



#### **Time and Date**

At rising of the Extraordinary Meeting of Council, anticipated to be 2.10 pm on Tuesday, 19th November, 2019

#### **Place**

Committee Room 3 - Council House

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#### **Public business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes** (Pages 3 - 6)
  - (a) To agree the minutes from the meeting of Cabinet on 29<sup>th</sup> October 2019
  - (b) Matters arising
4. **2019/20 Second Quarter Financial Monitoring (to September 2019)**  
(Pages 7 - 32)

Report of the Deputy Chief Executive (Place)
5. **Pre-Budget Report 2020/21** (Pages 33 - 54)

Report of the Deputy Chief Executive (Place)
6. **Medium Term Financial Strategy 2021-2023** (Pages 55 - 70)

Report of the Deputy Chief Executive (Place)
7. **Accommodation Based Support for Older People** (Pages 71 - 90)

Report of the Deputy Chief Executive (People)
8. **Coombe Abbey Park - Commercialisation and Sustainable Development of Children's Play Facilities and Car Park Remodelling** (Pages 91 - 102)

Report of the Deputy Chief Executive (Place)

9. **Authority for Attendance at Conference** (Pages 103 - 108)

To authorise the attendance of the Director of Business Investment and Culture (Andy Williams) and the Director of Project Management and Property Services (Richard Moon) to attend the West Midlands Regional Asia Visit to Hong Kong and Mainland China between 24<sup>th</sup> and 30<sup>th</sup> November 2019.

10. **Outstanding Issues**

There are no outstanding issues.

11. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

**Private business**

Nil

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

Monday, 11 November 2019

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Tel: 024 7697 2642 / 2643, Email: [lara.knight@coventry.gov.uk](mailto:lara.knight@coventry.gov.uk) / [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)

Membership:

Cabinet Members:

Councillors K Caan, G Duggins (Chair), P Hetheron, A S Khan (Deputy Chair), T Khan, K Maton, J Mutton, M Mutton, J O'Boyle and P Seaman

Non-voting Deputy Cabinet Members:

Councillors P Akhtar, R Ali, B Gittins, G Lloyd and D Welsh

By invitation:

Councillors A Andrews and G Ridley (non-voting Opposition representatives)

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.

**Lara Knight / Michelle Salmon, Governance Services,  
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[michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)**

## Coventry City Council

### Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 29 October 2019

Present:

Members: Councillor G Duggins (Chair)  
Councillor K Caan  
Councillor P Hetherton  
Councillor T Khan  
Councillor K Maton  
Councillor J Mutton  
Councillor M Mutton  
Councillor J O'Boyle  
Councillor P Seaman

Deputy Cabinet Members Councillor R Ali  
Councillor P Akhtar  
Councillor G Lloyd  
Councillor D Welsh

Non-Voting Opposition Councillor A Andrews  
Members: Councillor G Ridley

Other Members: Councillor N Akhtar  
Councillor R Brown  
Councillor J Clifford  
Councillor R Lakha  
Councillor C Thomas

Employees (by Directorate):

Chief Executive's M Reeves (Chief Executive),  
People G Quinton (Deputy Chief Executive (People)), J Gregg,  
L Gaulton, N Hart, G Kell  
Place M Yardley (Deputy Chief Executive (Place)), B Hastie,  
J Newman, M Salmon

Apologies: Councillor A S Khan  
Councillor B Gittins

## **Public Business**

### **43. Declarations of Interest**

There were no disclosable pecuniary interests.

### **44. Minutes**

The minutes of the meeting held on 8<sup>th</sup> October 2019 were agreed and signed as a true record. There were no matters arising.

#### 45. **Youth Justice Plan**

The Cabinet considered a report of the Deputy Chief Executive (People) that would also be considered by Council at its meeting on 26<sup>th</sup> November 2019 and which sought to recommend that the Council endorse The Coventry Youth Offending Service Youth Justice Plan 2019-2020, attached as an Appendix to the report, following its agreement and signing off by Statutory Partners.

Youth Offending Teams were established under the Crime and Disorder Act 1998. The functions assigned to the Youth Offending Service included the duty upon the local authority under the Children Act 1989 to take all reasonable steps to encourage children not to commit offences. The Act imposed a duty on each Local Authority acting in co-operation with its Statutory Partners, (Police, Health and Probation) to ensure that all youth justice services were available in their area to such an extent as was appropriate for the area.

The key tasks of the service were:

- Assessing and delivering interventions to the out-of-court-disposal cohort
- Management and delivery of community sentences
- Management and delivery of secure estate sentences and resettlement
- Servicing the Youth Court and Crown Courts (in terms of provision of a court team, bail & health assessments, provision of pre-sentence reports and stand down reports)
- Victim services
- Parenting services and management of Parenting Orders

The Crime and Disorder Act legislation also imposed a duty to complete and submit a Youth Justice Plan each year.

The Plan provided an overview of Coventry Youth Offending Service achievements against key indicators, plans and targets, and identified the key strategic actions for the next 12 months. Statutory Partners (Police, Health, Probation) and Local Authority, represented by the Director of Children Services, had agreed and signed off on the Plan in July 2019.

**RESOLVED that the Cabinet recommends that the Council endorses the Youth Justice Plan 2019-2020.**

#### 46. **Coventry Health and Well-being Strategy**

The Cabinet considered a report of the Deputy Chief Executive (People) that sought approval of the Coventry Health and Well-being Strategy for 2019 – 2023.

The Council and the Clinical Commissioning Group had a statutory duty, through the Health and Wellbeing Board, to develop a Health and Wellbeing Strategy that set out how they would address the health and well-being needs of local residents, as identified in the Joint Strategic Needs Assessment.

The aim of the Health and Wellbeing Strategy was to develop a set of shared, evidence-based priorities for commissioning local services which would improve

the public's health and reduce inequalities. The outcomes of the work would help to determine what actions the Council, the NHS and other partners needed to take to meet health and social care needs, and to address the wider determinants that impacted on health and wellbeing. The current Strategy covered the period 2016-2019, and a new Strategy for 2019-2023 had been developed for approval and adoption.

The Strategy provided Coventry with a picture of what the Health and Wellbeing Board would deliver over the next three years and how partners would work together to achieve this. It set out the following three strategic ambitions:

- People are healthier and independent for longer
- Children and young people fulfil their potential
- People live in connected, safe and sustainable communities

The Strategy was attached as an appendix to the report, together with the results of consultation and the Equality and Consultation Analysis in further appendices.

**RESOLVED that the Cabinet approves the Coventry Health and Well-being Strategy for 2019-2023.**

47. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of public business.

48. **Outstanding Issues**

There were no outstanding issues.

(Meeting closed at 2.45 pm)

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Cabinet  
Audit and Procurement Committee

19<sup>th</sup> November 2019  
27<sup>th</sup> January 2020

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources - Councillor J Mutton

**Director Approving Submission of the report:**

Director of Finance and Corporate Services

**Ward(s) affected:**

City wide

**Title:**

2019/20 Second Quarter Financial Monitoring Report (to September 2019)

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2019. The headline revenue forecast for 2019/20 is for net balanced budget position. At the same point in 2018/19 there was a projected overspend of £0.5m. The headline capital position reports £4.8m of expenditure rescheduled into 2020/21.

The largest area of budget pressure and the biggest movement since Quarter 1 has emerged within services for housing and homelessness which are projecting an overspend of £2.8m for the year. There are other overspends in services relating to Looked After Children Placements and Special Education Needs (SEN) Transport with compensating below budgeted expenditure in corporate areas.

The Council's capital spending is projected to be £218.7m and includes major scheme expenditure including investment in the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure and the National Battery Plant.

**Recommendations:**

The Cabinet is requested to:

- 1) Approve the Council's revenue monitoring position.
- 2) Approve the revised capital estimated outturn position for the year of £218.7m incorporating: £5m net increase in spending relating to approved/technical changes, £4.8m net rescheduling of expenditure into 2020/21; and
- 3) Approve a contribution to reserves of £0.7m earmarked to fund future costs of managing the Council's major projects.

- 4) Approve the addition £0.5m to the capital programme in 2019/20 for Waste Containers to be funded by Prudential Borrowing.

The Audit and Procurement Committee is requested to:

- 1) Consider the proposals in the report and forward any recommendations to the Cabinet.

**List of Appendices included:**

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2019/20
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

**Background papers:**

None

**Other useful documents**

None

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

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

Audit and Procurement Committee, 27<sup>th</sup> January 2020

**Will this report go to Council?**

No

**Report title:**

2019/20 First Quarter Financial Monitoring Report (to September 2019)

**1. Context (or background)**

- 1.1 Cabinet approved the City Council's revenue budget of £231.5m on the 19th February 2019 and a Directorate Capital Programme of £195.4m. This is the second quarterly monitoring report for 2019/20 to the end of September 2019. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.
- 1.2 The current 2019/20 revenue forecast is for expenditure to be balanced to budget after taking account of a recommended contribution to reserves of £0.7m to fund future costs of managing the Council's major projects. The reported forecast at the same point in 2018/19 was an overspend of £0.5m. Capital spend is projected to be £218.7m, a small fluctuation since quarter 1 forecast of £0.3m.

**2. Options considered and recommended proposal**

- 2.1 This is a budget monitoring report and as such there are no options.
- 2.2 **Revenue Position** - The revenue forecast position is analysed by service area below.

**Table 1 - Forecast Variations**

<b>Service Area</b>	<b>Revised Net Budget £m</b>	<b>Forecast Spend £m</b>	<b>Forecast Variation £m</b>
Public Health	1.3	0.9	(0.4)
People Directorate Management	1.4	1.5	0.1
Education & Inclusion	12.6	14.1	1.5
Children & Young People	73.9	75.1	1.2
Adult Social Care	77.5	77.5	0.0
Customer Services & Transformation	12.9	16.3	3.4
Human Resources	1.5	1.9	0.4
Place Directorate Management	2.5	2.6	0.1
Business Investment & Culture	7.1	7.3	0.2
Transportation & Highways	4.6	4.7	0.1
Streetscene and Regulatory	28.1	28.9	0.8
Project Management & Property	(7.9)	(8.0)	(0.1)
Finance & Corporate Services	7.3	7.0	(0.3)
Contingency & Central Budgets	7.3	0.3	(7.0)
<b>Total Spend</b>	<b>230.1</b>	<b>230.1</b>	<b>0.0</b>

- 2.3 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1.

## **People Directorate**

The People Directorate continues to face significant financial challenges in 2019/20 and beyond. The largest forecast pressure is Housing & Homelessness (temporary accommodation), and work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation. The significant increase in forecast since quarter 1 is a result of: the level of activity transferring to the council from the previously outsourced contract; the additional and less costly Temporary Accommodation solutions not being available as early in the financial year as previously forecast and; an increase in activity in the second quarter particularly within the non-family cohort.

Other pressures are LAC Placements (temporary delays in delivery of Children's placement transformation and some high cost placements as a result of youth violence), and SEN transport (increasing demand and changes in provision). Children's Transformation Board continues to monitor the LAC placement transformation and associated budget reductions, and the Strategic Transport group is reviewing cost and considering any steps that can be taken to reduce cost.

Adult Social Care is showing a balanced position, although there is increasing pressure surrounding packages of care alongside increasing demand in Deprivation of Liberty safeguards (DOLs) which are managed in year using iBCF protecting social care resources. A significant amount of work has been underway to resolve recruitment problems to contribute to reducing the pressure created by agency covering vacancies. The majority of agency is currently within Children's services where the number of posts covered by agency continues to fall (28 at the end of August, a reduction of 11 since the 2018/19 year end). The public health underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.

## **Place Directorate**

The Place Directorate is projecting a £0.9m net deficit at quarter 2.

There is a residual c£1.6m deficit, the majority of which is income related. Commercial waste is forecasting a deficit of £0.4m whilst it continues to grow its income to achieve the aspirational commercial income targets required of it. Bus gate and parking enforcement are also projected to be £0.7m lower than both budget and previous years as a result of temporary gate closures and a lower activity trend generally, however this is offset by higher parking income expected of £0.3m. Car parking income at parks is also £0.1m lower this year due to the new equipment at Coombe Park being delayed, and St Mary's Guildhall catering and events continues to trade £0.1m below budgeted income levels. In addition to this, there is a large overspend expected in relation to domestic refuse and recycling of £0.4m which is largely due to the cost of maintaining cover for a number of operational issues, primarily unofficial industrial action, sickness and the requirement to maintain collections over the Christmas period.

There are a variety of compensating variations with approximately £1.2m of additional income expected to be generated from a combination of higher building control activity (£0.19m), recovery of enforcement costs (£0.13m), higher than budgeted highways DLO cost recovery (£0.2m) and significant income from recovery of overpaid housing benefit overpayments (£0.7m). There are also one-off underspends expected resulting from a planned management action to underspend on operational property of £0.4m, and £0.3m lower fleet debt repayment costs in this financial year.

A £0.6m of the variation relates to agency spend in Streetpride which is fully offset by a salary underspend in that service.

### Contingency and Central Budgets

Net Asset Management Revenue Account expenditure is anticipated to be £1.9m less than budget because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£2m), uncommitted resources related to one-off social care funding (£1m), Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.1m), projected additional savings from the Friargate Project (£0.75m) and lower than budgeted levy costs (£0.6m). The recommended contribution to reserves for managing the costs of major projects is reflected in this area.

- 2.4 **Capital Position** - The 2019/20 capital outturn position for quarter one reported a revised outturn position of £218.6m compared with the original programme reported to Cabinet in February 2019 of £195.4m. Table 2 below updates the budget at quarter 2 to take account of a £5m increase in the programme from approved/technical changes, £4.8m of net rescheduling now planned to be carried forward into future years. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2019/20 is £218.7m. Appendix 3 provides an analysis by directorate of the movement since budget setting.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2019/20. It shows 73% of the programme is funded by external grant monies, whilst 23% is funded from borrowing. The programme also includes funding from capital receipts of £3.5m.

**Table 2 – Movement in the Capital Budget**

CAPITAL BUDGET 2019-20 MOVEMENT	Qtr 2 Reporting £m
Estimated Outturn Quarter 1	218.5
Approved / Technical Changes (see Appendix 2)	5.0
“Net” Rescheduling into future years (see Appendix 4)	(4.8)
<b>Revised Estimated Outturn 2019-20</b>	<b>218.7</b>

RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	50.2
Grants and Contributions	158.7
Capital Receipts	3.5
Revenue Contributions	6.3
<b>Total Resources Available</b>	<b>218.7</b>

The position above assumes an addition of £0.5m to the Capital Programme in 2019/20 for Waste Containers. Approval is sought via this report due to the need to fund the expenditure from Prudential Borrowing. This borrowing will be funded from additional income generated from the containers.

## 2.5 Treasury Management

### Interest Rates

The current Bank of England Base Rate has been at 0.75% since August 2018. The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked downturn in growth due to both Brexit uncertainty and the aforementioned global uncertainties.

The probability of a no-deal EU exit in the immediate term has decreased, although this cannot be entirely ruled out for 2019. However, the weaker global economy severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to lower interest rates.

All of this means that the central forecast for the Bank Rate is to remain at 0.75% until at least the end of 2022. There are significant risks on both sides of this forecast due to Brexit outcomes & the weak global economy however these risks mean it is more likely rates will be cut rather than increased.

### Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2019/20 Capital Programme is £41.3m, taking into account borrowing set out in Section 2.4 above (total £50.2m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£8.9m). Although the Council's recent Capital Programmes have incorporated prudential borrowing as part of the overall resourcing package, no long-term borrowing has been undertaken for several years, due in part to the level of investment balances available to the authority. The anticipated future high level of capital spend combined with the new lower level of investment balances available mean that the Council will need to keep this under review over the next few years. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow although current advice remains for any borrowing to be of a short-term duration.

During 2019/20 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

<b>PWLB Loan Duration (maturity loan)</b>	<b>Minimum 2019/20 to P6</b>	<b>Maximum 2019/20 to P6</b>	<b>As at the End of P6</b>
5 year	1.21%	1.93%	1.27%
50 year	1.77%	2.61%	1.87%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This "certainty rate" initiative provides a small reduction in the cost of future borrowing.

On 9<sup>th</sup> October the Treasury increased the interest rate of PWLB borrowing by 1% in response to the high levels of borrowing and record lows that the PWLB interest rates had fallen to. This will have the impact of increasing the cost of any long-term borrowing taken out after this date. However, The Council has no plans to take any new long term borrowing in the near future with advice continuing to be to keep any borrowing to a short-term duration.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings.

### **Short Term (Temporary) Borrowing and Investments**

In managing the day to day cash-flow of the authority, short-term borrowing or investments are undertaken with financial institutions and other public bodies. The City Council held £22m of short term borrowing from other public bodies at an average interest rate of 0.65%.

Returns provided by the Council's short-term investments yield an average interest rate of 1.16%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were: -

	<b>As at 30<sup>th</sup> September 2018</b>	<b>As at 30<sup>th</sup> June 2019</b>	<b>As at 30<sup>th</sup> September 2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Banks and Building Societies	13.0	6.0	5.0
Money Market Funds	12.0	4.2	0.4
Local Authorities	6.0	0.0	0.0
Corporate Bonds	5.0	9.0	9.0
Registered Providers	6.0	10.0	10.0
<b>Total</b>	<b>42.0</b>	<b>29.2</b>	<b>24.4</b>

### **External Investments**

In addition to the above investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and non-specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid as cash, can be withdrawn within two to four days, and short average duration. The Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits and Equities. These pooled funds are designed to be held for longer durations, allowing any short-term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 30<sup>th</sup> September 2019 the pooled funds were valued at £30m, spread across the following funds: CCLA, Schroders, Investec, Columbia Threadneedle and M&G Investments.

