the 2018/19 Capital Programme. Annual item. Included information on WMCA programmes.	Paul Jennings
	- City of Culture - Finances	To look Coventry City Council contribution to the City of Culture finances. Links with work being undertaken by Audit to seek assurance on this issue.	David Nuttall
12th December 2018	- Council Reserves	To receive an update on the position of Council Reserves.	Paul Jennings
	- Customer Service Improvement	To follow on from the July item and scrutinise whether there has been an improvement in performance. To include reference to benchmarking, aborted call times and a breakdown by service area of performance.	David Ashmore
	- Income Generation	To look at opportunities to maximise income - identified at meeting 18/04/18	Barrie Hastie
6th February 2019	-		

SB1 Work Programme 2018/19

Date	Title	Detail	Cabinet Member/ Lead Officer
13th March 2019	- Business Rates	To discuss the changes to Business Rates.	Paul Jennings
2018/19	- Budget – meeting savings targets	To scrutinise whether the Council is on track to meet its savings targets.	Barry Hastie
	- Investment Strategy and Assets	To look our investment strategy and our assets.	Barrie Hastie
	- Costs of temporary accommodation - spend on hotels and B&B's	To scrutinise the Council's spend on temporary accommodation.	Barrie Hastie
	- Workforce Strategy Review	To review the Workforce Strategy - identified at meeting 18/04/18	Barbara Barrett
	- Leadership Development Investment	To follow up from the meeting in March 2018, the Board have requested that they receive an evaluation report of the training and an impact assessment.	Grace Haynes
	- Results of the 2018 Staff Satisfaction Survey	To look at the results of the Staff Survey and the actions which will be taken as a result.	Barbara Barrett
	- Coventry City Council Apprenticeships	To consider the apprenticeships being offered by the City Council. To look at how the young people employed are supported to get the maximum value from their placements.	Grace Haynes
	- ICT Strategy	For SB1 to be involved in the development of the ICT Strategy which is to include SMART Targets and Benchmarking	Paul Ward/ David Ashmore
	- ICT Service Level Agreements	To report on Service Level Agreements between ICT and other services within the Council – identified at meeting 21/03/18	Paul Ward/ David Ashmore
	- ICT Asset Register	To bring to the Board a report outlining our ICT Asset Register - identified at meeting 21/03/18	Paul Ward

Date	Title	Detail	Cabinet Member/ Lead Officer
	- Social Value Act	To examine the extent to which the Social Value Act is delivering added value and how we can maximise opportunities to increase social value.	Mick Burn
	- Procurement Strategy	To scrutinise the delivery of the Council's Procurement Strategy	Mick Burn