

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 14 December 2021

Present:

Members: Councillor G Duggins (Chair)
Councillor R Brown
Councillor K Caan
Councillor P Hetheron
Councillor M Mutton
Councillor J O'Boyle
Councillor K Sandhu
Councillor P Seaman
Councillor D Welsh

Non-Voting Deputy
Cabinet Member: Councillor G Hayre

Non-Voting Opposition
Members: Councillor J Blundell (Substitute for Councillor P Male)
Councillor G Ridley

Other Non-Voting
Members: Councillor R Lakha
Councillor C Thomas

Employees (by Service):

Chief Executive M Reeves (Chief Executive)

Business, Investment and
Culture D Hope, D Weir

Finance B Hastie (Director of Finance), P Jennings

Law and Governance J Newman (Director of Law and Governance), M Salmon

Apologies: Councillor N Akhtar
Councillor P Akhtar
Councillor L Bigham
Councillor B Gittins
Councillor G Lloyd
Councillor A S Khan
Councillor P Male

Public Business

48. Declarations of Interest

There were no disclosable pecuniary interests.

49. **Minutes**

The minutes of the meeting held on 16th November 2021 were agreed and signed as a true record. There were no matters arising.

50. **Coventry Creative Growth and Cultural Tourism Recovery Programme - Community Renewal Fund Application**

The Cabinet considered a report of the Director of Business, Investment and Culture that indicated that Coventry City Council (CCC) had been successful in its application to the West Midlands Combined Authority (WMCA) for £751,306 to be allocated through the Community Renewal Fund (CRF) to enable the delivery of a pilot project (expected to be 7 months duration) up to 30th June 2022, which would support the continued growth and competitiveness of cultural sectors in Coventry, not least through realising the unique opportunities presented by UK City of Culture 2021, the 2022 Commonwealth Games and associated Legacies.

Through the CRF Pilot, CCC would lead a partnership to deliver an integrated business, skills and employment support package to Coventry's cultural sectors, which included creative industries, tourism and hospitality, events, and businesses/freelancers supplying these sectors.

The CRF was announced at the March 2021 Budget. It was principally revenue funding and had four themes: Investment in Skills; Investment for Local Businesses; Investment in Communities and Place; and Supporting People into Employment. A key purpose of CRF was to deliver pilot initiatives (including new innovative concepts) that could act as the forerunner for activities that could be potentially delivered through the UK Shared Prosperity Fund (UKSPF - the Government's successor to European Regional Development Fund - ERDF and European Social Fund - ESF), which was expected to be launched in either 2022 or 2023.

Through the successful application, CCC, working with Delivery Partners, would be able to build on its extensive track record of delivering successful economic and social development programmes through ERDF and ESF, and also pilot new ways of delivering business, skills and employment support services which could then be taken forward through UKSPF – this was expected to be an important funder of many of CCC's economic and social development activities after ERDF and ESF funding in the UK ended in 2023.

CCC would engage in a contracting process with the WMCA, who were the Lead Authority for the overall funding received from Government. Following the signing of this Funding Agreement, it would also need to develop Grant Aid Agreements with its Delivery Partners before project activities could formally start.

The report provided information on the bid and sought approval for the Council to accept the grant allocation in order to deliver the pilot project.

RESOLVED that the Cabinet:

- 1) Approves the acceptance and drawdown of the grant funding totalling £751,306 for the Community Renewal Fund to be utilised in delivering the City's priorities, as set out in the report.**
- 2) Delegates authority to the Director of Business, Investment and Culture, following consultation with the Director of Finance, the Director of Law and Governance and the Cabinet Member for Jobs, Regeneration and Climate Change, to negotiate the final terms and approve entry into:**
 - a) the funding agreement with West Midlands Combined Authority for the Community Renewal Fund funding allocation; and**
 - b) back-to-back agreement with such delivery partners as is deemed necessary to deliver the City's priorities, as set out in the report.**
- 3) Following completion of the actions set out in recommendation 2) above, delegates authority to the Director of Business, Investment and Culture, following consultation with the Cabinet Member for Jobs, Regeneration and Climate Change and Cabinet Member for Education and Skills, to manage the administration of the Community Renewal Fund Grant Funding Agreement with the West Midlands Combined Authority and the Grant Aid Agreements with the delivery partners, to ensure compliance in accordance with their terms.**

51. 2020/21 Second Quarter Financial Monitoring Report (to September 2021)

The Cabinet considered a report of the Director of Finance that would also be considered by Audit and Procurement Committee at their meeting on 31st January 2022, advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2021. Appendices to the report provided details of: Revenue Position - Detailed Directorate breakdown of forecast outturn position; Capital Programme - Analysis of Budget/Technical Changes; Capital Programme - Estimated Outturn 2021/22; Capital Programme - Analysis of Rescheduling; and Prudential Indicators.