### **Prudential Indicators and the Prudential Code**

Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of

the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30<sup>th</sup> September 2019 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2019/20. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30<sup>th</sup> September the value is -£61.2m (minus) compared to +£84.5m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30<sup>th</sup> September the value is £250.5m compared to £422.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

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

3.1 None

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

4.1 There is no implementation timetable as this is a financial monitoring report.

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

#### **5.1 Financial implications**

##### **Revenue**

In overall terms, this report indicates that the Council's financial position for the current year continues to be sound. The underlying underspend position before the recommended contribution to reserves (£0.7m) provides a strong expectation of achieving a better than balanced position at year-end. As reported at quarter 1, this incorporates individual instances where spending has been reported below budget that cannot be relied upon beyond 2019/20. In contrast, there are services that are reporting overspends, mostly within demand led budget areas where it is more difficult for the Council to exercise complete control. There is a high risk that these additional pressures will continue into the 2020/21 financial year and for this reason these are being included within the Pre-Budget proposals being brought to Cabinet alongside this report.

These pressures include ones that reflect what appear to be intractable long-term trends, including the cost and complexity of Looked After Children placements. However, the most significant current issue and the one that has proved most volatile in the current financial year is the cost of homelessness and housing. Although the Council has taken a number of decisions designed to tackle this issue some of these have not taken effect as quickly as desired. This means that the Council is continuing to pay for temporary accommodation solutions at a higher cost than would otherwise have been the case. In addition, the city is also experiencing increasing numbers of people for whom temporary accommodation is having to be provided. The continued trend of additional pressure within demand led services alongside reductions in headline Government funding continue to provide strong evidence of the need for the Council to identify cost efficiencies and commercial opportunities in order to maintain financial stability.

Given the uncertainty facing local government finances beyond 2019/20, the Director of Finance and Corporate Services is clear that the Council needs to take measures to protect its financial position in the short-term to provide some protection against any financial shocks over the next few years. The Council is facing significant financial budget shortfalls over the medium term and an unpredictable picture in relation to how the Government will implement the Spending Review, a new local government finance formula and a revised Business Rates retention scheme. The quarter 1 report referenced the possibility that if the future financial position turns out to be better than anticipated any one-off resources set aside would remain available to invest in future projects and capital plans. In an acceleration of this plan, this report seeks approval for resources to be set aside to fund future costs of managing the Council's major projects. This reflects the need for the Council to secure the high-quality capacity and expertise required to take forward the extensive regeneration of the city through several of the high-profile projects within the Capital programme including but not limited to City Centre South.

In the interim, the Council needs to ensure that it continues to hold a strong focus on managing services within existing budgetary limits or moving towards this. This includes continuing to implement transformational change to deliver existing savings plans, ensuring that demand for services is managed within existing policy parameters and identifying new ways of responding to service pressures to control costs.

In summary, the relatively positive position reported at quarter 2 should not deflect from the expectation of a very challenging outlook for the Council's revenue position and officer attention both at a corporate level and in several service areas is focussed strongly on responding to these challenges.

### **Capital**

The largest areas of rescheduling in the second quarter include the City Centre South scheme, the A46 Corridor scheme, Schools Basic Need and the deferral by planning of the Indoor Bowls facility. In addition, two schemes have seen acceleration, the ESIF programme and the City Centre Connectivity and Friargate Programme. None of the rescheduled programmes will result in any funding being lost to the Council.

As part of the commercialisation programme, Commercial Waste have been set some challenging growth targets over the next few years and are actively seeking new contracts/customers. £500k pa for next 3 years will need to be spent on purchasing and refurbishing containers to service these new contracts. This will be initially funded by prudential borrowing paid back over 5 years and will be repaid by income generated through the contracts while providing an additional income to the Council revenue bottom line.

## **5.2 Legal implications**

None

## **6. Other implications**

### **6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))?**

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

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

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount in managing this risk and this report is a key part of the process.

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

It remains important for the Council to ensure that strict budget management continues to the year-end. Any resources available at year-end will be managed to ensure the Council's financial resilience or used to fund future spending priorities.

## **6.4 Equalities / EIA**

No impact.

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

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

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

No impact.

**Report author(s):****Name and job title:**

Paul Jennings Finance Manager Corporate Finance

**Directorate:**

Place

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Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Lara Knight	Governance Services Coordinator	Place	30/10/19	1/2/19
Helen Williamson	Lead Accountant	Place	28/10/19	29/10/19
Paul Hammond	Accountant	Place	28/10/19	29/10/19
Michael Rennie	Lead Accountant	Place	28/10/19	29/10/19
<b>Names of approvers for submission:</b> (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	5/11/19	6/11/19
Carol Bradford	Corporate Governance Lawyer	Place	30/10/19	1/2/19
Councillor J Mutton	Cabinet Member Strategic Finance and Resources	-	4/11/19	4/11/19

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## **Appendix 1 Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position**

Appendix 1 details directorates forecasted variances.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

<b>Directorate</b>	<b>Revised Budget</b>	<b>Forecast Spend After Action/ Use of Reserves</b>	<b>Centralised Forecast Variance</b>	<b>Budget Holder Forecast Variance</b>	<b>Net Forecast Variation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Public Health	1.3	0.9	0.0	(0.4)	(0.4)
People Directorate Management	1.4	1.5	0.1	0.0	0.1
Education and Skills	12.6	14.1	(0.1)	1.6	1.5
Children and Young People's Services	73.9	75.1	(1.8)	3.0	1.2
Adult Social Care	77.5	77.5	(0.7)	0.7	0.0
Customer Services & Transformation	12.9	16.3	(0.3)	3.7	3.4
Human Resources	1.5	1.9	0.2	0.2	0.4
<b>Total People Directorate</b>	<b>181.1</b>	<b>187.3</b>	<b>(2.6)</b>	<b>8.8</b>	<b>6.2</b>
Place Directorate Management	2.5	2.6	0.1	0.0	0.1
City Centre & Major Projects Development	7.1	7.3	0.1	0.1	0.2
Transportation & Highways	4.6	4.7	(0.1)	0.2	0.1
Streetscene & Regulatory Services	28.1	28.9	(0.3)	1.1	0.8
Project Management and Property Services	(7.9)	(8.0)	0.2	(0.3)	(0.1)
Finance & Corporate Services	7.3	7.0	(0.1)	(0.2)	(0.3)
<b>Total Place Directorate</b>	<b>41.7</b>	<b>42.5</b>	<b>(0.1)</b>	<b>0.9</b>	<b>0.8</b>
<b>Total Contingency &amp; Central Budgets</b>	<b>7.3</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(7.7)</b>	<b>(7.7)</b>
<b>Total Spend</b>	<b>230.1</b>	<b>229.4</b>	<b>(2.7)</b>	<b>2.0</b>	<b>(0.7)</b>
Resourcing	(231.4)	(231.4)	0.0	0.0	0.0
Ringfenced Funding Streams	1.3	1.3	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(2.7)</b>	<b>2.0</b>	<b>(0.7)</b>

Reporting Area	Explanation	£m
<b>Centralised (non-controllable variances)</b>		
People Directorate	The Directorate underspend against its salary budgets and turnover target is mainly due to continuing vacancies in Adult and Children's Social Care which accounts for the majority of the £2.5m underspend. This is partially offset by a non-salary overspend in Adult and Children's Social Care (e.g. agency, overtime). This position is reduced from 18/19 outturn (£5.5M) as a number of vacancies have been filled. It is expected that vacancy levels and agency costs will continue to reduce, which will continue to reduce the centralised salary underspend and the budget holder overspend through the year.	(2.6)
Place Directorate	Overall there are still a number of vacancies which are being covered by agency staff to ensure some services are maintained. The largest of these is in relation to the Streetpride service which has been holding vacancies forecast at £0.6m. These are now being recruited to and the cost of these agency cover arrangements are included in the variation narratives above. The centralised salary 'underspends' variation is almost entirely offset by the £2.5m turnover target assumptions applied to Place Directorate budgets, hence only a c£50k surplus.	(0.1)
<b>Total Non-Controllable Variances</b>		<b>(2.7)</b>

<b>People Directorate</b>			
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.5)
Public Health	Other Variances Less than 100K		0.1
<b>Public Health</b>			<b>(0.4)</b>
Education and Skills	SEND & Specialist Services	The overspend relates to SEN Transport as a result of an increase in demand for SEN Transport, proportional to the increase in EHC Plans and special school placements. The overall number of pupils being transported has increased by 20% since 2017, and there has been a more than 50% increase in the use of external taxis linked to demand, provision changes, and the needs of pupils. Strategic Transport Group is in the process of reviewing this and considering ways in which costs can be reduced.	1.3
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver a £200k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes.	0.2
Education and Skills	Education Improvement & Standards	Schools trade union support is funded from maintained schools pooled resource, and individual buyback from non-maintained schools. There is a funding pressure as a result of maintained schools reducing the pooled budget from last September, and not all non-maintained schools buying into the service. The LA have been unable to reduce the expenditure level to match the income reduction. In addition the governor support traded service's buyback income is not covering expenditure levels. the service is exploring a number of options to reduce expenditure. This is offset by a small projected underspend in relation to the historic pension liabilities budget.	0.1
<b>Education and Skills</b>			<b>1.6</b>
Children and Young People's Services	LAC & Care Leavers	The variance is as a result of the placement pressures (£1.2M overspend). Children in external children's homes are above projected numbers and there have been some high cost placements as a consequence of youth violence. In addition, the numbers of looked after children continue to be over those originally projected. The supported accommodation continues to	2.9

		show an overspend as a result of high cost placements due to the needs of some young people (£0.5M). Finally, there is additional use of agency workers due to social work need within the permanence service. Care leaver allowances is forecasting a £0.2M overspend due to an increase in activity levels and equally, the Through Care budget is also forecasting an overspend (£0.3M) as a result of increase in activity.	
Children and Young People's Services	Help & Protection	The budgetholder variance largely relates to the costs of agency staff covering vacancies across the service. This is more than offset by underspends across centralised salary budgets. We continue to recruit permanent social workers and reduce agency staff levels.	1.0
Children and Young People's Services	Commissioning, QA and Performance	The budget holder forecast is an overspend of £113k. It is offset by a £136k underspend on the centralised side, making a net underspend of £23k. The reason for the projected overspend of £113K is agency spend on staff and this is reflected in the £135K underspend on the centralised side which covers permanent salaries. The staff posts being covered by agency spend are Independent Reviewing Officers who perform a statutory function on behalf of the LA, these posts are currently being recruited to permanently.	0.1
Children and Young People's Services	Children's Services Management Team	The service has delivered savings as a result of service changes and review. These support the delivery of the Children's Services Transformation programme in the current and future years.	(1.0)
<b>Children and Young People's Services</b>			<b>3.0</b>
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Pressures are being experienced with the number of nursing home placements increasing, with Mental Health services a notable change. This is being reviewed in conjunction with health partners to manage this trend. Work is also continuing to control spend on placements and seek more cost-effective placement options. This position continues to be monitored.	1.1
Adult Social Care	All Age Disability and Mental Health Operational	There remain significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs, recruitment to posts is ongoing.	0.6
Adult Social Care	Older People Operational	Additional costs of agency staff pending recruitment, / additional pressures on telecare	0.1

		budget whilst restructuring taking place to achieve longer term savings.	
Adult Social Care	Older People Community Purchasing	Budget pressures continue to increase. This is a consequence of increased numbers in residential placements and home care packages over this period. Work is already underway to reduce the number of residential placements, which it is expected redress this trend.	(0.2)
Adult Social Care	Adult Social Care Director	Use of Improved Better Care Fund Protecting Social Care resources to manage Adult Social Care pressures	(1.1)
Adult Social Care	Other Variances Less than 100K		0.2
<b>Adult Social Care</b>			<b>0.7</b>
Customer Services & Transformation	Housing & Homelessness	Housing and Homelessness is forecasting an overspend of £2.8M due to a combination of continued and increased demand, activity transferring to the council from the previously outsourced contract and the additional and less costly Temporary Accommodation solutions not being available in Q2 as previously forecast. Although an additional £3.4M has been allocated to the service in 2019/20 in recognition of the increased demand, the majority of this overspend is driven by the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. This has been further exacerbated by an increase in activity in the last 3 months particularly in the number of non-families in temporary accommodation. There are a number of mitigations in place to reduce the level of expenditure in this area, closely monitored by Strategic Housing Board.	3.1
Customer Services & Transformation	Customer and Business Services	Whilst the overall position is one of underspend, there are aspects of the budget that are showing as an overspend, these relate to: agency spend which is being used to bridge the gaps until the business services review is complete and a savings target attributed to business services of £172k. The savings target will be shared across the organisation proportionate to the number of individuals returning to service areas with the remaining centralised savings target being met through the release of vacancies held across the service, a consequence of the business services review. Once the centralised teams have settled and we better understand the detail of the work we will review vacancies and determine their distribution based around performance.	0.3
Customer Services & Transformation	ICT & Digital	The majority of the overspend relates to the need to accelerate the refresh of part of the PC estate to avoid potential significant ICT service problems within the service and possibly across	0.2

		the wider organisation. Action being taken to reduce the overspend includes reviewing sources of funding and reducing spend temporarily in other ICT areas e.g. mobile phones. There is also a net 80K under-recovery of traded income	
Customer Services & Transformation	Other Variances Less than 100K		0.1
<b>Customer Services &amp; Transformation</b>			<b>3.7</b>
Human Resources		The HR Service continues to face challenges linked to reducing trading income particularly from schools.	0.2
<b>Human Resources</b>			<b>0.2</b>
<b>Total Non-Controllable Variances - People</b>			<b>8.8</b>
<b>Place Directorate</b>	<b>Place</b>		
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
Place Directorate Management	Other Variances Less than 100K		0.0
<b>Place Directorate Management</b>			<b>0.0</b>
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	St. Mary's trading deficit £146k, a project team is looking to address this deficit for future years.	0.1
<b>City Centre &amp; Major Projects Development</b>			<b>0.1</b>
Transportation & Highways	Traffic	Bus gate and parking enforcement are projected to be c£0.5m lower than both budget and previous years as a result of both temporary bus gate closures and a lower activity trend generally. This is offset by a forecast increase in income from car parks.	0.3
Transportation & Highways	Highways	There is expected to be a small surplus from DLO trading activities as a result of one-off fees generated from external works.	(0.2)
Transportation & Highways	Other Variances Less than 100K		0.1
<b>Transportation &amp; Highways</b>			<b>0.2</b>

Streetscene Regulatory Services	&	Streetpride & Parks	This is mainly related to issues with Car Parking at Coombe. New pay machines and barriers have recently been installed. There has also been urgent spend to upgrade mess room facilities (Streetpride - City Centre)	0.9
Streetscene Regulatory Services	&	Planning & Regulatory Services	This relates primarily to the one off recovery of legal fees, together with vacancies in building control	(0.2)
Streetscene Regulatory Services	&	Other Variances Less than 100K		0.1
Streetscene Regulatory Services	&	Other Variances Less than 100K		
Streetscene Regulatory Services	&	Waste & Fleet Services	Domestic Waste - Increased pool cover for sickness / long term sickness, additional bin purchases & more realistic forecast for Christmas cover. Waste Disposal costs have increased partly through increased tonnages and partly through higher gate fees for co-mingled recycling.	0.5
Streetscene Regulatory Services	&	Environmental Services	A mixture of overtime & agency to cover long term sickness, higher costs due to increase in the number of vehicles & shortfall against aspirational income targets	0.2
Streetscene Regulatory Services	&	Planning & Regulatory Services	Additional income primarily in the building control service following increased activity, and also recovery of enforcement costs in environmental health	(0.3)
Streetscene Regulatory Services	&	Other Variances Less than 100K		(0.1)
<b>Streetscene Regulatory Services</b>	<b>&amp;</b>			<b>1.1</b>
Project Management and Property Services		Facilities & Property Services	Trading surplus from minor building work projects carried out by compliance and surveying team.	(0.1)
Project Management and Property Services		Other Variances Less than 100K		(0.2)
<b>Project Management and Property Services</b>				<b>(0.3)</b>
Finance Corporate Services	&	Legal Services	Primarily the cost of agency and external cover for vacant posts and the use of external counsel in Legal Services.	0.3
Finance Corporate Services	&	Revenues and Benefits	There is a surplus as a result of an increase in housing benefit overpayment recovery. This is offset by additional costs required to administer an increasing council tax base and lower court cost income.	(0.4)

Finance & Corporate Services	Other Variances Less than 100K		(0.1)
<b>Finance &amp; Corporate Services</b>			<b>(0.2)</b>
<b>Total Non-Controllable Variances - Place</b>			<b>0.9</b>
<b>Contingency &amp; Central Budgets</b>			
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
Contingency & Central Budgets	Corporate Finance	Net Asset Management Revenue Account expenditure is anticipated to be £1.9m less than budget because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£2m), uncommitted resources related to one-off social care funding, Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.1m), projected additional savings from the Friargate Project (£0.75m) and lower than budgeted levy costs (£0.6m). The recommended contribution to reserves for managing the costs of major projects is reflected in this area.	(7.7)
<b>Total Non-Controllable Variances - Contingency &amp; Central Budgets</b>			<b>(7.7)</b>

## Approved / Technical Changes

<b>SCHEME</b>	<b>EXPLANATION</b>	<b>£m</b>
<b>PLACE DIRECTORATE</b>		
<b>Public Realm Phase 5</b>	West Midlands Combined Authority Board on 28th June 2019 approved £31.6m devolution deal funding for the Council's City of Culture public realm programme. £0.5m is the element of this funding anticipated to be spent this financial year.	<b>0.5</b>
<b>Commercial Waste Containers</b>	Approval sought as part of this report	<b>0.5</b>
<b>City Centre Destination Leisure Facility</b>	To be funded through revenue reserves	<b>0.4</b>
<b>MRF Development Costs</b>	The proposed development for a Regional Materials Recycling Facility with Partnering Authorities was approved at Cabinet on 27th August 2019. This is an addition to the programme to accommodate 19/20 forecast of this scheme	<b>1.5</b>
<b>GD-42UK City of Culture 20/21</b>	The increase in forecasted spend shows that the Cultural Capital Investment Projects are making good progress and the programme is growing with new projects being approved. This is a complex programme working in partnership with a range of Cultural partners, together strengthening the City Cultural assets.	<b>1.9</b>
<b>Other Under £100k</b>		<b>0.2</b>
<b>SUB TOTAL - Place Directorate</b>		<b>5.0</b>
<b>TOTAL APPROVED / TECHNICAL CHANGES</b>		<b>5.0</b>

