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Coventry City Council

Agenda

Cabinet

Time and Date
2.00 pm on Tuesday, 14th December 2021

Place
Council Chamber, Council House, Coventry CV1 5RR

Please note that in line with current Government and City Council guidelines in relation to Covid, there will be reduced public access to the meeting to manage numbers attending safely. If you wish to attend in person, please contact the Governance Services Officer indicated at the end of the agenda.

Public business

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes** (Pages 3 - 6)

   (a) To agree the minutes from the meeting of Cabinet on 16th November 2021

   (b) Matters arising

4. **Coventry Creative Growth and Cultural Tourism Recovery Programme - Community Renewal Fund Application** (Pages 7 - 18)

   Report of the Director of Business, Investment and Culture

5. **2020/21 Second Quarter Financial Monitoring Report (to September 2021)** (Pages 19 - 44)

   Report of the Director of Finance

6. **Medium Term Financial Strategy 2022-2025** (Pages 45 - 62)

   Report of the Director of Finance

7. **Pre-Budget Report 2022/23** (Pages 63 - 78)

   Report of the Director of Finance

8. **Outstanding Issues**

   There are no outstanding issues

9. **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

Julie Newman, Director of Law and Governance, Council House, Coventry

Monday, 6 December 2021

Note: The person to contact about the agenda and documents for this meeting is Michelle Salmon, Governance Services, Email: michelle.salmon@coventry.gov.uk

Membership

Cabinet Members:
Councillors R Brown, K Caan, G Duggins (Chair), P Hetherton, A S Khan (Deputy Chair), M Mutton, J O'Boyle, K Sandhu, P Seaman and D Welsh

Non-voting Deputy Cabinet Members:
Councillors P Akhtar, B Gittins, G Hayre and G Lloyd

By invitation:
Councillors P Male and G Ridley (Non-voting Opposition representatives)

Public Access

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Michelle Salmon
Governance Services
Email: michelle.salmon@coventry.gov.uk

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 16 November 2021

Present:
Members:

Councillor G Duggins (Chair)
Councillor AS Khan (Deputy Chair)
Councillor K Caan
Councillor P Hetherton
Councillor P Seaman
Councillor M Mutton
Councillor R Brown
Councillor K Sandhu
Councillor D Welsh

Non-Voting Deputy Cabinet Members:

Councillor P Akhtar
Councillor G Hayre
Councillor G Lloyd

Non-Voting Opposition Members:

Councillor G Ridley
Councillor P Male

Other Non-Voting Members:

Councillor N Akhtar
Councillor J Clifford
Councillor R Lakha

Employees (by Service):

Chief Executive	M Reeves (Chief Executive)
Finance	B Hastie (Director of Finance)
Law and Governance	J Newman (Director of Law and Governance), M Salmon
Public Health and Wellbeing	L Gaulton (Director of Public Health and Wellbeing), R Chapman, J Ross

Apologies:

Councillor L Bigham
Councillor B Gittins

Public Business

43. **Declarations of Interest**

There were no disclosable pecuniary interests.

44. **Minutes**

The minutes of the meeting held on 12th October were agreed and signed as a true record.

45. **Domestic Abuse Strategy and Action Plan**

The Cabinet considered a report of the Deputy Chief Executive that sought approval of the Domestic Abuse Strategy refresh and action plan, which included provision of support for victims and their children in line with the duties under the Domestic Abuse Act 2021, and the extension of the current overarching Coventry Domestic Abuse Strategy to 2025. Appendices to the report provided the Needs Assessment – executive summary, key findings and recommendations; the Action Plan; and the Coventry Domestic Abuse Strategy 2018-2023: Addendum and Extension to 2025.