The headline revenue forecast for 2021/22 was for net expenditure to be £14.4m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net forecast over-spend was £3.1m. At the same point in 2020/21 there was a projected overspend of £3.5m.

The position included an underlying overspend of £6.8m within Children's Services although £3.3m of this had been attributed to the pandemic and funded from one-off Covid funding accordingly leaving a net overspend of £3.4m (2.7m at Quarter 2). Work had been undertaken to understand the likelihood and extent of these pressures continuing into next year and this would be reflected in the 2022/23 Pre-Budget Report. Management focus would continue to identify the causes and manage as far as possible the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position. It was clear though that a combination of societal and demographic trends and market

pressures were creating a very difficult environment for the service, part of the effect of which was the challenging financial position reflected here.

Elsewhere, lower-level budget pressures had continued or emerged within Streetscene and Regulatory Services, Finance, Legal and Governance Services and Transportation and Highways. In overall terms the corporate position was within acceptable tolerances at this stage of the financial cycle and could be reasonably expected to continue improving towards year-end.

The Council and the city continued to receive Government support linked to Covid within the 2021/22 financial year. This amounted to c£24m announced to date to support Council services directly and a further c£41m channelled through the Council to support Coventry businesses and external suppliers. Although further allocations could be ruled out, the pace of funding announcements had slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants was therefore likely to be modest.

The Council's capital spending was projected to be £253.4m and includes major scheme expenditure which ranged from investment in to the A46 Link Road, Coventry Station Masterplan, construction of a second office building and a hotel within the Friargate development, Air Quality highways works and Secondary Schools expansion. The size of the programme and the nature of the projects within it continued to be fundamental to the Council's role within the city.

The Council's services and its financial position were moving gradually towards a business-as-usual position as the year progressed with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continued to be significantly affected although often this was not resulting in a net financial cost. It was clear though that significant financial risk remained in relation to the underlying funding position for local government as well as the future trajectory of Covid costs and funding within a few service areas. It remained a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

RESOLVED that the Cabinet:

- 1) Approves the Council's revenue monitoring position incorporating the application of Covid emergency funding.**
- 2) Approves the revised forecast capital outturn position for the year of £253.4m incorporating: £4.8m programme acceleration since quarter one and £1.5m net increase in spending relating to approved/technical changes.**

52. Medium Term Financial Strategy 2022-2025

The Cabinet considered a report of the Director of Finance that had been considered by the Finance and Corporate Services Scrutiny Board (1) at their meeting on 1st December 2021 (their minute 22/21 referred) and would also be considered by Council at their meeting on 18th January 2022, that presented a Medium-Term Financial Strategy (MTFS) for adoption by the City Council. A

briefing note setting out a recommendation from Finance and Corporate Services Scrutiny Board (1) consideration of the report was circulated.

The previous strategy was approved as part of the 2021/22 Budget Report in February 2021. The Strategy set out the financial planning foundations that supported the Council's vision and priorities and the financial and policy context for the Council's current Budget process. Cabinet would consider proposals within the Pre-Budget Report in December 2021 and the final Budget Setting Report would be brought to Cabinet and Council in February 2022.

The national funding background to the MTFs was that the local government would be subject to a new settlement from Government within the financial parameters of the Autumn Budget and Spending Review 2021 (SR2021) announced in October. Although a major upheaval in the funding arrangements for all councils had been signalled at regular intervals this was once again postponed in SR2021 and there would be no structural changes to the system until 2023/24 at the earliest. In addition, SR2021 provided only indicative control totals for the sector and it would not be until the provisional local government settlement was released in December 2021 that firmer indications would be provided of the Council's outline financial settlement for the next three years. The Pre-Budget report that would be considered by Cabinet alongside this one set out the best estimate of the Council's three-year settlement financial position. Current medium-term estimates were still based on assumptions of local authorities continuing to face significant financial pressures.

The national political and financial environment had continued to be subject to fluidity and uncertainty resulting from the impact of Covid and the economic transition as restrictions had been lifted. Despite the large increase in Government borrowing incurred during the pandemic SR2021 indicated that real terms growth would be allowed across Government departments over the medium term. How this affected the financial position for local government would not be known with any certainty until the forthcoming local government settlement, although it was anticipated that demographic, societal and inflationary pressures would absorb much if not all of the indicated growth in the sector. The shorter-term impact of this was likely to be some additional funding for local government to help deal with known and growing financial pressures. The extent that the position could be forecast beyond 2022/23 would depend greatly on the detail set out in the settlement. There was every expectation that the pressure on public finances would not ease in a sustained way and that any increase in available revenue resources would be at least matched by equivalent need to meet pressures within the sector, in particular those relating to social care.