Appendix 3

<b>DIRECTORATE</b>	<b>ESTIMATED OUTTURN QTR 1 £m</b>	<b>APPROVED / TECHNICAL CHANGES £m</b>	<b>OVER / UNDER SPEND NOW REPORTED £m</b>	<b>RESCHEDULED EXPENDITURE NOW REPORTED £m</b>	<b>REVISED ESTIMATED OUTTURN 19-20 £m</b>
PEOPLE	14.3	0.0	0.0	(2.0)	12.3
PLACE	204.2	5.0	(0.0)	(2.8)	206.4
<b>TOTAL</b>	<b>218.5</b>	<b>5.0</b>	<b>(0.0)</b>	<b>(4.8)</b>	<b>218.7</b>

## Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
<b>PEOPLE DIRECTORATE</b>		
Basic Need	Works underway to expand secondary schools – projects currently at planning stage with programme of works to commence early 2020, which means much of the expenditure will be seen in 20/21	-1.0
<b>SUB TOTAL - People Directorate</b>		<b>-1.0</b>
<b>PLACE DIRECTORATE</b>		
GD08 - Business Innovation Fund (Duplex Fund)	The project team met with the contractor in early September and are now working from a reprofiled position - spend acceleration measures are being considered by the team with a view to not slipping finance into 20/21. The project team is due to confirm the latest position at November Project Delivery Board.	-0.4
GD14 - A46 N-S Corridor (Stanks)	The project team has been progressing the complicated legal sign off necessary to fully launch the fund and is now in a position to progress and release funding. This has resulted in a delay to the spend profile.	-1.3
GD34 City Centre Connectivity and Friargate	Early Contractor Involvement commissioned with Eurovia has led to a firmer programme and cashflow, that requires acceleration of spend than thought at Budget Setting.	2.2
ESIF - Business Support Phase 2	The Business support programme was contracted to deliver ERDF grants of £2m from 2019-2021. The programme started with a healthy pipeline at the start of 2019 and with Business Advisors working closely with Businesses we have had a greater demand than forecasted in the 1st year of the programme. The high demand for investment fund grants has resulted in awarding grants of £1.89m to businesses by Q4 2019, of this we defrayed expenditure of £837k up to Q3. This has been a great achievement for the Programme, as businesses have been able to invest and create jobs which has enabled businesses to add Economic Growth value to the region.	1.3
ESIF - Low Carbon	The programme has committed 70% of the 3 years budget and grant within the first 10 months of the programme	0.2

City Centre Destination Leisure Facility	The spend relates to project enhancements such as a central control booth in the water park, to minimise future revenue costs (i.e requirement for lifeguards) and extended programme PC anticipated in April.	0.4
Re-provision of Coventry's Indoor Bowls Facility	The project has been deferred twice at planning committee resulting in programme delays.	-1.9
Disabled Facilities Grants	Delays in spending due to procurement process issues. Actions are being taken to remedy this	-1.0
Play Areas	Due to staffing capacity and adverse weather, we have been unable to carry out some of the projects this year. These will be re-assigned to 20/21.	-0.2
City Centre South	The variation in forecast is due to revisions to the demolition programme for Coventry Point (compared with the anticipated programme) which means that the spend profile has changed".	-2.4
Other Under £100k	Miscellaneous	-0.6
<b>SUB TOTAL - Place Directorate</b>		<b>-3.8</b>
<b>TOTAL RESCHEDULING</b>		<b>-4.8</b>

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th September 2019
<b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b> , illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	13.40%	13.48%
<b>Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 2)</b> , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £472.7m	£321.3m Gross borrowing within the limit.
<b>Authorised Limit for External Debt (Indicator 5)</b> , representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£487.6m	£321.3m is less than the authorised limit.
<b>Operational Boundary for External Debt (Indicator 6)</b> , representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£467.6m	£321.3m is less than the operational boundary.
<b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9)</b> , highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£422.4m	£250.5m
<b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)</b> , as above highlighting interest rate exposure risk.	£84.5m	-£61.2m
<b>Maturity Structure Limits (Indicator 10)</b> , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	22% 1% 6% 6% 66%

<b>Investments Longer than 364 Days (Indicator 11)</b> , highlighting the risk that the authority faces from having investments tied up for this duration.	£30m	£0.0m
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Cabinet

19<sup>th</sup> November 2019

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Director of Finance and Corporate Services

**Ward(s) affected:**

All

**Title:**

Pre-Budget Report 2020/21

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**Is this a key decision?**

Yes

Cabinet is being recommended to approve, as a basis for consultation, the spending and savings proposals for 2020/21 and future financial years as adjustments to the Council's Budget.

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**Executive Summary:**

This report outlines as a basis for consultation a set of new revenue budget proposals for 2020/21 to 2023/24 which represent changes to the Council's existing Budget. The consultation also includes a proposal for a Council Tax increase for 2020/21 of c2% as allowed for within the Government's published guidelines and a separate 2% Adult Social Care Precept as allowed for within Government guidelines. The final Budget proposals and the Council Tax increase will be subject to Council approval in February.

The Council's overall future strategy is set out in the "One Coventry Council Plan" and this sets out the key priorities including improving the lives of the most vulnerable people in the city, attracting business and jobs to the city and opening opportunities for young people. The Council also remains committed to delivering a range of core services to everyone in the city. This report comes at a key time for the direction of local government funding. Councils including Coventry have been subject to large reductions in Government funding since 2010 but the Chancellor of the Exchequer's Spending Round announcement in September gave an indication that the policy of austerity has been paused to a large degree for 2020/21. Although no indicative figures have been released by Government, initial planning assumptions are that the Spending Round has eased the Council's financial position for one year compared with previous financial forecasts. Despite this, continued demand pressure in some services mean that the need remains to find savings in some areas in order to balance the Council's budget.

The Chancellor's Spending Round announcement included key messages on the delay of key expected reforms for local government funding which have now been put back until 2021/22 at the earliest. This, and the one-year settlement announced, continue to mean that local government faces enormous uncertainty for the period after 2020/21. As a result, this report and the Council's Medium Term Financial Strategy (considered alongside this report) have continued

to focus on the need for the Council to find more cost effective ways to deliver some services and ensure that it continues to release resources to fund its priorities.

This report includes a number of savings proposals to help bridge the initial budget shortfall for 2020/21. Moving beyond next year, the Council is developing a “One Coventry” approach that is exploring new approaches across several broad themes; commercialisation, digitalisation, place-based services and a workforce strategy. These approaches are planned to become an increasing focus of the Council’s financial strategy beyond 2020/21. An updated medium-term financial position is included within this report reflecting revised estimates and new expenditure pressures. As a result the projected financial position has been broadly balanced for 2020/21 but includes a gap of £28m in 2021/22 rising to £42m by 2023/24.

Although many of the new savings proposals included in this report can be achieved without a significant negative impact, there are some changes which will affect services. The proposals are made as a basis for public consultation and the results of the consultation will be reflected in the final Budget Report in February and considered as part of the final decisions recommended in that report. Further work will be undertaken to confirm all the financial assumptions between now and the final Budget Report in February.

Details on individual spending and savings are provided in Section 2 and on a line by line basis in Appendix 1.

Indicative details are included within this report for the Council’s prospective Capital Programme for 2020/21 based on current knowledge. This will be updated in the February Budget Report, reflecting the most up to programme information available. The draft Programme is based overwhelmingly on pre-existing decisions and patterns of expenditure.

**Recommendations:**

Cabinet is recommended to:

- (1) Approve the revenue spending and savings options in Section 2 and Appendix 1 and the broad Capital Programme proposals as the basis for the Council’s statutory budget consultation process; and
- (2) Approve the proposed approach on Council Tax in Section 1.7.

**List of Appendices included:**

Appendix 1 – Pre-Budget Financial Position

**Other useful background papers:**

None

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

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

## Pre-Budget Report 2020/21

### 1. Context (or background)

- 1.1 In the current year (2019/20), the Council is receiving c£120m less core Government grant than the equivalent figure it received in 2010/11. The September Spending Round announcement indicated that local government would see the same level of core funding maintained in 2020/21 although individual authority settlements have not yet been announced. In this respect it is worth noting that there is no intelligence currently regarding the impact of the recent announcement of a December general election on the timing or content of the Local Government Finance Settlement. The assumptions in this report are that the Council will see its individual funding allocation maintained and that the other conditions indicated in the Spending Round will be honoured by the new Government.
- 1.2 Confirmation of the Government's proposed settlement for the Council will be contained within the Provisional Local Government Finance Settlement followed by a final settlement announcement. The Council's existing participation in the West Midlands 100% Business Rates Retention Pilot is anticipated will continue into 2020/21, the projected benefits and no detriment basis of which were set out in the 2017/18 Budget Report. Consistent with this, the Council is effectively operating under a 100% Business Rates scheme and will once again be subject to a tariff of c£20m in 2020/21. This is required to be paid over to Government as part of the overall Local Government funding model.
- 1.3 When the 2019/20 Budget was set, the following year (2020/21) financial gap stood at £17m, rising to £34m by 2023/24. These figures were based on broad assumptions about the future of the local government finance system. In the period since February, significant time has been spent identifying potential areas of future spending reductions or income generation, both to meet the immediate budget gap and to address the medium term financial position. Although the September Spending Round announcements have presented a more positive expectation for the 2020/21 local government settlement there are now strong indications that inflationary (pay-bill) costs and demographic and service related pressures will need to be taken into account.
- 1.4 The City Council's Medium Term Financial Strategy (MTFS), which is being brought to Cabinet alongside this report, sets out the national and local context in which the Council is operating and the financial assumptions within this Pre-Budget Report are aligned to the MTFS. Prior to setting the final Budget in February, the Council will be required by law to establish the Council Tax and Business Rates tax-bases for 2020/21 and declare any projected deficits or surpluses from previous years. The best estimates of these tax-bases have been included in the financial projections within this report.
- 1.5 Sitting behind the overall financial approach is the Council's commitment to protect its most vulnerable citizens and to deliver a range of core services to everyone in the city in line with the One Coventry Council Plan. However, the Council continues to face a difficult task to achieve this at the same time as dealing with a period of austerity that has been paused rather than ended. Therefore, in addition to the specific proposals within this report, the Council is exploring a number of other approaches in order to address future budget gaps. These are included within its One Coventry approach and are focussed on several key strands:
  - Place Based Services – Looking at how local services can best be delivered including through the prioritising and targeting of both Council and partner resources.
  - Commercialisation - Optimising income collection, maximising the use of our assets, reducing operational costs and exploring new delivery structures.

- Digital First - Delivering a Digital Strategy through a more integrated, primarily digital, and cost-effective operating model.
  - Workforce Strategy - A programme to further establish and embed the One Coventry approach and review some terms and conditions.
- 1.6 Ahead of these programmes delivering alternatives options for future service delivery, the Council has identified a range of individual savings. Whilst the intention has been to limit the direct impact on services to the people of Coventry and to Council officers, this has not been possible in all instances and the descriptions set out in Appendix 1 give an indication of implications of each proposal.
- 1.7 This report proposes that the budget consultation is carried out on the basis that the Council will increase Council Tax levels by just under 2%, the maximum amount allowable by Government without triggering a referendum. In addition, it is also proposed as a basis for consultation to apply the full flexibility to raise a 2% Social Care Precept in line with Government guidelines. As a result, if these changes are approved within the final proposals in February, Council tax bills would increase by just under 4%.

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

- 2.1 The remainder of the report details the financial position facing the Council and the specific proposals put forward for consultation. These proposals are detailed within Appendix 1.

### **Revenue**

- 2.2 Following the 2019/20 Budget Report the Council faced a balanced budget for 2019/20 with significant budget gaps after this. A number of budget pressures and shortfalls in the achievement of savings plans have then created a revised budget gap over this period the most significant of which are outlined below:
- The previous profile for the Council's previous Workforce Reform programme assumed that the remaining undelivered £4.4m of savings would be achieved from 2020/21 onwards. It has become clear that none of the options considered as changes to the current pay and reward model are ones that the Council is looking to pursue at this time meaning that there will be a shortfall in delivery of the planned saving. As a result the proposal within this report is that the outstanding saving will be removed as a budget assumption – in effect increasing the budget gap by £4.4m on an ongoing basis. A new Workforce Strategy is one of the key strands of the Council's One Coventry approach to the Medium Term Financial Strategy and it is likely that this will feed into financial savings proposals put forward in future years.
  - The 2019/20 Quarter 2 budget monitoring report reflects additional costs of supporting families and individuals in temporary and supported accommodation over and above the £6.1m extra budget provided in the last two budget setting processes. Significant work has been invested and is ongoing to address the underlying reasons for this but at the same time service pressures continue to grow in this area. The proposal here is to make budgetary allowance at the estimated spend level which will add a further £2.4m estimated cost to existing levels.
  - The Council has had to rebase its inflation assumptions to reflect the matters including an assumption of 2% pay awards going forward (compared with 1% previously).

- Children’s Services are working towards delivery of previously approved savings target which will not be wholly met in 2020/21 whilst it is also facing further pressure in relation to the number and high cost of placements. In total these pressures indicate that a further £2m will be required to support Children’s social care budgets.
- Special Educational Needs and Disability (SEND) transport is experiencing increasing demand for its services in a trend that reflects increases in SEN school places and the national picture. This is estimated to require a further £1.3m budget support in 2020/21.

2.3 The assumed overall resource position has improved significantly for 2020/21, reflecting the one-off injection of resources from the Government indicated by the Spending Round. These are set out in detail in Appendix 1 but in broad terms capture:

- A broadly standstill Government settlement (equivalent to that of 2019/20) compared with previously assumed resource reductions plus continuation of the new Homes Bonus.
- Continuation of most existing social care grants and the announcement of an additional 2020/21 Adults’ and Children’s Social Care Grant. The position currently assumes fall-out of the Independent Living Fund for which the Council received £2.3m in 2019/20.

In addition, Council Tax income resources are anticipated from the 2018/19 Council Tax outturn surplus in excess of previous figures budgeted. However, it is expected that the Council Tax referendum limit will be brought down from 3% to 2% for 2020/21 which will reduce the maximum amount that the Council could potentially raise from increasing Council Tax.

2.4 There is a small number of technical savings, the most significant one being a reduction in the budget to fund redundancy and early retirement decisions. These are expected to run at a lower level in future years and the budget can be supplemented if required by an earmarked reserve set up for this purpose.

2.5 The position after these adjustments are incorporated shows a significant budget gap in 2020/21, one that rises sharply in subsequent years.

Table 1: Financial Position Before Service Saving Proposals 2020/21 to 2023/24

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Initial Budget Gap	16,720	23,796	30,370	34,370
Improved Assumed Resources	(26,090)	(10,213)	(9,388)	(13,527)
Non-Achieved Savings & Expenditure Pressures	17,274	24,605	28,753	32,437
Technical and Corporate Savings	(1,600)	(1,600)	(1,600)	(1,600)
Budget Gap Before Service Savings	6,304	36,588	48,135	52,680

2.6 Senior Council officers have considered savings that may be achievable within their service area. Although the aim has been to focus on savings that can be achieved with a minimum of impact on services the size of the financial gap and the level of saving required

means that some of these savings necessarily have some impact on service delivery and a small reduction in post numbers. The detail of these savings is included at Appendix 1 and these form the core of the proposals put forward for public consultation. The financial gap assuming that all these items are approved as part of the final Budget Report would be as follows.

Table 2: Financial Position After Service Saving Proposals 2020/21 to 2023/24

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current Budget Gap Brought Forward</b>	6,304	36,588	48,135	52,680
Proposed Service Savings	(5,498)	(8,456)	(10,556)	(10,656)
<b>Current Budget Gap</b>	806	28,132	37,579	42,024

2.7 This position shows a relatively modest budget gap for 2020/21 with a far more significant budget challenge for the years after this. Further proposals will be brought forward as part of the final Budget Report which will ensure that a balanced budget position is achieved in 2020/21. Whilst this is a manageable target given current known financial parameters, the position clearly becomes far more serious in 2021/22 and beyond. This is explored more fully in section 5.1.

2.8 There is a number of areas that can be reviewed or which may change ahead of final Budget Setting: the Council will need to finalise its Council Tax and Business Rates base and estimated outturn positions; the Government will announce the provisional and final Local Government Finance Settlements including the final position in relation to specific grant funding; the results will be known of the triennial superannuation review which will determine the Council's pension costs for the next three years; there may be an update on dividends available from one or more of the Council's shareholdings; and other issues may develop which could have a positive or negative impact on the bottom line as the Council seeks to finalise its estimated financial position.

### **Capital**

2.9 The Council has an aspirational draft capital programme which totals nearly £1.1billion. Of this nearly c£272m is currently cash-flowed for 2020/21. It should be said at the outset that much of this Programme is reliant on receiving future approvals from the West Midlands Combined Authority (WMCA). In turn these approvals will rely on the WMCA being able to secure funding streams that are equal in value to the amounts identified when the initial Devo-Deal was established. Work is on-going between the WMCA and the 7 West Midlands district councils to secure this programme.

2.10 The main components of the Council's provisional programme are set out below with the figures quoted representing the projected sums earmarked currently for 2020/21. The five year programme and an updated cash-flow position will be included in February's final Budget Report. The Programme includes:

- A strategic transportation programme of around £112m under the banner of UK Central incorporating the Coventry South package (including A46 works, Coventry Station Masterplan and Very Light Rail).
- Up to £93m of other economic regeneration and infrastructure works including the completion of the National Battery Manufacturing Development Facility, the Final Round of the Growth Deal programme, Whitley South highway development, investment in sports and leisure facilities and Public Realm works in preparation for City of Culture including remodelling of the Upper Precinct.

- City Centre Regeneration investment taking forward the city's Friargate District and City Centre South plans.
- Housing Investment Fund infrastructure works of c£10m.
- Continued investment in the schools capital works including provision for the expansion of secondary places under their One Strategic Plan.