Domestic abuse was a manifestation of one-person (or persons) exerting power and control over an another with whom they shared a personal connection. Domestic abuse could take many forms including psychological, physical, sexual, financial, economic and emotional abuse. It also included honour-based violence, forced marriage, other culturally recognised forms of abuse and a range of controlling and coercive behaviours. Preventing harm from Domestic Abuse was a priority within Coventry and was a key measure within the One Coventry Plan. Coventry's Domestic Abuse Strategy 2018 – 2023 outlined the city's approach to addressing domestic abuse, including honour-based violence and forced marriage.

The Domestic Abuse Act 2021 received Royal Assent on 29 April 2021. The Act provided, for the first time, a statutory definition of domestic abuse and delivered a number of significant changes to improve the protection of victims within the community and the criminal justice system. Cabinet received a report in June 2021 (minute 4/21 referred) outlining the new duties under the Domestic Abuse Act 2021.

Work on the new duties had commenced. A new statutory board, the "Domestic Abuse Local Partnership Board" had been established. A needs assessment had been carried out, including extensive consultation with survivors, domestic abuse service providers and stakeholders. Recommendations had been reviewed within the context of the current Coventry Domestic Abuse Strategy and an action plan had been developed. New services for victims and their children had been commissioned.

RESOLVED that the Cabinet:

1) **Notes the findings and recommendations of the needs assessment.**

2) **Acknowledges the findings of the needs assessment, Strategy refresh and action plan under the duties set out by the Domestic Abuse Act 2021.**

3) **Approves the Strategy refresh and action plan which includes provision of support for victims and their children in line with the duties under the Domestic Abuse Act 2021.**

4) **Approves the extension of the current overarching Coventry Domestic Abuse Strategy to 2025.**

5) **Notes progress in commissioning support services for victims of domestic abuse and their children residing within safe accommodation to fulfil the functions of the Act using the grant of £849,930 in 2021/2022 from the Ministry of Housing, Communities and Local Government.**

6) **Requests that Council notes the report.**

46. **Outstanding Issues**

There were no outstanding issues.

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.

(Meeting closed at 3.00 pm)

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Coventry City Council

Public report
Cabinet Report

Cabinet 14 December 2021

Name of Cabinet Member:
Cabinet Member for Jobs, Regeneration and Climate Change - Councillor J O'Boyle

Director Approving Submission of the report:
Director of Business, Investment and Culture

Ward(s) affected:
All

Title:
Coventry Creative Growth and Cultural Tourism Recovery Programme – Community Renewal Fund Successful Application

Is this a key decision?
No

Executive Summary:

Coventry City Council (CCC) has been successful in its application to the West Midlands Combined Authority 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 will 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 will lead a partnership to *deliver an integrated business, skills and employment support package to Coventry's cultural sectors*, *which include creative industries, tourism & hospitality, events, and businesses/freelancers supplying these sectors.*

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

Through the successful application, CCC (working with our Delivery Partners) will 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 is expected

to be an important funder of many of CCC's economic and social development activities after ERDF and ESF funding in the UK ends in 2023.

Subject to approval, CCC will engage in a contracting process with West Midlands Combined Authority (WMCA) who are the Lead Authority for the overall funding received from Government. Following the signing of this Funding Agreement, it will also need to develop Grant Aid Agreements with our Delivery Partners before project activities can formally start.

This report provides information on the bid and requests Members' approval for the Council to accept the grant allocation in order to deliver the pilot project.

Recommendations:

The Cabinet is asked to:

1) Approve the acceptance and drawdown of the grant funding totalling £751,306 for CRF to be utilised in delivering the City's priorities as set out in this report.

2) Delegate 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 and Regeneration, to negotiate the final terms and approve entry into:

   a) the funding agreement with WMCA for CRF 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 this report.