On a local level, the Council continued to be faced with challenging conditions created by the need to protect vulnerable children in the city and the pressures of delivering services for a growing city. In some sectors this had been affected by difficulties within the labour market and the need to employ external agency staffing to deliver core services. The delivery of the ambitious scale and pace of the Council's capital and transformation plans within its existing project and management capacity presented a further challenge. In addition, the elements of the Programme that were funded by future West Midlands Combined Authority (WMCA) grant approvals would not be able to proceed until resourcing for these grants had been secured through the WMCA.

Notwithstanding the approaches set out in this strategy, the Council would need to maintain dynamic financial models that took account of changes in its medium-term budget position and ongoing re-evaluation of its Capital Programme. These would be set out fully at the point of decision making.

In summary, the key national and local contexts that framed this Strategy included:

- 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, in part redefined within an updated set of policy priorities;
- A comparatively high rate of local population growth causing greater demand and expenditure pressures in areas such as social care, waste disposal and housing;
- Any growth in the level of government resources within a revised local government funding framework being absorbed by spending demands, especially within social care sectors;
- A Business Rates retention system emphasising the continued importance of promoting growth in the local economy;
- A very large Capital Programme which defined the Council's aspirational outlook, but which established a major programming and logistical challenge in order to deliver it.

Taken together, these factors represented a combination of limited 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 was crucial that the Council's financial strategy was both robust and flexible. This would provide the financial foundations required to ensure that Council services were fit for purpose to protect the most vulnerable as well as providing good 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 included:

- An approach based on economic growth, quality of life and a commitment to delivering fundamental services as well as a greatly increased focus on actions to tackle climate change;
- 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;
- A programme of activity to deliver the One Coventry Plan which would change the way the Council worked and engaged with its customers, to achieve better outcomes and in part to achieve more efficient and cost effective services;
- 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 had the talent in place necessary to deliver the challenging agenda that it faced;
- 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 2021/22 approved budget, the initial financial gap for the following 3 years as at the start of the new Budget Setting round was:

| | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revised Revenue Budget Gap* | 15.4 | 21.4 | 26.6 |

*The positions for 2022/23 and 2023/24 had been updated to reflect all approved decisions up to and including the 2021/22 Budget process.

The 2022/23 Pre-Budget Report which would be considered by Cabinet alongside this report, would provide the latest detailed financial position to reflect an updated financial assessment and work undertaken to balance the forthcoming budget. The scale of the financial gap shown above was not unusually large in a historical context or compared with authorities similar to Coventry and the Pre-Budget report would show measures that were likely to bring next year's position close to balance. One of the challenges of this strategy was to move the Council towards a balanced position over the medium term although this would depend to a large degree on the content of the local government settlement. It would nevertheless require the Council to consider the need to prioritise the services that it wished to maintain in the future and identify those that may be allocated fewer resources, managed in a different way or ceased altogether.

The Cabinet noted that within the table entitled Summary of Reserve Movements in 2020/21 the closing reserve balance for the Innovation and Development Fund should be £5.549m (not £5.649m as stated), and that the corresponding figures for Other Corporate Reserves should be £13.600m (not £13.500m as stated). The two restatements cancelled each other out and the overall total was unaffected.

RESOLVED that the Cabinet:

- (1) Agrees the recommendation from the Finance and Corporate Services Scrutiny Board (1) that Cabinet agrees the recommendations contained in the report; and**
- (2) Recommends that Council approve the Strategy as the basis of its medium-term financial planning process.**

53. Pre-Budget Report 2022/23

The Cabinet considered a report of the Director of Finance that outlined, as a basis for consultation, a set of new revenue budget proposals for 2022/23 to 2024/25 which represented changes to the Council's existing Budget. Consultation views were also sought on the potential level of Council Tax and Adult Social Care Precept increases for 2022/23. The final Budget proposals and the Council Tax and Adult Social Care Precept increases would be subject to Council approval in February 2022. An Appendix to the report provided details of the Pre-Budget Financial Position.

The Council's overall future strategy was set out in the "One Coventry Council Plan" which described the Council's key priorities including: improving the quality of life for Coventry people, especially the most vulnerable; promoting the growth of a sustainable Coventry economy and ensuring that residents shared in the benefits; and making the most of assets and working closer with partners and residents to enable people to do more for themselves. Implicit within the plan was the Council's commitment to delivering a range of core services to everyone in the city. The Plan was currently being revised and it was intended that it would be brought for approval during the first part of 2022. Much of the policy content would remain similar to the current version although it was expected that there would be some significant changes.