2.11 The draft programme will be subject to change between now and February with every expectation that some of the proposed expenditure profile will be shifted to later years. It is important to be aware also that some of the schemes involve a complex mix of funding sources, multi-partner delivery arrangements and challenging planning, technical and approval cocktails that do not always lend themselves to smooth project delivery progress. In addition, challenges remain in securing the project staffing resources to take forward the Programme which continues to be a risk factor in its successful delivery. In overall terms, given the large amount of externally funded and driven proposals within the Council's Capital Programme it is very likely that a fair degree of flux will continue to be experienced in its cash-flow over the next few years.

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

3.1 The proposals in the report are subject to statutory consultation requirements. The Council will communicate the report's key messages through usual means including social and digital media.

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

4.1 If approved, the proposals identified within this report will be implemented from 1<sup>st</sup> April 2020 in line with the profile set out in Appendix 1. This report does not authorise spending and savings decisions. This will happen in the final Budget Setting report in February.

### **5. Comments from Director of Finance and Corporate Services**

#### 5.1 Financial implications

The proposals in this report are wholly concerned with financial matters. In common with recent years, some of the issues reported reflect challenges that are common to a number of similar authorities across the sector in terms of emerging cost pressures. Although the Council has been able to produce multi year balanced budgets in previous years, this is not the case for the current budget setting round. This reflects the fact that the Council's current financial projections assume that future funding settlements from Government are unlikely to keep pace with the level of financial pressures expected to exist. This means that the Council will need to make good progress with the medium term financial plans being developed currently in order to balance future years budgets.

Although the Chancellor's recent Spending Round indicated an improved short-term funding position for the Council it was silent on expectations for future years. The Council has assumed improved financial settlements in the future compared with its previous projections but there is no firm evidence to support any of these estimates. Although the current position shows some very significant gaps, these could be closed significantly if future funding decisions allocate social care resources equivalent to those indicated for 2020/21. Equally, if the Government progresses the promised reforms to local government finance the Council may be a loser from changes to the Fair Funding Formula. In summary, the degree of uncertainty is such that there can be only limited confidence in the current financial projections beyond 2020/21.

Other than in the most optimistic of scenarios however, the Council is very likely to be faced with sizeable gaps in future years and the Medium Term Financial Strategy sets out

the Council's approach to managing this through the One Coventry transformation themes (Place based Services, Commercialisation, Digital First and Workforce Strategy) and a continuation in measures to support local economic regeneration and infrastructure improvements. Existing capital plans and a set of new project workstreams to deliver future financial savings are already in place to take this work forward.

Some work remains to finalise the 2020/21 Budget for February and will focus on fine-tuning (and ameliorating where possible) the cost pressures identified as well as identifying any flexibility within the final Government Settlement, technical measures including its Council Tax tax-base and pension cost forecasts and any one-off measures that can be used in line with the Council's Medium Term Financial Strategy.

Following the Chancellor's Spending Round announcements in September, there was widespread comment in the local government sector that the proposals were focussed on short-term measures and did not address some of the longer term structural issues being faced. This approach was confirmed in the form of the short-term funding allocations announced for local government, including those for social care. These do nothing to help Council's plan for 2021/22 and beyond and help to explain in Coventry's case why large financial gaps continue.

The view of the Director of Finance and Corporate Services remains that the Council cannot afford to be complacent or plan on an optimistic basis for the medium term. Any such approach would run the risk of facing financial gaps with little or no time to identify ways of addressing them. Therefore, the workstreams referred to above will continue to require a high degree of impetus to enable good progress ahead of 2021/22 Budget setting.

The Council's recent revenue and capital budgets have maintained a strong focus on helping Coventry become a growing and more prosperous city both to help protect and increase key tax revenue streams and reduce the reliance of some local residents on Council services. In addition, the Council has adopted more commercial approaches to identify new and increased revenue streams, including as part of the new savings in this report. These approaches have had some success in increasing the Council's financial robustness and self-reliance and protecting the fundamental services that protect the most vulnerable citizens which it is responsible for. These approaches will continue in the year ahead as the Council seeks to work with its partners to show-off the city in its best light as it approaches the City of Culture year in 2021.

The Council's expansive Capital Programme reflects considerable success in attracting external grant funding and working with local partners to lever in funding for important projects often with a sub-regional dimension. This remains a critical part of the medium term revenue focus referenced above and is central to the Council's plans to increase local regeneration and prosperity. The challenges set out in section 2.11 above and the continued need to secure the remaining funding within the WMCA Devo Deal clearly represent a significant amount of risk to successful delivery of part of the Programme and will continue to occupy a significant degree of officer attention over the coming year.

## 5.2 Legal implications

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2020/21 budget by mid-March 2020. This includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 31A of the Local Government Finance Act 1992 and Section 25 of the Local Government Act 2003 refer.

## **6. Other implications**

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

The Council, in common with all local authorities, will continue to be faced with challenging resource constraints although the precise nature and trajectory of this are not yet clear. Individual savings and investment proposals set out in this report refer to the impact on front-line services and the Council is seeking to minimise this. The budget is developed within the context of the approved Medium Term Financial Strategy, which in turn rests on the principles set out for the City within the Council Plan. In this way pre budget proposals are aligned to existing policy priorities.

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

The inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. The new savings that will be included in the Council's bottom line budget position are unlikely to represent a significant risk of non-achievement. However, the continued large budget gaps for future years will need to be addressed as part of the next budget process through 2020.

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

The new proposals in this report are set in Appendix 1. In broad terms there will be a relatively small number of post deletions resulting from these measures and some of those will be met from existing vacancies. The revenue gap to be managed in later years means that the Council will have to consider changes that might radically affect the way it works and the services it provides in the future.

### **6.4 Equalities / EIA**

An initial assessment is that the savings contained in this year's pre-Budget report are unlikely to have any significant equality impacts. This position will be reviewed ahead of the final budget proposals being put forward in the new year, and any associated equality analysis will be carried out accordingly.

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

None

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

There are little or no direct implications for partner organisations in the savings proposals but the Place based Services workstream with the Council's One Coventry approach is likely to involve discussions with the Council's partners in relation to how some services may be delivered, organised and located across the city in the future.

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**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Position Carried Forward from 2019/20</b>	<b>16,720</b>	<b>23,796</b>	<b>30,370</b>	<b>34,370</b>	
	<b>Resources (Spending Round update)</b>					
1	Local Government Settlement	(13,705)	(12,597)	(13,233)	(18,927)	Latest estimate based on Spending Round.
2	Council Tax Collection Fund Surplus	(1,913)	0	0	0	This represents the 2018/19 Council Tax Collection Fund surplus which is available to support the 2020/21 Budget.
3	Council Tax Referendum cap at 2%	1,288	2,660	4,121	5,676	This reflects the assumed Council Tax referendum cap reducing from 3% to 2%. The Council's previous assumption had been a cap of 3%. Therefore there is a reduction in the assumed level of Council tax income.
4	New Homes Bonus	(1,653)	0	0	0	The Spending Round indicates continuation of the New Homes Bonues scheme at a higher level than previously assumed. The Finance Settlement Technical Consultation indicates a further review of scheme for 2021/22 onwards so no additional resources have been assumed beyond 2020/21.
5	Adults' and Children's Social Care Grant (2019/20 Local Government Settlement)	(2,650)	0	0	0	The Spending Round indicates that this funding will continue at the 2019/20 level. The initial assumption is that this will not be available in future years.
6	New Adults & Children's Social Care Grant	(6,781)	0	0	0	This is the allocation of additional resources for Adults' and Children's social care announced in Spending Round. The initial assumption is that the funding will not be available in future years.

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
7	Adult Social Care Precept	(2,576)	(2,576)	(2,576)	(2,576)	This assumes full use of the Adult Social Care Precept advised within the Local Government Finance 2020/21 Technical Consultation. The initial assumption is that additional precept will not be available in future years.
8	Independent Living Fund	2,300	2,300	2,300	2,300	This is the level of ILF that the Council has received in 20219/20. The ILF is one of the few grant funding streams not referenced in the Spending Round and which the Council believes may potentially not be available from 2020/21.
9	Coventry & Warwickshire Business Rates Pool	(400)	0	0	0	The Technical Consultation has indicated that no new Business Rates Pilots will be announced for 2020/21. One impact of this is that the Coventry and Warwickshire Business Rates Pool should continue for a further year. The current budgeted amount of Business rates pooling gain had therefore been asusmed for one further year.
	<b>Total Resources Change</b>	<b>(26,090)</b>	<b>(10,213)</b>	<b>(9,388)</b>	<b>(13,527)</b>	

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Non-Achieved Savings</b>					
10	Workforce Strategy	4,442	4,442	4,442	4,442	This removes the savings assumption made in previous Budgets on the basis that there are no existing proposals to deliver this. Work is under way to bring future Workforce Strategy proposals and any savings resulting from this will be introduced in a future Budget.
	<b>Total Non-Achieved Savings</b>	<b>4,442</b>	<b>4,442</b>	<b>4,442</b>	<b>4,442</b>	
	<b>Expenditure Pressures</b>					
11	Inflation Assumptions	2,674	7,822	6,424	7,486	Incorporates 2% CPI forecast for pay and contracts, 5% for energy and 1% for some other Council budgets.
12	Adult Social Care	1,813	3,462	8,458	11,530	This reflects anticipated market pressure, demographic growth and inflation on social care contracts including those connected to increases in the National Living Wage. It also incorporates an Adult Social Care Funding Strategy approach which allocates resources to the financial year in which they are required.
13	Children's Social Care (Looked After Children & Supported Accommodation)	2,000	2,000	2,000	2,000	There are continuing pressures within Children's social care budgets resulting from the number and cost of placements.

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
14	SEND (Special Educational Needs and Disability) T	1,300	1,300	1,300	1,300	The 2019/20 budgetary control position reflects a forecast overspend on SEND transport driven by a significant increase in demand ( but proportionate to the number of Special School Placements and Education, Health and Care (EHC) Plans.
15	DSG Historic Liabilities	900	900	900	900	Costs currently being funded by Dedicated Schools Grant for which it is anticipated DSG may be reduced in 2020/21
16	Housing & Homelessness	2,400	2,400	2,400	2,400	The 2019/20 budgetary control position reflects a forecast overspend within Housing and Homelessness budgets driven by increased demand, activity transferring to the Council from the previously outsourced contract and a delay in more cost efficient Temporary Accommodation solutions being available. This line assumes that these costs wil cntinue beyond 2019/20.
17	Waste Disposal	495	879	1,279	1,679	Assumes growth in waste per household, housing growth and the gate fee paid for waste disposal.
18	ICT Licences	150	150	150	150	Anticipated increase in computer system licence costs.
19	Godiva	200	200	200	200	Estimated cost of providing the Godiva Festival on an annual basis, taking account of higher costs of staging the festival and measures to increase income generation.
20	West Midlands Combined Authority (WMCA) Business Rates Growth Contribution	900	1,050	1,200	1,350	The original funding model for the WMCA Devolution Deal included funding from West Midlands councils from the assumed growth in Business Rates. The Council initially agreed a time-limited budget allocation pending the changes to the local government funding arrangements. Given that these have been further delayed this proposal builds in an ongoing contribution.
	<b>Total Expenditure Pressures</b>	<b>12,832</b>	<b>20,163</b>	<b>24,311</b>	<b>28,995</b>	

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Technical Savings</b>					
21	Exit Costs (Reduction in existing £2.5m Budget)	(1,500)	(1,500)	(1,500)	(1,500)	The Council holds a current budget of £2.5m for exit costs, primarily the costs of redundancy and early retirement decisions. Given a significant reduction in such costs in recent years and the fact that the Council also holds a reserve to fund these costs, the proposal here is to reduce the ongoing budget to £1m for exit costs.
22	Street Lighting PFI Re-Fi	(100)	(100)	(100)	(100)	The Council and its partner organisations within the Street Lighting Private Finance Initiative project are approaching the final stages of renegotiating the contract to release a financial benefit. This is in line with the report to August on 27th August. The final figure will be confirmed as part of the final Budget Report.
	<b>Total Technical Savings</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,600)</b>	

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Service Savings Policy Options</b>					
	<b>Adult Social Care</b>					
23	Adult Social Care Internally Provider Services	(45)	(45)	(45)	(45)	Cease weekend provision at Maymorn day centre for dementia (Cabinet - 9th July)
24	Adult Social Care Digitalisation	(350)	(500)	(500)	(500)	Digitise Adult Social Care Operations
25	Adult Social Care Internally Provided Services Delivery Models	0	(300)	(625)	(625)	Review alternative delivery models for the provision of Internally provided adult social care services. For example, Telecare services
26	Adult Social Care Therapy	(50)	(100)	(100)	(100)	Increasing therapy input into adults with disabilities to reduce long term demand
27	Adult Social Care Financial Assessment Process Digitalisation	(30)	(60)	(60)	(60)	Introduce digitised approaches to Financial Assessment process
28	Adult Social Care Community Purchasing	(200)	(400)	(600)	(600)	Reduce residential placements and increase people supported at home (at maximum saving this equates to a reduction of 30 from current activity including off-set for alternative care costs).
	<b>Business Investment and Culture</b>					
29	Place Directorate Management and Support	(15)	(15)	(15)	(15)	Consolidate Directorate Management & Support function
30	Corporate Sponsorship & Advertising	(100)	(150)	(200)	(200)	Review of Corporate Sponsorship & Advertising opportunities

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Children's Services</b>					
31	Looked After Children Joint Commissioning	0	(240)	(240)	(240)	Joint Commissioning - Redesign of process and governance to ensure we reclaim the appropriate level of funding from partners towards the cost of Looked After Children placements.
32	Children's Services Section 17 Payments	(35)	(35)	(35)	(35)	Section 17 - Review of expenditure incurred to ensure tighter controls, and enhanced decision making.
33	Children's Services Responsive Services & Quality and Assurance	(56)	(169)	(169)	(169)	Minor review of responsive services and quality and performance
	<b>Finance and Corporate Services</b>					
34	Treasury Management Investments	(100)	(100)	(100)	(100)	Improved treasury management returns through amendment to the Council's Investment Strategy
35	Registrars Income Generation	(50)	(50)	(50)	(50)	Increased Income generation within the registrars service

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Housing and Transformation</b>					
36	ICT & Digital Provision of Mobile Handsets	0	(125)	(125)	(125)	Remove provision of Corporate Mobile handsets and use dual sim capability within officers' own mobiles
37	Citivision	(35)	(35)	(35)	(35)	Digitise citivision reducing printed circulation
38	Housing Services	0	0	(250)	(250)	Reduce capacity across Housing to reflect delivery of other schemes/approaches
39	Consolidation of ICT Systems	0	0	(250)	(250)	Reduction of IT costs linked to user reduction/Consolidation of Systems
40	Communications Team	(50)	(50)	(50)	(50)	Restructure of Communications team
41	Human Resources and Organisational Development	(150)	(350)	(500)	(500)	A review of the HR service is to be completed to ensure resources are matched to the future business need and commercial opportunities are maximised.
42	Transformation Team	0	0	(150)	(150)	Restructure of Transformation Team

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Project Management and Property Services</b>					
43	Friargate Floor Space	(300)	(480)	(480)	(480)	Rationalise floor space occupied at Friargate and let a floor
44	Operational Property	0	(250)	(500)	(500)	Further rationalisation of operational property
45	Building Cleaning	(50)	(50)	(50)	(50)	Reduce cleaning standards across Corporate property
46	Commercial Property Income	(1,000)	(2,000)	(2,500)	(2,500)	Ringfence and reinvest £30m-£40m in capital receipts from non income earning assets into income earning assets
	<b>Public Health and Wellbeing</b>					
47	Migration Services	(450)	(450)	(450)	(450)	The Council provides support to recipients of migration services from across all services. This reflects a contribution from the grant towards the other services provided across the Council.
48	Public Health Lifestyles Service	0	(20)	(20)	(20)	The Lifestyles service is a relatively new service and there are options to look at further developing the self care support element within the contract as well as further targeting of coaching and specialist interventions
49	Public Health Blood Borne Virus Testing	(27)	(27)	(27)	(27)	Remove Public Health Grant Funding for GP Blood Borne Virus testing services
50	Public Health Keeping Coventry Warm	(50)	(50)	(50)	(50)	Remove Public Health Grant Funding for Keeping Coventry Warm Scheme
51	Corporate Insight & Engagement function	(153)	(153)	(153)	(153)	Restructure of Corporate Insight & Engagement function
52	Community Capacity and Resilience Grants	(50)	(50)	(50)	(50)	Reduction of Community Capacity & Resilience grants

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Streetscene and Regulation</b>					
53	War Memorial Park Charging for Parking	(300)	(300)	(300)	(300)	Charge to park at War Memorial Park
54	War Memorial Park Charging for Water Feature	(15)	(15)	(15)	(15)	Commercialise the WMP water feature by levying a charge to offset the ongoing maintenance costs
55	Pet Cemetery	(10)	(10)	(10)	(10)	Provision of a pet cemetery and burial service using an appropriate redundant recreational area within the City
56	Bereavement Services - Funeral Director Service	0	(160)	(160)	(160)	Diversification into Funeral Director service through growth or acquisition
57	Bereavement Services Fees	(50)	(100)	(150)	(150)	Increase bereavement fees in line with top quartile
58	Licensing Charges	(100)	(100)	(100)	(100)	Review of licensing services/charges

**Appendix 1: 2020/21 Pre-Budget Financial Position (changes to existing budget)**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	
	<b>Transportation and Highways</b>					
59	Street Lighting Replacement Cycle	(20)	(20)	(20)	(20)	Extend replacement cycle of street lamps
60	Highways Inspection Digitalisation	0	(25)	(50)	(50)	Digitalisation of highways information capture
61	Increased Recovery of Parking/Bus Gate Fines	(65)	(130)	(130)	(130)	Increased recovery of parking/bus gate fines linked to return of back office function
62	Traffic Management NRSWA Service	(82)	(82)	(82)	(82)	Insourcing of NRSWA (New Roads & Street Works Act) service currently provided externally
63	Bus Lane/Gate Enforcement	(60)	(60)	(60)	(60)	Bus Lane/Gate enforcement - install cameras at 3 currently unenforced bus gates/lanes and enforce their use through issuing Penalty Charge Notices
64	Street Lighting	(250)	(250)	(250)	(250)	Options to switch street lights off on some routes at certain times
65	Highways Drainage Design and Advice Service	(50)	(100)	(150)	(150)	Provide design and advice services relating to drainage for developments and planning requirements, potentially through arms length company
66	Car Park Charges	0	(100)	(200)	(300)	Review of parking charges for city centre car parks
67	Highways Maintenance	(850)	(350)	0	0	Manage revenue funded highways maintenance spend over 3 year period
68	Residents Parking Charging	(300)	(400)	(500)	(500)	Review of residents parking charges/zones
	<b>Total Service Savings Policy Options</b>	<b>(5,498)</b>	<b>(8,456)</b>	<b>(10,556)</b>	<b>(10,656)</b>	
	<b>Overall Financial Deficit Position</b>	<b>806</b>	<b>28,132</b>	<b>37,579</b>	<b>42,024</b>	

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Finance and Corporate Services Scrutiny Board (1)  
Cabinet  
Council

13<sup>th</sup> November 2019  
19<sup>th</sup> November 2019  
26<sup>th</sup> November 2019

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Director of Finance and Corporate Services

**Ward(s) affected:** All

**Title:**

Medium Term Financial Strategy 2020-23

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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 2018. 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 2020.

The national funding background to the MTFS is that the Council is currently within the final year (2019/20) of a four-year funding settlement from Government. A major upheaval in the funding arrangements for all councils that had been signalled for the period from 2020/21 onwards has now been postponed until 2021/22 at the earliest. The Pre-Budget report that will be considered by Cabinet alongside this one sets out the impact of the one-year settlement proposed for 2020/21. Current medium-term estimates are still based on assumptions of local authorities continuing to face significant financial pressures.

The national political environment is subject currently to much fluidity and uncertainty, resulting from deliberations over the UK's exit from the European Union and the dynamic political situation that has flowed from this. The likelihood or otherwise of the Government's ability or intention to adhere to its fiscal rule (that borrowing should remain below 2% of Gross Domestic Product) has been widely questioned by commentators. The short-term impact of this is some short-term additional funding for local government but with no guarantee that this will continue beyond 2020/21. Therefore, concern remains that the pressure on public finances will not ease in a sustained way and that real reductions in available revenue resources and spending levels are likely to continue.

On a local level, the Council continues to be faced with challenging conditions affected by shortfalls in achievement of a small number of existing savings plans and financial pressures in particular 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. In addition, the elements of the Programme that are funded by future West Midlands Combined Authority grant approvals will not be able to proceed until resourcing for these grants has been secured through the WMCA.

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;
- A comparatively high rate of local population growth causing greater demand and expenditure pressures in areas such as housing, social care and waste disposal;
- Future real-terms reductions in government resources within a revised local government funding framework;
- A Business Rates retention system emphasising the continued importance of promoting growth in the local economy;
- A very large Capital Programme which defines the Council's aspirational outlook but which establishes a major programming 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, pressure to sustain 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 delivering fundamental services despite fewer resources being available;
- A Local Plan setting the blueprint for taking the City forward, identifying land for new homes, new jobs and new retail and community uses;
- 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 2019/20 approved budget, the initial financial gap for the following 4 years as at the start of the new Budget Setting round was:-

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
<b>Revised Revenue Budget Gap</b>	16.7	23.8	30.4	34.4

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 recommended to:

- (1) Consider any comments/recommendations from the Finance and Corporate Services Scrutiny Board (1); and
- (2) Recommend that Council approve the Strategy as the basis of its medium-term financial planning process.

Council is 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

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

Yes - Finance and Corporate Services Scrutiny Board (1) – 13<sup>th</sup> November 2019

**Has it been or will it be considered by any other Council Committee, Advisory Panel or any other body?**

No

**Will this report go to Council?**

Yes, 26<sup>th</sup> November 2019

## **Medium Term Financial Strategy 2020-23**

### **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 2020, following the consideration of the Pre-Budget report November 2019.
- 1.1.2 Although the recently released Departmental Spending Limits for government departments for 2020/21 include a series of largely one-off announcements on funding, local authorities are still likely to face severe financial pressures for the foreseeable future. Indeed, the National Audit Office has 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.
- 1.1.3 At a local level, resources available to Coventry have reduced significantly in recent years such that in 2019/20 it will receive c£120m less Government funding than it did in 2010/11. 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 The implications of the Government Spending Round announced in September 2019 are considered in full in the 2020/21 Pre-Budget Report to Cabinet. The Spending Round contains very little indication of what will happen in the period beyond 2020/21 and it is therefore difficult to predict the implications for the Council's medium-term finances. In broad terms, the assumption is that local government will not experience the rate of reduction in Government funding experienced since 2010 but that inflationary and demographic spending pressures will continue to present a challenging budgetary environment.
- 1.1.5 Approaching the current Budget process, the Council's financial position has remained under pressure as a result of: year on year reductions in Government funding; inflationary pressures; growing costs within a range of services including, looked after children, housing and homelessness, waste disposal and Special Education Needs Transport; and shortfalls in delivery of its existing savings plans. The Pre-Budget Report being taken to Cabinet alongside this report takes a relatively short-term tactical focus on balancing the 2020/21 budget which does not include the more medium-term elements included within this report.
- 1.1.6 Although there is significant uncertainty regarding the national local government funding regime from 2021/22, the starting point for the Council is that it faces a large 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 are a range of developments set out below, which impact on the City Council:

- The importance of the West Midlands Combined Authority (WMCA) as a route to maximising investment in Coventry to drive growth and more efficiently co-ordinate services across the sub-region. Of the WMCA's planned contribution of £434m to the Council's capital programme, some £203m has been agreed in principle only, effectively being dependent on future WMCA resourcing decisions. The precise arrangements and processes through which WMCA programmes are financed, through for example any potential Council Tax levy or Business Rates supplement, are yet to be determined. 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 MTF5 period.
- The significant uncertainty surrounding local government finances, with the recent government spending round largely focusing on 2020/21. The Fair Funding review of local government finance and 75% Business Rates retention have been delayed until 2021/22 and the impacts of these and the overall local government settlement will be crucial to determining the Council's wider budgetary position.
- 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. Alongside this, the Government has operated a series of short-term grant funding streams for social care ahead of the delayed Adult Social Care Green Paper. There is no indication at present of how this funding will be organised beyond 2020/21.
- The increasing importance of commercial investments, including property, as a source of income, as the traditional funding base of local authorities has shrunk. Whilst providing the opportunity to generate new, local resources, this presents authorities with different types of financial risk which need to be managed. From 2019/20 authorities have been required to set commercial investment within a Commercial Investment Strategy, designed to manage the risk associated with new types of investment. The Council's strategy is incorporated with the 2019/20 Budget Report.
- 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 the UK's expected exit from the European Union and the operation of the Combined Authority.
- The city's large 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 very 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 resulting from trends including changes to the Government's welfare reforms have affected 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 peer review of the Council undertaken in 2018 which stressed the need to focus on a number of areas including prioritising action on tackling homelessness; driving the digital agenda; delivering a balanced budget and strengthening the delivery of the change programme.
- The city will benefit significantly from the 2021 City of Culture designation as a result of the forecast increase in visitors to the city and attendance at events and the unlocking of capital investment in cultural assets. The Council has identified resources to support the City of Culture Trust and to cover additional pressure on its own services whilst also agreeing to be the accountable body for a largely grant funded programme of capital expenditure.

1.2.2 There are a number of local factors that support a positive outlook for the city's economic prospects including: the continued strength and success of its two universities; excellent transport infrastructure links; a strong and resilient economy with a growing advanced manufacturing sector; increasing rates of employment and decreasing rates of unemployment; more residents are working in highly-skilled and higher paid jobs; continued attraction of external investment, leading to a rapidly changing city skyline and further investment in Public Realm and local infrastructure within the city.

1.2.3 However, significant challenges still exist for the city measured by the number of neighbourhoods considered to be amongst the most deprived 10% in England, the level of disposable household income, inequalities in healthy life expectancy between areas of the city and the level of homelessness within Coventry. These are set out in full within the Council's Annual Plan Performance Report 2018/19 and improvement in these and other measures will continue to be the focus of activity across Council services. In this regard there are indications that the city is making some positive strides following the latest English Indices of Deprivation 2019 (IoD2019) report, moving from being the 59th most deprived out of the 317 local authorities in 2015 to being the 81st most deprived in 2019. In addition, fewer Coventry neighbourhoods are now amongst the 10% most deprived in England (18.5% in 2015 reducing to 14.4% in 2019).

1.2.4 The starting point for the Council's MTF5 is the forecast multi-year programme set out in the 2019/20 Budget Report in February 2019. Whilst the 2019/20 financial year was balanced, the current planning process starts with significant forecast deficits from 2020/21:

Per Budget Report 2019/20	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Forecast Revenue Bottom Line deficit	16.7	23.8	30.4	34.4

1.2.5 The Pre-Budget Report, which will also be considered by Cabinet in November 2019, sets out the detailed financial position over the next 4 years, including emerging pressures and the non-delivery of programmed savings, together with potential technical savings to partially offset the impact of these. Current monitoring of the 2019/20 financial position indicates a broadly balanced position but one which includes some significant pressures across homelessness, Children's Services and SEND (Special Educational Needs and Disability) Transport all of which have been reflected in the medium term forecasts.

1.2.6 The current Capital Programme approved in February 2019 included the following expenditure profile:

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Capital Programme Spend	230.0	100.5	122.9	73.0

1.2.7 This Programme, provided for several large investment programmes across the city including the Coventry Station Masterplan, National Battery Manufacturing Development Facility 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 £526m over the next 4 years is being met from grant (£421m), including significant sums through the WMCA. However, the programme also assumes prudential borrowing of £81m over the same period.

1.2.8 The level of prudential borrowing funding has increased in recent years, as significant sums have been invested through the capital programme (notably the Friargate building and The Wave sports centre). Whilst the authority has usually been able to cashflow investment through temporarily using other balances, for example grant monies received up-front prior to spend, this is very unlikely to be the case in future. External borrowing will increasingly be required in line with the underlying Capital Programme. The short term/long term mix of any borrowing will be determined by the Council's cashflow needs and the interest rate environment. Current advice from the Council's Treasury Management advisors is delay taking out any long-term borrowing and take advantage of lower interest rates on short-term borrowing available in the market.

1.2.9 The Council's revenue reserve balances totalled £81.8m as at 31<sup>st</sup> March 2019 with a further £23.4m of capital reserves that are only available to fund major capital schemes, and £26.4m of reserve balances belonging to or earmarked to support schools. The Council's revenue reserves are 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 31<sup>st</sup> March 2019 was:

	<b>Balance at 31st March 2018 £000</b>	<b>(Increase)/ Decrease £000</b>	<b>Balance at 31st March 2019 £000</b>
<u>Council Revenue Reserves</u>			
General Fund Balance	(4,702)	(5,575)	(10,277)
Adult Social Care	(4,798)	1,264	(3,534)
Public Health	(606)	(182)	(788)
Troubled Families	(486)	(609)	(1,095)
Leisure Development	(1,599)	265	(1,334)
Kickstart Project	(5,068)	3,790	(1,278)
City of Culture	(4,750)	0	(4,750)

Potential Loss of Business Rates Income	(3,414)	(4,321)	(7,735)
Redundancy and Early Retirement	(8,261)	(1,809)	(10,070)
Commercial Developments	0	(4,000)	(4,000)
Insurance Fund	(1,595)	(103)	(1,698)
Management of Capital	(6,332)	933	(5,399)
Private Finance Initiatives	(10,781)	612	(10,169)
Other Directorate	(7,194)	(2,295)	(9,489)
Other Directorate funded by Grant	(2,193)	629	(1,564)
Other Corporate	(5,298)	(3,291)	(8,589)
<b>Total Council Revenue Reserves</b>	<b>(67,077)</b>	<b>(14,692)</b>	<b>(81,769)</b>
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(23,978)	2,511	(21,467)
Capital Grant Unapplied Account	(7,179)	5,285	(1,894)
<b>Total Council Capital Reserves</b>	<b>(31,157)</b>	<b>7,796</b>	<b>(23,361)</b>
<u>Schools Reserves</u>			
Schools (specific to individual schools)	(19,590)	(718)	(20,308)
Schools (related to expenditure retained centrally)	(4,742)	(1,342)	(6,084)
<b>Total Schools Reserves</b>	<b>(24,332)</b>	<b>(2,060)</b>	<b>(26,392)</b>
		0	
<b>Total Reserves</b>	<b>(122,566)</b>	<b>(8,956)</b>	<b>(131,522)</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 recommendations 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 One Coventry Council Plan

2.2.1 The MTFs rests on the principles, visions and priorities set out for the City within the One Coventry Council Plan 2016-2024, which was revised in September 2018. 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: [One Coventry Council Plan 2016-2024](#)

## **2.3 Strategic Policy Assumptions within the MTFS**

2.3.1 The One Coventry approach is central to the achievement of the aims set out in the Council Plan, by focusing on the way in which the Council and its employees work, both within the organisation and collaboratively more widely, in order to improve services and make the biggest possible positive impact on people's lives.

2.3.2 One Coventry Transformation Programme represents a new phase of Budget planning that will require a fresh look at some major areas of expenditure and how savings can deliver a balanced budget. Specifically, the wider One Coventry programme covers four areas:

- Place based services – Delivering local services investing, prioritising and targeting council and partner resources in delivering the long-term wellbeing ambitions of the city;
- Commercialisation – Optimising income collection, maximising the use of our assets, reducing operational costs and exploring new delivery mechanisms;
- Digital first – Delivering our Digital Strategy through a more integrated, primarily digital, and cost effective operating model;
- Workforce strategy – An enabling programme of work to further establish and embed the One Coventry approach and to support effective and efficient ways of working.

2.3.3 The Council's Budget plans for 2020/21 contain a short-term tactical approach consistent with the period covered by the Government's Spending Round and taking into account the lack of information on the future for local government finance. This includes the identification of technical savings within corporately held budget areas, savings within service areas generated by working in a more efficient manner or service savings by doing less or working differently where this can be done with a relatively low overall impact on those service and the citizens that benefit from them.

2.3.4 However, at the same time work programmes are already well under way to identify opportunities within the transformation themes above that will identify longer-term savings. During the next year there should also be clarity on the future funding regime for local government and some detail on the position for Adult Social Care which current receives significant resources through a range of key grant funding streams.

2.3.5 The engagement in partnership working is central to the delivery of the One Coventry 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.

2.3.6 Consistent with the One Coventry Commercialisation programme, 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;
- identifying opportunities to commercialise existing activities or identify new activities that are consistent with a commercial approach.

- 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.
- 2.3.7 The Council will look for opportunities to invest in commercial ventures in order to secure a financial return where this is consistent with its priorities, the One Coventry Council Plan and the Commercial Investment Strategy. Such investment, for example in the further development of Friargate and the Materials Recycling Facility, will potentially include property schemes, share purchase and the provision of loans to external organisations, and will usually be designed to meet both service and financial objectives. Whilst this presents the Council with significant financial and service opportunities it is increasingly challenging the Council to work in new ways, with new skills, whilst managing different types of risks inherent to more commercial types of investment.
- 2.3.8 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.
- 2.3.9 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 restrict the revenue funding of capital to on-going programmes of expenditure. Given the level of capital programme in recent years and going forward, the Council is more likely to need to borrow for capital investment than it has in recent times. When borrowing the Council will look beyond the traditional source, of the Public Works Loans Board (PWLB), in order to minimise financing costs.
- 2.3.10 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% and its contributions to the pension fund stand at 27.3% in 2019/20 as a proportion of the superannuable payroll. The next triennial review of employer pension contributions will take effect from 2020/21 and the Council is expecting to receive an update on this shortly. As an alternative to making monthly payments, in order to efficiently manage the burden of contributions, the Council will seek to make upfront payments where this can be demonstrated to represent value for money and can be managed in cash-flow terms. 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), with Corporate Leadership Team overseeing transformation programmes and quarterly monitoring;
  - 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 2020/21 has been set out indicatively by the Government's one year Spending Round. Beyond that, the initial forecast assumes resource levels that are broadly constant over the remaining years of the medium term plan;
- As a technical assumption, Council Tax increases of just under 2% per annum and no further Social Care precept increases beyond 2020/21. 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 and beyond this. 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 2020/21 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 financial position is set out in the Pre-Budget Report.

Moving into the next phase of financial planning the initial position shows forecast gaps rising to £34m in 2023/24. 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 similar challenges and major policy choices to 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 provides the time for the Council to identify the further medium-term measures linked to the One Coventry approach and set out in this report. In addition, the Council will continue to review other measures of both a one-off and on-going impact to help balance future budgets. 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 One Coventry 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 and 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 elements of the pay and conditions of its employees through the Workforce Strategy.

## **6.4 Equality and Consultation Analysis**

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 provides a further indication of how any equality issues will be managed.

## **6.5 Implications for (or impact on) climate change and 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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Cabinet

19 November 2019

**Name of Cabinet Member**

Cabinet Member for Adult Services - Councillor M Mutton

**Director Approving Submission of the report**

Deputy Chief Executive (People)

**Ward(s) affected**

All

**Title: Accommodation based support for older people**

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**Is this a key decision?**

Yes: The proposals in this report entail expenditure in excess of £1m and impact on all wards.

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**Executive Summary:**

This report relates to arrangements for the provision of accommodation based support for older people, predominantly in residential and nursing home placements.

The Care Act 2014 places a duty on the Council to ensure that the care and support needs of people in the City who meet the eligibility criteria for care and support are met. Although the Council's overall objective is to support people to live at home there are a number of people whose care and support needs are such that this is not feasible. In these cases accommodation based support is required. In many cases where accommodation based support is required, Housing with Care, where people have their own flats with care and support provided on site, is used but for some the level of need is such that residential care, which provides a more intensive model of support, is required.