The expected developments in relation to the system of local government finance continued to be delayed. The Secretary of State for Levelling Up, Housing and Communities had announced that a future move to 75% Business rates retention would not now proceed although the current assumption was that wider 50% retention and existing arrangements for Business Rates pools and pilots would continue for the foreseeable future. In the Council's case this would mean continued membership of the Coventry and Warwickshire Business Rates Pool and the West Midlands Combined Authority Business Rates Pilot, both of which continued to offer potential positive financial benefits. At present though, neither further reform to the fundamental nature of the Business Rates and Council Tax arrangements within local government nor the fair funding review of local government appeared imminent.

The Chancellor of the Exchequer did announce the Autumn Budget and Spending Review 2021 (SR2021) on 27th October 2021. This presented a three-year horizon for Government spending in the form of Departmental Spending Limits (including local government). This indicated some further financial support for local government although at the time of writing the Council was still awaiting the 2022/23 Provisional Local Government Finance Settlement which would include details on a number of key funding announcements which would dictate the

funding envelope within which the Council would need to operate next year. As a result, the financial Pre-Budget position set out in this report was assumption sensitive and was likely to be subject to significant changes in some important areas prior to the setting of the final Budget in February 2022. A note of caution was urged both due to the pressures which were likely to need to be met over the coming budget period and with the expectation that the detail for local government was likely to be restricted to a one-year settlement despite the 3 year horizon of SR2021.

Initial interpretations of SR2021 were that it did include some stabilising elements to help councils manage pressures that they had either foreseen previously or which had emerged more recently. Although much detail remained to be set out and enormous uncertainty remained, the report included a less austere outlook for the Council than had been possible for some years. It remained the case though that the report and the Council's Medium Term Financial Strategy (considered at the same meeting of Cabinet as this report) continued to focus on the immediate term in managing the current and pressing challenges facing the Council and the city. Several critical areas of work needed to be finalised as the Budget cycle concluded which it was planned would enable the Council to balance the position for 2022/23.

The financial proposals in the report did not include any new service cuts. It was anticipated that this could be avoided due to the impact of SR2021 plus the likelihood of being able to implement a range of technical measures. This could include using one-off resources (in the form of reserves) to meet one off pressures if required, although no such measures were proposed at this stage. The Council's view remained that it wanted to avoid the need to reduce vital services and would seek to explore all possible avenues to do this. That being said, the report did not include sufficient measures to present a balanced budget in 2022/23, with a financial gap of £3m still remaining at this stage. The report included a range of approaches set out in Section 5.1 which were intended would balance this position.

The pre-existing Medium Term Financial Strategy included an approach incorporating a number of transformation themes such as commercialisation and digitalisation. This work had been somewhat delayed through 2020 and 2021 as the Council shifted its focus by necessity to meeting the challenge of Covid. Initial work done to revise the One Coventry Council Plan and an accompanying framework to improve the Council's ability to sustain an effective performance framework were underway and would be implemented in the first part of 2022. This was expected would form an increasing focus of the Council's activity beyond 2021/22 to improve the manner and cost effectiveness with which the Council was able to deliver services to its citizens.

The proposals in the report were made as a basis for public consultation and the results of the consultation would be reflected in the final Budget Report in February 2022 and considered as part of the final decisions recommended in that report. Further work would be undertaken to confirm all the financial assumptions between now and the final Budget Report in February 2022.

An outline of the resources and the spending and savings proposals were provided in Section 2 of the report and on a line-by-line basis in Appendix 1 to the report. The Council's Council Tax assumptions and the basis on which it was consulting, was set out in Section 2 of the report.

An indicative outline was included within the report for the Council's prospective Capital Programme for 2023/24 based on current knowledge. This would be updated in the February 2022 Budget Report, reflecting the most up to date programme information available. The draft Programme was based overwhelmingly on pre-existing decisions and patterns of expenditure.

RESOLVED that the Cabinet approves as a basis of consultation: the revenue spending and savings options in Section 2 of the report and Appendix 1 of the report; the broad Capital Programme proposals in sections 2.6 to 2.9 of the report; the approach in relation to Council Tax and the Adult Social Care Precept in Section 1.7 of the report including a Council Tax rise of just under 2% and an Adult Social Care Precept of 1%.

54. **Outstanding Issues**

There were no outstanding issues.

55. **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.

(Meeting closed at 2.35 pm)