The majority of residential placements within the City are purchased through a contract that enables the City Council to purchase placements as required from providers as required with no guarantee of availability and with the cost being variable based on the needs of the individual and available supply at the point a placement is required. Some residential placements are available to the Council on a block basis (through the Anchor Trust PFI) and the City Council still operates one residential home for older people with dementia at Eric Williams House.

Approximately 600 older people are supported by Coventry City Council to reside in independent/private residential or nursing care homes at any point in time, at an estimated cost of £16m gross per year. An estimated 500 of these placements are in city within costing approximately £13.5m per year.

Although the existing purchasing arrangements enable the City Council to provide residential placements where required the variable costs result in a position where the costs to the Council are not known with any degree of certainty until a placement is required. This degree of variable pricing does not support the Council with overall market management as there is no benchmark for care home prices purchased within the City.

In addition to ongoing residential placements, the City Council, in conjunction with the Coventry and Rugby Clinical Commissioning Group (CRCCG) also provides 32 short term reablement beds on a block contract basis within three residential care providers at a cost of £1.026m per annum. This provision provides a period of rehabilitation, supported with occupational and physical health therapists so as to maximise independence over a period of up to six weeks, supporting people to regain independence lost following an acute episode or other incident. The objective of this provision is to support people to reach a level of functioning so that they can return home.

In respect of ongoing residential care placements the Council is seeking as a result of a procurement process, to establish a number of care home placements which the Council can access for a fixed fee through securing a series of nomination rights. This will remove some of the price variation and provide availability at a set cost funded by the local authority. For the remainder of the market an 'approved provider' list will be established which will operate on the variable pricing model that is currently in place but under updated and revised contract terms.

In respect of short term reablement capacity the Council is seeking, as the result of a procurement process to secure 32 short term reablement beds to be available from when current contracts expire on 25 May 2020.

### **Recommendations:**

Cabinet is recommended to:

1. Approve the commencement of a procurement process for permanent residential and nursing home placements to enable the City Council to deliver its duties to older people who are eligible for social care support and require residential and nursing care.
2. Approve the commencement of a procurement process for short term care home services to support people to regain independence following an incident or acute episode.
3. Delegate authority to the Director of Adult Services, following consultation with the Cabinet Member for Adult Services, for the award of contracts following conclusion of the procurement process.

**List of Appendices included:**

Appendix one – Equality and Consultation Analysis Document

**Other useful documents:**

None

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

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**Report title:** Accommodation based support for older people

**1. Context (or background)**

- 1.1. Coventry aims to provide support for adults with care and support needs in the least intrusive manner possible, based on assets, resources and abilities that are available to them. The principle of 'Promoting Independence' is at the core of our approach to adult care social in Coventry. Through our Promoting Independence approach we work with people, often on a short term basis following a deterioration or event (e.g. hospital admission) to enable them to reach a level of functioning that enables them to live independently either without care and support or with a reduced level of care and support than would otherwise be the case.
- 1.2. Although our Promoting Independence approach does result in a number of people not requiring ongoing care and support there are a number of people that will still require support. Where this ongoing support is required we work to support people to remain living in their own homes supported by families and carers with formal care and support provided by the local authority in order to ensure needs are met.
- 1.3. Our capacity to support people at home has changed significantly and in the last 5 years as a result of the following developments:
  - Establishing a well-developed home support market with some providers specialising in short term reablement
  - Establishing mobile night carers who reduce risk to the individual and provide a safety net outside of routinely available care and support
  - Using more technology including safe lifting devices, motion detectors, smart lighting, gas sensors, and GPS enabled devices
  - Establishing closer connections with GP clusters with our older people social workers aligned to Primary Care Networks
- 1.4. These developments have enabled the City Council to support people at home with more complex needs than would have been possible five years ago.
- 1.5. However, despite this increased ability there remains a cohort of people whose complexity of needs present significant risks were they to remain at home. In these cases, accommodation based support is required where care and support staff are on site at all times to provide the necessary support.
- 1.6. Where accommodation based support is required Housing with Care is used in the first instance. Housing with Care provides people with their own tenancy within a communal environment with care and support on site to respond to both planned and unplanned requirements for support. Most people move to Housing with Care as they find it difficult to maintain their home, are physically frail, and have care and support needs that require the ability to access 24/7 care and support.

- 1.7. Coventry has a significant supply of Housing with Care with 939 units across 18 schemes, six of which are staffed by the City Council with the remainder operated by independent providers.
- 1.8. As a consequence of our increasing ability to support people to remain in their own home new challenges exist within Housing with Care in supporting growing numbers of people with more complex needs. These challenges are most prevalent in schemes where eligibility for care and support under the Care Act 2014 is a requirement of access. In addition, there is recent research that indicates that moving into Housing with Care prior to eligible care and support needs developing can reduce the onset of care and support needs and in turn provide a better outcome for the individual and reduce the long term need for care.
- 1.9. In order to ensure our Housing with Care remains a valuable part of social care provision in Coventry a more flexible approach to admissions will be implemented to take into account other factors to eligible care and support needs including impact of loneliness and isolation, non-care related vulnerabilities and underoccupancy of social housing. This flexible approach will not be implemented for schemes provided under the Anchor Trust PFI due to the specific conditions associated with that contract.
- 1.10. As well as providing ongoing care and support with Housing with Care there are also 30 flats dedicated to short term support. These flats are targeted at people who may have had a recent deterioration or episode (e.g. hospital admission) to provide short term support with the aim of achieving a return home. These 30 flats are currently spread over six schemes and work is underway to consolidate this provision within fewer schemes in order to make better use of staff time and therapy support.

**1.11. The role of residential care**

- 1.11.1. Permanent residential and / or nursing care is only considered for those with the most complex needs that cannot be supported in Housing with Care or at home. Our use of home support and housing with care in the City results in a position that where residential care is required it is generally for older people with the most complex needs and vulnerabilities in the City. Typically needs may include advanced dementia, highly complex physical care needs or the requirement for on-site nursing support, and in a number of cases all of this combined.
- 1.11.2. Approximately 600 older people are supported by Coventry City Council to reside in independent/private residential or nursing care homes at any point in time, at an estimated cost of £16m gross per year. An estimated 500 of these placements are in city within the scope of the tender costing approximately £13.5m per year.
- 1.11.3. In addition to the 600 above, 80 people are supported through the PFI block contract with Anchor Trust and 30 at Eric Williams House, a City Council home for older people with dementia. These are outside of the proposed tender process.

- 1.11.4. In Coventry there is a total of 1781 nursing and residential beds (532 nursing and 1249 residential). These beds are provided within 50 residential care homes and 12 nursing homes. The City Council purchases an estimated 30% of available places with the balance of places purchased privately by individuals making their own arrangements (self funders), by NHS commissioners, or by other local authorities placing people in Coventry homes. Vacancy levels are generally in the range of 4%-6%.
- 1.11.5. In terms of market stability, although there have been ownership changes, there have not been significant exits from the market nor closures due to financial difficulties. There are however cost pressures on residential and nursing homes largely relating to staffing and the introduction of the National Living Wage (NLW), as well as changes to employee pension regulations. This added cost has been reflected in fee levels paid by the City Council.

## **1.12. Arranging a care home placement**

- 1.12.1. Where a placement in a care home is required the Care Act (2014) requires that Councils must offer at least one option that is fully funded by the City Council without the need for a third party contribution to fees.
- 1.12.2. Under existing arrangements most placements are purchased as and when required by the City Council from providers that are contracted to the City Council's terms and conditions (except for Anchor PFI schemes and the Council's Eric Williams House). The Council endeavours to offer choice in accommodation. For those placements that are purchased as required the Council will identify the lowest cost placement that meets the identified needs at the point that placement is required and offers that placement to the individual. Should the individual accept that placement the City Council will financially support subject to a financial assessment. Should the individual choose an alternative placement that is of greater cost a third party will generally be required to agree to fund the difference by way of a "third party top-up".
- 1.12.3. This approach is legally compliant however it does mean that the price the City Council pays for a care home placement is ultimately dependent on the vacancies that are available and relative costs in the market at the point a placement is sought, and the choice available to the individual can be limited. This means variations in price result from a range of factors not directly related to the level of an individual's need and are affected by factors including supply versus demand, accommodation type, and providers' business models.
- 1.12.4. This position creates a lack of certainty for the Council as to the costs it will be required to pay at any point in time and a lack of certainty and choice for individuals as to what vacancies may be available should they not be able to make a third-party contribution.
- 1.12.5. In order to improve on this position it is proposed that the Council seeks to enter into contracts for a level of capacity across a number of homes for which there is a set fee payable by the City Council. Through agreeing nomination rights in a number of homes the Council would secure a range of capacity that does not

require a third-party contribution. Under this proposed arrangement the Council would only pay a provider should a bed be occupied.

- 1.12.6. Recognising that nomination rights at agreed fees would only apply to a proportion of the market an 'approved provider' list would be established to provide a mechanism through which placements could continue to be purchased as required through an appropriate contractual framework. Through this mechanism providers would be required to declare a weekly fee. The Council would then use the declared weekly fee to inform what was the appropriate fee option that meets the needs of the individual at the time the placement is required. This mechanism would be used where all beds for which nomination rights have been established be full and there are no suitable vacancies within the Anchor PFI schemes or Eric Williams House.
- 1.12.7. Through establishing an approved provider list new contracts would be established which had revised clauses on cost transparency and quality standards. Should any provider not wish to enter into a new contract they will not be used for new placements by the City Council except for in extenuating circumstances. Existing service users would remain on current contractual terms and conditions. Should an existing provider not enter into the new approved provider contract then existing service users will not be required to move to an alternative residential home.
- 1.12.8. Should all beds with nomination rights be filled the individual would have a placement secured through the approved provider list and could then choose to move to a nomination bed as one becomes available.
- 1.12.9. It is proposed that contracts for both nomination rights and approved provider contracts be a maximum of 10 years duration comprising an initial four-year period with opportunities to extend. This duration is due to the long-term nature of residential provision, even though any individual length of stay may be relatively short term. Within the contracts would be the ability to terminate or impose restrictions should quality standards not be met.

### **1.13. Short term services within residential homes**

- 1.13.1. In addition to ongoing residential placements, the City Council also provides 32 short term reablement beds on a block contract basis within three independent sector residential care homes. This provision provides a period of rehabilitation, supported with occupational and physical health therapists so as to maximise independence of older people over a period of approximately six weeks, supporting them to regain independence lost following an acute episode or other incident. The objective of this provision is to support people to reach a level of functioning so that they can return home.
- 1.13.2. This provision is an essential part of services in the City that support both health and social care through both providing a discharge route for people that may need support on a temporary basis following a hospital stay and reducing the demand for ongoing social care and support by working with people to achieve a return home wherever possible.

- 1.13.3. As these contracts support both health and social care they are funded through the Better Care Fund and are due to expire on 25 May 2020. It is proposed that a tender process is entered into to establish new contracts. Few provider will be sought to maximise the benefit of occupational and physical health therapists who current spend time travelling between homes.
- 1.13.4. As this is short term provision it is fully funded, charging provisions do not apply and third-party contributions are not required.

## **2. Options considered and recommended proposal for permanent placements**

### **2.1. Option One – Recommended Option**

**Engage in a procurement exercise in order to:**

- a) Secure a number of nomination rights to be fully funded by the City Council**
- b) Develop an ‘approved provider’ list where placements can be made as required based on the fees applicable at that point in time**
- c) Secure 32 short term reablement beds on a block basis to ensure continuity of capacity to deliver reablement services within care homes**

- 2.1.1. For the reasons outlined in the report securing nominations will provide greater control and pricing certainty by ensuring capacity at a pre-agreed price. This option will also enable the flexibility required in the market in respect of provision that is not covered by nomination rights.
- 2.1.2. In addition, enabling a continuation of the short term reablement capacity will ensure that capacity remains in place to provide care home based reablement. Arranging this on a block basis ensures that capacity is guaranteed and is available at short notice to facilitate hospital discharge or prevent admission. Due to the need for capacity to be available at short notice no other options in respect of the short-term provision are considered.

### **2.2. Option Two – Not recommended:**

**Engage in a procurement exercise where providers tender fees within a flexible model**

- 2.2.1. To develop an ‘approved provider’ list of residential and nursing homes, who agree to the Council’s terms and conditions, and where fees are variable, and submitted weekly. Individuals will be offered the least expensive placement and no third-party contribution from family or friends will apply to this placement. Commissioning in this manner provides flexibility in fees to residential and nursing homes and ensures supply across the City, however, with this option choice of a placement without a third-party contribution is minimal.
- 2.2.2. This option is not recommended as it does not expand choice for the individual and give assurance about capacity at sustainable cost levels. It essentially places the current arrangements ‘like for like’.

## **2.3. Option Three – Not recommended:**

### **Engage in a procurement exercise where providers tender for block contracts at a fixed fee**

- 2.3.1. Block contracts, whilst securing supply and providing guaranteed placements at a controlled fee limit choice and place a financial risk on the Council in relation to payment for voids. Further to this large block contracts with the Council are not attractive to many providers who prefer a client mix of self-funders (i.e. people who pay for their own care), Coventry City Council, other local authority, and health funded placements. Receiving income from a number of funding streams carries less of a financial risk for the home and support a stronger long-term financial plan.

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

- 3.1. Consultation has been undertaken and the proposals contained within this report have been developed following engagement with providers, social work practitioners, health colleagues and taking on board the findings of a Healthwatch review of reablement services. This was carried out through provider forums, workshops and provider one-to-ones. Feedback was obtained from council staff to ensure comments received by service users and their families were reflected in the strategy and specification.
- 3.2. The service specifications, fee model and approach to procurement have been developed to address issues raised. This includes the need to develop a flexible approach to a fee model and increased choice for individual placements in residential and nursing homes where a third-party contribution is not required.

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

- 4.1. Subject to approval by Cabinet, it is anticipated that the tender process will commence in December 2019 with new contracts awarded in March 2020 and full implementation by May 2020.

## **5. Comments from Director of Finance and Corporate Services**

### **5.1. Financial implications**

The current annual gross spend on permanent residential and nursing home placements within the scope of this tender exercise is £13.5m. The level of spend at any point in time will depend upon the number of placements and the relevant provider rates. The overall strategy, in light of the demographic pressures of an increasingly older population living longer with complex needs, and in line with the aim to help people remain in their own home, is to reduce the number of permanent admissions to residential and nursing homes.

CRCCG have their own purchasing and invoicing arrangements for permanent placements, and joint arrangements are in place for the purchase of short term reablement beds.

In addition to ongoing residential placements, the City Council also provides 32 short term reablement beds on a block contract basis within three residential care providers at a cost of £1.026m per annum. The resources used to fund these reablement beds is through the pooled resources within the Better Care Fund which is unsecure beyond 31 March 2020. The assumption is that this resource, or an alternative equivalent resource remains available beyond 31 March 2020. Should this not be the case the contracts will include termination clauses to support management of the financial risks.

## **5.2. Legal implications**

The Council has a statutory duty to provide care and support for those citizens in the City who meet the eligibility criteria as set out in the Care Act 2014, and supporting legislative framework. The legislation anticipates that needs for care and support can be met in a variety of ways, including the provision of residential care and the provision of intermediate (or reablement) services to support people to regain their skills and independence following an acute or other episode.

The legislative framework also makes it clear that when a decision is taken that the most appropriate way to meet need is in a care home, the individual must be offered a choice of placement, the expectation being that the

*“authority **must** ensure that the person has a genuine choice of accommodation. It must ensure that at least one accommodation option is available and affordable within the person’s personal budget and it should ensure that there is more than one of those options.”* (Statutory Guidance, 8.37).

It is anticipated that the proposed procurement exercise will enable the Council to continue to provide a diversity of service that will continue to meet these requirements.

The Act also introduced statutory responsibilities for market management including managing provider failure and again it is anticipated that the proposals contained within this report will support the delivery of these responsibilities.

There are expectations on local authorities in respect of integration, cooperation and partnerships with a requirement for closer integration of the commissioning of services with the NHS. This is supported through the policy of integration set out by the Better Care Fund. Reablement services are jointly commissioned through the Better Care Fund and the assumption is that this, or an alternative funding source will continue.

## **6. Other implications**

### **6.1. How will this contribute to the Council Plan?**

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

The proposals contained in this report will contribute to the Council Plan key objectives of protecting our most vulnerable, improving health inequalities and improving health and wellbeing.

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

There is an established project team which is accountable to the Director Adult Services and the Adult Joint Commissioning Board. Tendering risks will be managed by compliance with statutory procurement guidelines.

There is some risk that the Council will not be able to secure the required volume of short term reablement services within the resource available. These short term services were previously tendered by the Coventry and Rugby Clinical Commissioning Group whereas the City Council has now taken on the lead commissioning role from CRCCG who operate to a different procurement regime.

Financial risks associated with Better Care Funding will be managed by ensuring that there are notice periods within contracts for the reablement beds.

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

None

**6.4. Equalities and Consultation Analysis (ECA)**

In summary, it is expected that the procurement exercise for permanent residential and nursing care home and short term reablement service will have a positive impact on the health and wellbeing of the people that use the services in Coventry, in particular older people. Residential and nursing care home and reablement support to older people is key to protecting and providing support to this vulnerable group of people.

**6.5. Implications for (or impact on) climate change and the environment**

None

**6.6. Implications for partner organisations?**

The proposals in this report aim to secure a viable and sustainable care home market to support the broader health and social care system in Coventry. The proposals have been developed alongside commissioners in CRCCG and are the result of engagement with the care and nursing home market in Coventry.

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Ewan Dewar	Finance Manager	Place	18/10/19	21/10/19
<b>Names of approvers for submission: (officers and members)</b>				
Finance: Barry Hastie	Director of Finance and Corporate Services	Place	24/10/19	28/10/19
Legal: Janice White	Team Leader People Legal Team	Place	22/10/19	23/10/19
Director: Gail Quinton	Deputy Chief Executive	People	24/10/19	29/10/19
Members: Councillor M Mutton	Cabinet Member Adult Services		23/10/19	24/10/19

This report is published on the council's website: [www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

**Appendices**

Appendix One: Equality and Consultation Analysis

**Coventry City Council  
Equality and Consultation Analysis (ECA) Form**

*In line with the principles of decision making outlined in the City Council Constitution, the Council will ensure that its decision making is open and transparent, and that due regard is given to the Council's obligations and desire to promote equality of opportunity and equal treatment.*

## Form 1

**Author of this document: Cathi Sacco, Joint Commissioning Manager - BCF**

**Name of ECA and Service: Accommodation Based Support for Older People**

**Head of Service: Jon Reading**

**Date of completion: 24 October 2019**

### *Background to the planned changes*

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**1. What is the background to the planned changes? Why is this change being considered?**

Permanent residential and nursing care services are provided throughout Coventry to meet people's assessed care needs for those older people who meet the national eligibility criteria for care and support as defined by the Care Act 2014. Short term reablement services are provided in a care home to support older people in regaining their independence following an acute or other episode.

It is proposed that permanent residential and nursing care services, and reablement short term care home services are subject to a procurement exercise to commence in December 2019, to award in March 2020 and to go live in May 2020.

At any point in time the Council will support an estimated 600 people in independent residential and nursing care. Services purchased provide 24-hour care, 365 days a year, to older people in a permanent residential setting, the fees for which cover the cost of accommodation, meals, activities and personal care on a long term basis. Placements are made in standard and specialist dementia care and nursing homes.

The Council, jointly with Coventry and Rugby Clinical Commissioning Group currently provide 32 short term reablement beds in private care homes, where the length of stay is for up to 6 weeks.

The effective delivery of short term and permanent residential and nursing care is fundamental to discharging the Local Authority's statutory duties under the Care Act (2014).

The proposal is to develop and 'approved provider list' for permanent residential and nursing care. In addition, residential and nursing care homes will be invited to tender for nominations. Nominations will be offered to individuals as a choice which does not require any third party contribution. In this way, choice is extended for older people in Coventry.

## Coventry City Council Equality and Consultation Analysis (ECA) Form

### 2. Who do you need to consider as part of this ECA? *\*stakeholder analysis*

- Older people in need of permanent residential and nursing care services that are funded by social care
- Older people in need of short term reablement residential care services following an acute or other episode
- Families of above

Organisations and their staff who may be affected by this review include:

- Independent and voluntary sector residential and nursing care home providers in the city

Council:

- Older Persons 65+ Teams
- All Age Disability Teams
- Integrated Practitioner Units (Mental Health)

Health partners:

- Coventry & Rugby Clinical Commissioning Group (CRCCG)
- University Hospitals Coventry & Warwickshire (UHCW)
- Coventry & Warwickshire Partnership NHS Trust (CWPT)

### *Pre-Consultation Engagement*

---

*This section refers to any activities that took place (such as briefings, meetings, workshops, scoping exercises etc) with stakeholders before the formal consultation period.*

### 3. What engagement activities took place prior to formal consultation and what feedback (if any) was received in relation to equality issues?

A number of engagement activities took place with residential and nursing care home managers and owners through both regular meetings, special forums and one to one meetings.

Engagement was carried out in order to inform the specifications of both permanent and short term services. 'I statements' have been developed with individuals which focus on what individuals want from the service, what is important to them and ensures that residential and nursing homes meet these requirements.

Further engagement took place through a Healthwatch review of reablement services, including bed based services, which informed the requirements for this service. Feedback focused on:

- Communications to the individual, family and friends
- The way that care is provided and the provision of specialist health related services
- More enabling approaches via the workforce and the accommodation, equipment
- Provider feedback focussed on costs and fee models.

## Coventry City Council Equality and Consultation Analysis (ECA) Form

Council officer and partner feedback focussed on developing outcomes, wellbeing and health services and the need to cater for challenging behaviour.

The above feedback has been used to develop the services and inform providers of what will be required. The new services draft specification includes requirements in relation to the above.

### *Analysis of Impact*

---

In this section please ensure that you consider the three aims of the general duty as they affect **protected groups**. These groups are:

Age  
Disability  
Gender reassignment  
Marriage/Civil Partnership  
Pregnancy/Maternity  
Race  
Religion/Belief  
Sex  
Sexual Orientation

The **three aims of the general duty** require that a public authority, in the exercise of its functions, must have due regard to the need to:

- Eliminate discrimination, harassment and victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

**4. Outline below how this proposal/review could impact on protected groups positively or negatively, and what steps/mitigations (if any) could be taken to reduce any negative impact that has been identified.**

**Age** – 95% of people are age 65+, with the average age being 83. No specific impacts on this protected characteristic were identified during engagement activities.

The purchased services of permanent residential and nursing and short term reablement services are for people aged 65+ who meet the Council's eligibility criteria. The services therefore have a positive impact on older people.

## Coventry City Council Equality and Consultation Analysis (ECA) Form

### Care Home placements Older People 2018/19

Age range	%
<65	5%
65-75	17%
76-85	33%
86-95	37%
96-105	7%

**Disability** – Individual’s accessing services will have their needs assessed, and it determined that a residential or nursing care home best meets their individual needs, which will include:

- Physical: Personal care support
- Support with memory and cognition
- Social: Support for social isolation / Other

Specialist dementia services are purchased to meet these specific needs.

The services have a positive impact on disability.

**Gender** – The majority of care homes in the City provide services for all genders. No specific impacts on this protected characteristic were identified during engagement activities about gender.

**Gender Reassignment** - No statistical information is available for this characteristic as information is not routinely collected about the users of the service. No specific impacts on this protected characteristic were identified during engagement.

**Marriage / Civil Partnership** - A number of shared residential and nursing care home rooms are available across the city for people of all marital statuses. No specific impacts on this protected characteristic were identified during engagement activities.

**Pregnancy/Maternity** - No specific impacts on this protected group were identified during engagement activities.

**Race** - Nearly 80% of people in residential and nursing homes are white British. There are care homes in Coventry that cater for specific ethnic groups.

## Coventry City Council Equality and Consultation Analysis (ECA) Form

### Care Home placements Older People

2018/19

Ethnicity Group	%
African	0.37%
Any Other Ethnic Group	0.37%
Caribbean	1.67%
Indian	3.16%
Not Yet Obtained	4.28%
Other Asian	0.37%
Other Black Background	0.19%
Other Mixed	0.19%
Other White Background	2.04%
Refused	2.23%
White British	78.81%
White Irish	6.13%
White/Caribbean	0.19%

**Religion/Belief** – There are several care and nursing homes who cater specifically for people of specific religious beliefs. No statistical information is available for this characteristic as the as information is not routinely collected. No specific impacts on this protected characteristic were identified during engagement activities.

**Sexual Orientation** - No statistical information is available for this information is not routinely collected.

The service specification includes the requirement on successful providers to comply with equality duty requirements on behalf of the Council. The actual impact on service users will be monitored as part of the performance management of the contract.

The procured services will have a positive effect in the city for service users and their carers. The new service specification will enable a greater focus on meeting individual's needs and providing reablement services to help people to maintain/ regain skills/acquire new skills over a 6 week period in order to re-establishing more control over their lives.

**5. Are there any other vulnerable groups that could be affected?**

No

**6. What are the gaps in evidence? Can this be addressed during the consultation stage?**

None identified other than a lack of routine information collection relating to the areas identified in 4, above.

**7. What are the likely impacts of this project/review on staff from protected groups?**

No staff from protected groups are expected to be impacted by this proposal.

Coventry City Council  
Equality and Consultation Analysis (ECA) Form

## Form 2

*This section should be completed AFTER any consultation has been concluded.*

Author of this document: Cathi Sacco, Joint Commissioning Manager - BCF

Date of completion: 24 October 2019

### *Potential Impacts – further information*

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8. Referring to the information detailed in question 4 of ECA Form 1, state if the potential impacts have been confirmed. Also detail below any additional information about potential impacts that has been highlighted during any consultation.

NA

### *Outcome of equality impact*

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9. Indicate which of the following best describes the equality impact of this project/review:

There will be **no** equality impact if the proposed option is implemented

There will be **positive** equality impact if the proposed option is implemented  Tick

There will be **negative** equality impact if the proposed option is implemented but this can be objectively justified

There will be both **positive and negative** impacts if the proposed option is implemented

### *Summary of ECA*

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**Write a paragraph below which summarises the key aspects of this ECA.**

In summary, it is expected that the procurement exercise for permanent residential and nursing care home and short term reablement service will have a positive impact on the health and wellbeing of the people that use the services in Coventry, in particular older people. Residential and nursing care home and reablement support to older people is key to protecting and providing support to this vulnerable group of people.

# Coventry City Council Equality and Consultation Analysis (ECA) Form

## Approvals from Director and Cabinet Member

**Name of ECA Author:** Cathi Sacco

**Date** 24 October 2019

**Director:** Pete Fahy

**Cabinet Member:** Cllr Mal Mutton

**Please detail below any committees, boards or panels that have considered this analysis.**

<b>Name</b>	<b>Date</b>	<b>Chair</b>	<b>Decision taken</b>
-------------	-------------	--------------	-----------------------

### *Next steps*

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Please send this completed ECA to the Insight Team as follows:

Wendy Ohandjanian ([wendy.ohandjanian@coventry.gov.uk](mailto:wendy.ohandjanian@coventry.gov.uk) tel. 76 977 076)

Jaspal Mann ([jaspal.mann@coventry.gov.uk](mailto:jaspal.mann@coventry.gov.uk) tel. 7697 7109)

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Cabinet

19<sup>th</sup> November 2019

**Name of Cabinet Member:**

Cabinet Member for Policing and Equalities - Councillor AS Khan

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Directors Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

None

**Title:** Coombe Abbey Park – Commercialisation and Sustainable Development of Children’s Play Facilities and car park remodelling

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**Is this a key decision?**

No

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**Executive Summary:**

In October 2018 the City Council resolved to fund a tree top, high wire experience at Coombe Abbey Park (CAP) in partnership with Coombe Abbey Hotel and Go Ape. The CAP Go Ape facility has been operational since April 2019 and has exceeded expectations in both visitor numbers and financial performance, providing an enhancement to the visitor experience at CAP.

This report seeks to further improve the visitor experience at CAP by investing £800k. £650k in replacing and updating two existing play areas, one adjacent to the park’s visitors centre and the second in the wooded area near Top Pool Lodge, replacing the current outdated, free to use play area. It is intended that the play area near Top Pool Lodge will be a pay and play facility with a proposed charge of £2 per session. Proposed location of the pay and play facility is shown appendix 1

In addition it is proposed to use £150k in remodelling the existing car park to create an additional 300 parking spaces to handle the expected increase in numbers.

It is proposed that the total capital investment of £800k will be paid back over a period of twenty years for the play areas, and ten years for the car park. In addition, the business case projects a surplus of c.£100k from year three of operation that could contribute to the City Council’s medium-term financial strategy.

If approved by Cabinet, and subject to planning consent being obtained from Rugby Borough Council, it is proposed to have these new facilities operational by the summer of 2021.

An example of the type of play facility proposed for the charged area is given in appendix 2.

**Recommendations:**

**Cabinet is requested to:**

- 1) Approve the removal of the existing play equipment and to replace it with a unique and modern adventure play experience.
- 2) Approve the commencement of a procurement process to appoint a contractor to design and build the Adventure Play Facility at a capital cost of up to £650k.
- 3) Approve works to reconfigure the car parking arrangements at the existing facility to create an additional 300 car parking spaces at a capital cost of up to £150k
- 4) Delegate authority to the Director of Streetscene and Regulatory Services following consultation with the Cabinet Member for Policing and Equalities, following the completion of the procurement process to approve the award of the contract to the preferred bidder.
- 5) Approve expenditure of up to £800,000 to be funded from Corporate Capital Resources during 2019/2020 to complete the project as described in section 1 of this report.

**List of Appendices included:**

Appendix 1- Location plan detailing proposed location of play and play adventure facility

Appendix 2 – example of type of play equipment proposed

**Other useful background papers:**

None

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

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**1. Context (or background)**

- 1.1. CAP is one of Coventry City Councils largest parks covering an area of approximately 500 hectares. Although lying just outside the City and within the administrative boundaries of Rugby Borough Council, the park land was purchased by Coventry City in 1964 to provide its growing and developing community with access to additional and unique green open space. Since that time the Council has continued to improve and develop the park in terms of both its historical and environmental importance but also the educational and recreational experiences offered.
- 1.2. The park has a wide range of semi-natural habitats with the majority of the site being covered by two designations: a site of special scientific interest; and a site of importance for Nature Conservation. It also has considerable historical significance, not least as a Capability Brown Landscape.
- 1.3. A number of key features and facilities are contained within the park which include woodland areas and walks, a significant lake and pond area, car parking facilities, picnic sites, children’s play facilities, event areas and formal gardens. There is also a large visitor centre containing a shop, staff offices and mess facilities, a sports bar and café, craft shops and an educational discovery centre. This is a popular park with over 350,000 people visiting the park annually from a wide catchment area, and it supports a varied events programme in partnership with Coombe Abbey Hotel and Go Ape.
- 1.4. There is a clear vision for the park supported by the Green Space Strategy; to be a destination of choice for the people of Coventry, Warwickshire and beyond when seeking exciting yet affordable outdoor leisure activities. This complements the Council’s health and wellbeing agenda, seeking to promote outdoor, explorative and educational play for the young people in our region.
- 1.5. Successive reductions in the City Council’s revenue budgets has placed an increasing emphasis on maximising the income generating potential from all assets and necessitates new ways of funding the City Council’s ambitious vision for parks.
- 1.6. CAP has delivered significant improvements in the visitor experience over the last 18 months, with new features, experiences and events available to the people in our region. For example Go Ape, the Bug Hotel, outdoor cinema, the Coombe Weekender, the refreshed café, new cycling facilities, the electric children’s cars and the much improved parking system. Each of these initiatives have been delivered to the benefit of visitors, and on commercially sustainable basis.
- 1.7. However, the play provision at the park is now out-dated and in continuous decline despite the maintenance programmes. Local competitor visitor attractions are offering a better play experience, which could in time undermine CAP visitor numbers.
- 1.8. There are two separate children’s play facilities provided within Coombe Country Park. The largest is located adjacent to the visitor centre and contains a range of individual play items designed to accommodate children aged 4 – 7 years and 8 – 13 years old. The play items include swings, modular climbing units, slides and a basket swing. The play area was constructed in 2004 and much of the equipment is now reaching the end of it’s economic life. Throughout the year there are regularly periods when the play area is closed off to the public due to repair requirements and /or maintenance issues.
- 1.9. Although popular, this is a traditional style play facility and offers limited value in terms of stimulating creativity, and challenging and exciting children. Further, its design does not sit well within the natural setting of Coombe Abbey or its future vision.

- 1.10. The second area is located within the Country Park adjacent to the woodland area in Wartrums field near Top Pool Lodge and known as the Climbing Forest. The facility was built in 2006 and consists of a range of timber constructed items of equipment including spiders web, hammock, climbing rope and balance beams. Although popular, this facility offers limited opportunity and could benefit greatly from being enhanced to further increase the play value providing a range of challenging and exciting experiences.
- 1.11. Feedback received is that visitors to CAP are mainly from Coventry, Rugby, Nuneaton and Leicester. Some visitors, however, are travelling from as far as Oxfordshire and the Cotswolds.
- 1.12. An opportunity exists to complement the success of Go Ape and other park initiatives with the replacement of the existing play provision located at the visitor centre and significantly enhance the Climbing Forest experience with an adventure play facility. A capital investment of £800k to replace and update both children's play facilities and remodel the existing car parking facilities to accommodate the anticipated increase in visitor numbers will further improve and enhance the visitor experience at CAP and a projected surplus contributing to the Councils medium -term financial strategy.
- 1.13. The importance of play in a child's development and wellbeing is well recognised and documented. Play helps a child build confidence, develop social skills, increase self-esteem and self-respect, improve physical and mental health, increase confidence, develop new skills and helps with problem solving and dealing with new situations.
- 1.14. The proposed new facilities at the visitor centre and in the forest would be of a distinct, bespoke, themed and unique design and offer a real step change in children's play provision. The design and construction would fit naturally and sensitively into the park topography and historic landscape of the Country Park environment, making use of the natural elements and environment and complement other proposed developments within the park in line with its vision. The proposed location of the pay and play adventure play facility is shown appendix 1. The development would be subject to the necessary planning consent from Rugby Borough Council. Appendix 2 gives an indication of the type of adventure play facility being proposed.
- 1.15. The unique and attractive design will offer an exciting and challenging play environment, purposefully designed to provide those play opportunities and wide range of play experiences so important in a child's development. The facility would be equally accessible to both disabled and able-bodied children, allow children of different ages, abilities and backgrounds to mix and play together, provide opportunities for children to experience challenge and learn about the environment.
- 1.16. The proposed unique play experience will be delivered under a design and build contract with a focus on play experience over cost. Initial estimates from potential providers indicate a build cost of c.£650,000.
- 1.17. Market research has been completed for the entire scheme and it has demonstrated that typically the installation of a high-quality play experience delivers a 15% to 20% uplift in park visitor numbers. The Cotswold Wildlife Park saw this increase in footfall within 6 months of opening. At Coombe this would equate to some additional 70,000 visitors every year making use of the parking and café provision, and in itself raising the profile of the park.
- 1.18. In addition, the market research also indicated that the paid for facilities of the type being proposed for Coombe rarely experience fewer than 100,000 visitors a year making use of the play experience. With the existing footfall at Coombe, and its comparability with venues such as the Cotswold Wildlife Park, it is felt this is a reasonable number of visitors anticipated to use the play area.

- 1.19. It is important that the play area at the visitor centre will remain free to use. This play area attracts parents of younger children to the park for amenity value, and encourages the use of the café located next to the play facility. This also means that free to use play equipment will continue to be provided at the park.
- 1.20. Given the nature and high value experience offered by the facility located in the forest it is considered reasonable, affordable and offers value to propose that a nominal charge of £2 (inc VAT) per child up to a maximum of £5 (in VAT) per family (maximum of 4 children, direct family members) could be levied for the use of the facility. This would give access for a full days usage, and is considerably less costly than many other attractions for young people. Regulated access to the paid for play will designed into the proposals and submitted to planning. However, it is likely to involve the use of coloured wrist bands sold at the visitor centre or Top Pool kiosk, and the scanned in at a turnstile similar to the process used at the Wave.
- 1.21. Based on 100,000 children pa this would generate an annual income of approximately £132,800 (net of VAT).
- 1.22. To accommodate the anticipated increased annual visitor numbers that would result from the new facility (and indeed other park developments that have sought to increase park footfall) the proposals also include for the reconfiguring of the existing car park facility arrangement which will create at least 300 additional car parking spaces. The cost of this work is estimated at £150,000. The provision of additional parking will contribute greatly to enhancing the overall visitor experience, and the increased footfall to the park could potentially increase car park income by a further £41,600pa (net of VAT).

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

- 2.1. Option 1 - Do nothing. However, this will mean the existing play area provision will require replacement within the next few years as it reaches the end of its practicable life. The design and type of equipment and facility layout is traditional in character and does not fit well within natural environment of the Country park. It will also be inconsistent with other proposals to develop the park and restrict potential income generation. The estimated cost of refurbishing the play would be approximately £150,000 with no financial benefit as it would be difficult to justify introducing a charge for the use of this.
- 2.2. Option 2 – Replace the existing play facility and enhance the tree climbing play facility with a unique adventure play experience along with an increased car parking facility. This will complement other proposed developments for the park, which will offer an income generating potential and contribute greatly in establishing the park as a major local and regional visitor attraction. This is the recommended option.

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

- 3.1. No consultation has taken place on the establishment proposed unique adventure play experience. Planning Permission will be required for this facility and consultation will be undertaken as part of that process.

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

Procurement during November 2019 to January 2020

Design during February to April 2020.

Planning submitted May 2020.

On positive determination, it is anticipated that construction works will commence in Autumn 2020 with completion during Summer 2021.

The Adventure Play Experience intends to start operating Summer 2021.

## 5. Comments of the Director of Finance and Corporate Services

### 5.1. Financial implications

The capital cost of the replacement of the play equipment and the reconfiguration of the existing car park facilities is estimated to cost in the region of £800,000 in total. It is proposed that this would be funded from Corporate Capital Resources on an invest to save basis in order to generate a revenue income stream for the Council to contribute to the Medium Term Financial Strategy. The expected return on investment is described below.

#### The Procurement and Design of a Unique Play Area.

This phase of the project is expected to be carried out between November 2019 and February 2020 at a cost of £650k with the build being completed between Autumn 2020 and Summer 2021.

The annual financial cost of funding the investment @ 3.75% over 20 years (i.e. the estimated life of the equipment) is £46,775. There are no additional staffing costs, however, there will be a nominal cost of £5k per year to cover associated sundry costs, including regular inspection of the play equipment, repair, maintenance and cleaning.

Modelling has been carried out using the market research described above and the expected demand for such a facility anticipates that it could attract a minimum of 100,000 users per year. It is proposed to introduce a charge for each use of the facility of £2.00 per child or a family ticket at £5.00.

Although up to 100,000 users per year will be anticipated, income has initially been assumed at 60%, 75% and 80% of capacity (respectively). This also takes account of discounts for larger families.

#### Improvements to the Car Park.

The improvements to the car park including associated payment equipment will be completed over the winter (2019/20) and will create an additional 300 car park spaces. The annual financial cost of funding the improvements to the car park (@ 3.75% over 10 years) is £18,264. At an average charge of £5 per day this is expected to generate additional car parking income of £41,600 per year (net of VAT).

**Table 1: Revenue Costs/Benefits**

	Year 1 £000's	Year 2 £000's	Year 3 (Ongoing) £000's
<b>Expenditure</b>			
Capital Finance Repayments	65	65	65
R&M/Inspection of Equipment	5	5	5

<b>Gross Expenditure</b>	<b>70</b>	<b>70</b>	<b>70</b>
<b>Income</b>			
Play Area	-99.6	-124.5	-132.8
Car Park	-41.6	-41.6	-41.6
<b>Total Income</b>	<b>-141.2</b>	<b>-166.1</b>	<b>-174.4</b>
<b>Net</b>	<b>-71.2</b>	<b>-96.1</b>	<b>-104.4</b>

This gives a yield of 22.4% pa, or 13.0% pa including the debt servicing costs at year 3 and beyond.

## 5.2. Legal implications

The procurement(s) referred to in this report will be completed pursuant to the requirements of all valid public procurement laws and in accordance with the Council's rules for contract.

## 6. Other implications

### 6.1. How will this contribute to the Council's Plan? ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))

The provision of unique adventure play experience at Coombe Country Park will increase the leisure offer to both Coventry residents and tourists visiting the City. As well as providing a further opportunity for residents to take part in fun physical exercise.

The provision of the facility will provide an additional revenue stream to the City Council.

### 6.2. How is risk being managed?

Financial risks are managed through monthly monitoring meetings of the capital programme board team. Risk assessments are carried out as part of the design process to ensure that risks are designed out and that construction takes place by an approved contractor in a safe way.

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

None

### 6.4. Equalities and Consultation Analysis (ECA)

The report recommendations do not affect the Council's policy, provision of any service or its statutory functions. It is not required to undertake an Equality Impact Assessment.

### 6.5. Implications for (or impact on) climate change and the environment

None

### 6.6. Implications for partner organisations?

None

Report author(s):

**Name and job title:**

Graham Hood  
 Head of Streetpride and Greenspace

**Directorate:**

Place

**Tel and email contact:**

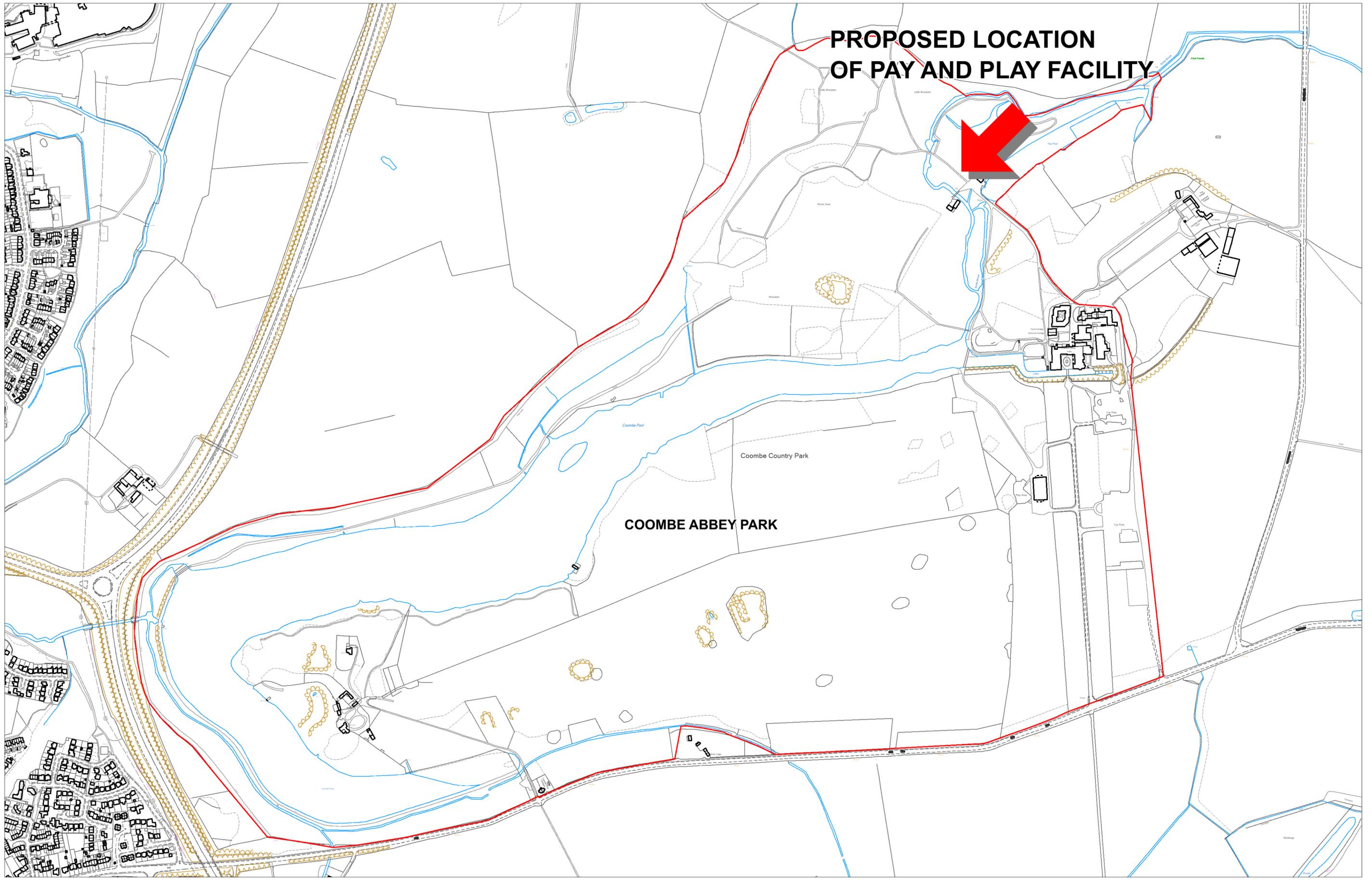
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Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Lara Knight	Governance Services Co-ordinator	Place	25 <sup>th</sup> Oct 19	25 <sup>th</sup> Oct 2019
Grant Mckelvie	Commercial Business Director	Place	23 <sup>rd</sup> Oct 19	24 <sup>th</sup> Oct 2019
Andrew Walster	Director of Streetscene and Regulatory Services		23 <sup>rd</sup> Oct 19	24 <sup>th</sup> Oct 2019
<b>Names of approvers for submission: (officers and members)</b>				
Martin Yardley	Deputy Chief Executive	Place	24 <sup>th</sup> Oct 19	28 <sup>th</sup> Oct 2019
Phil Helm	Finance Manager	Place	23 <sup>rd</sup> Oct 19	24 <sup>th</sup> Oct 2019
Rob Parkes	Team Leader (Place) Legal Services	Place	21 <sup>st</sup> Oct 19	23 <sup>rd</sup> Oct 2019
Cllr AS Khan	Cabinet Member for Policing and Equalities		22 <sup>nd</sup> Oct 19	22 <sup>nd</sup> Oct 2019
Cllr J Mutton	Cabinet Member for Strategic Finance and Resources		29 <sup>th</sup> Oct 2019	29 <sup>th</sup> Oct 2019

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



**PROPOSED LOCATION  
OF PAY AND PLAY FACILITY**



**COOMBE ABBEY PARK**

Coombe Country Park

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**CONFERENCES/SEMINARS**  
**AUTHORITY FOR ATTENDANCE**

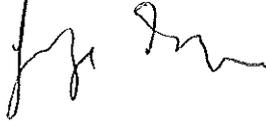
THIS FORM TO BE USED FOR COUNCILLORS (FOR ATTENDANCE BOTH IN AND OUTSIDE THE U.K.) AND FOR EMPLOYEES (OUTSIDE THE U.K. ONLY OR, IF ACCOMPANYING A COUNCILLOR, INSIDE THE UK)

<b>1. Title of Conference</b>	West Midlands Regional Asia visit
<b>2. Organising Body</b>	West Midlands Growth Company
<b>3. Location</b>	Hong Kong / Mainland China
<b>4. Date(s)</b>	24 <sup>th</sup> November to 30 <sup>th</sup> November
<b>5. Councillor(s) recommended to attend</b>	None
<b>6. Employee(s) recommended to attend</b>	Andy Williams – Director of Business Investment & Culture  Richard Moon – Director of Project Management & Property Services
<b>7. Cost per person, including travel, etc</b> (Note: If total cost is less than £100, formal Cabinet/Cabinet Member approval is not required)	<p>This mission is being delivered by the West Midlands Growth Company on behalf of the West Midlands and individual local authorities.</p> <p>The cost to deliver this project has been calculated by the West Midlands Growth Company and then split evenly amongst each destination partner.</p> <p>The total cost to Coventry City Council in sending two delegates and covering all aspects of project delivery as set out below is £20,000.</p> <ul style="list-style-type: none"> <li>• Flights (including domestic)</li> <li>• Accommodation</li> <li>• Internal travel</li> <li>• Transfers</li> <li>• MIPIM Asia Registration</li> <li>• MIPIM Asia Investor Lunch</li> <li>• Lead Generation</li> <li>• Project Management</li> </ul>
<b>8. Is participation at this event as part of a group</b>	Yes
<b>9. If so, how many people IN TOTAL will be attending the event as part of that group</b>	<p>The West Midlands delegation will consist of:</p> <ul style="list-style-type: none"> <li>• Andy Street, West Midlands Mayor</li> <li>• Ian Ward, Leader of BCC</li> <li>• Birmingham City Council representatives</li> </ul>

	<ul style="list-style-type: none"> <li>• Coventry City Council representatives</li> <li>• City of Wolverhampton representatives</li> <li>• Higher Education representatives</li> <li>• West Midlands Growth Company <ul style="list-style-type: none"> <li>○ Neil Rami, CEO</li> <li>○ Andrew Dunbar, Head of Investor Relations</li> </ul> </li> </ul>
10. Is there anyone travelling with the Member, officer or group in relation to whom any of the costs of travel, accommodation or any other expense will be paid for by a Member or officer. If "YES" please state number.	No
11. Source of Funding (Cost Code)	10952 (International Development)
12. What are the reasons for attendance and what benefits to the City Council are expected from attendance	<p>The purpose of the visit is to undertake a WM regional visit to attend MIPIM Asia 2019 and to then undertake a mainland China visit to further existing investment, commercial and university links at a senior executive and political level.</p> <p>The key regional focus of activity will be joint attendance at MIPIM Asia which will take place alongside a 1:1 investor and meeting programme.</p> <p><b>Objectives and Outcomes:</b> The visit crosses over a number of sectors and interests but the core focus will be to secure outcomes across the following areas:</p> <ul style="list-style-type: none"> <li>• <b>Capital Attraction:</b> engage with one of the world's most active financial markets through high profile investor lunch, speaking slot and a 1:1 meeting programme. Highlight investable options to a funder base that is now moving away from London to the West Midlands and North East.</li> <li>• <b>Existing investor relationship engagement:</b> Progress ongoing conversations with specific investors who are already familiar with the region. Coventry will also benefit from speculative meetings with investors where there is specific mutual interest and look to build on existing relationships.</li> <li>• <b>Direct flight opportunities for BHX:</b> an opportunity to qualify and progress direct flight conversations with airlines and senior Hong Kong / Chinese business leaders.</li> <li>• <b>Higher education partnerships and recruitment:</b> a chance for Coventry University (and other Midlands universities) to undertake student recruitment activity in either Hong Kong and / or Shanghai.</li> <li>• <b>Profiling the strength and</b></li> </ul>

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	<p><b>attractiveness of Coventry and the West Midlands:</b> this will increase the awareness of Coventry and the West Midlands as the key engine for UK growth in an important Asian financial market through direct engagement with active and credible investors in Hong Kong and Guangdong area. This will showcase non-property strengths such as regional demographics, Local Industrial Strategy priorities, labour and skills base and current large employers and occupier pipeline.</p> <ul style="list-style-type: none"> <li>• <b>Inward Investment:</b> this will offer Coventry City Council a unique opportunity to continue dialogue with key investors such as Geely around their growth plans for UK automotive brands LEVC and Lotus, ensuring their continued presence in Coventry providing significant investment and jobs to the region.</li> </ul> <p>This visit is in line with Coventry's ambitions to grown its international reach with a view to securing investment across a range of key sectors, building on successful trips already delivered to MIPIM Europe, UAE and China by demonstrating a track record of project delivery and a healthy pipeline of investment potential.</p> <p>It is anticipated that major projects such as Friargate and City Centre South will be the focal point of investor discussions.</p> <p>We are well placed to capitalise on the success Coventry &amp; the West Midlands is seeing in terms of FDI figures and take full advantage of the opportunities that exist as we lead up to Coventry City of Culture 2021 and Commonwealth Games 2022.</p> <p>Completed By/Signed:</p> <p>Date:</p>
<p><b>13. Is this conference part of an overall project involving further visits in the future?</b></p>	<p>Not at this stage although outcomes will be monitored with a view to attending MIPIM Asia in the future.</p> <p>Repeat visits may be required following any investment successes.</p>
<p><b>14. Recommendation of Cabinet Member/ Cabinet/Chair of any other City Council Committee</b></p>	<p>YES/NO</p>

(a) Are you satisfied that there is a genuine reason for attendance and genuine benefit for the Council?	YES/NO
(b) Will Councillor attendance affect the decision-making processes of the Council?	YES/NO
(c) Is attendance recommended?	YES/NO Signed: Date:
15. Cabinet Member's recommendation	YES/NO Signed:  Date: 22/10/2019
16. Leader's recommendation	YES/NO  Signed: Date: 22/10/2019
17. Person responsible for booking conference following approval of attendance	Name: Ben Yorke Department: Place Directorate Telephone No: 024 7697 2419

**THIS FORM SHOULD NOW BE RETURNED TO  
THE DIRECTOR OF RESOURCES (Room CH 59)**

*FOR RESOURCES DIRECTORATE'S USE ONLY*

<b>Decision</b>	<i>Cabinet Member/Cabinet</i>
<b>APPROVED / NOT APPROVED</b>	<i>Date:</i>

<b>Notification to:</b>	<u>YES/NO</u>	<u>DATE</u>
(a) Officer responsible for booking conference		
(b) Councillor attending		
(c) Member of Management Board		
(d) Members' Services		
(e) Committee Officer		

<b>Date report back obtained</b>	
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<i>Date of meeting of Scrutiny to receive report back</i>	
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