3) Following completion of the actions set out in recommendation 2), delegated authority is given 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 CRF Grant Funding Agreement with WMCA and the Grant Aid Agreements with the delivery partners to ensure compliance in accordance with their terms.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Economic Growth and Prosperity Strategy
West Midlands Local Industrial Strategy

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

The Community Renewal Fund (CRF)

1. Context and CCC-led Funding Application

1.1 The CRF was announced at the March 2021 Budget. It was announced as a £220m UK-wide fund to deliver pilot initiatives (particularly new innovative concepts) that could act as the forerunner for activities that could be potentially delivered through UK Shared Prosperity Fund (UKSPF - the Government's successor to European Regional Development Fund - ERDF and European Social Fund - ESF), which is expected to be launched in either 2022 or 2023.

1.2 CRF is principally revenue funding and has four themes – Investment in Skills, Investment for Local Businesses, Investment in Communities & Place, and Supporting People into Employment. Similar to the Levelling Up Fund, CRF forms part of the Government's Levelling Up Agenda, and decisions on the allocation of funds are driven heavily by the four themes and Government's ranking of places on need for "levelling up" (Coventry is not ranked in the Government's 100 priority places for "levelling up", and has been placed in the second of three tiers).

1.3 In response to the call for applications, launched on 5th March 2021, CCC (through its Economic Development and Employment & Skills Services) has worked with some of the most prominent local business and employment support partners to develop *an integrated business and employment support package to Coventry's cultural sectors*, *which include creative industries, tourism & hospitality, events, and businesses/freelancers supplying these sectors.* The rationale behind this includes:

- These sectors have been particularly badly affected by the COVID-19 pandemic, notably through loss of income and subsequent labour shortages;
- Although successful over many years, our ERDF programmes that are open to most sectors have not engaged high numbers of businesses from these sectors;
- Unemployment levels in our most deprived areas and amongst disadvantaged groups has increased significantly since March 2020, and ESF eligibility criteria means we cannot supply the full range of employment support that is needed;
- UK City of Culture 2021, 2022 Commonwealth Games and forming strong legacies provides a unique opportunity for Coventry nationally;
- We anticipate a need to continue supporting businesses in these sectors beyond June 2022 through UKSPF, and the CRF pilot could provide lessons of how we engage effectively with and deliver support to such businesses.

1.4 CCC submitted the application to WMCA on 12th May 2021, which was the requirement for all projects seeking to deliver activities in the Constituent Local Authority areas. We were then informed on 18th June 2021 that WMCA had shortlisted the council's application as part of the overall funding request to the Department for Levelling Up, Housing & Communities'. We were then informed on 3rd November 2021 that the application had been approved in the national announcement of successful bids.

2. Building on our Track Record of Economic and Social Development Programmes

2.1 This project would build on the Council's extensive and strong track record in managing major economic and social development programmes. Since 2016, the Council has been Delivery partner for over £50m of ERDF and ESF funding that has entailed the delivery of major partnership programmes to support local businesses to grow and innovate, to improve the skills of the local workforce and to support workless residents to access employment or training. Between 2019 and 2023 alone, we expect these programmes

to have supported over 1,500 SMEs to grow, create over 1,200 new jobs, and deliver £10.3m of business grants that would lead to a further £29m in business investment.

2.2 The Council has also acted as Delivery partner for over £150m in capital infrastructure funding for the Coventry & Warwickshire Growth Deal and Getting Building Fund. In both cases, the Delivery partner function has been effective in ensuring that contracted expenditure and output targets have been achieved, notably through robust systems for commissioning and subsequently monitoring project activities.

2.3 This CRF Pilot would build on practices and delivery methods, including the effective co-ordination and management of a range of Delivery Partners to achieve common outcomes, whilst also piloting innovative new methods of service delivery that have not been permitted within ERDF and ESF eligibility rules.

3. Options Considered and Recommended Proposal

3.1 The first option could have been to decline the opportunity to apply for CRF funding, but this was quickly discounted because the Council has an excellent track record of using EU and UK Government funding to run successful projects (detailed in Section 2). It was also discounted on the grounds that it might put the Council in a less favourable position to apply for UKSPF.

3.2 An alternative option was to submit a CRF bids as part of a joint bid offer alongside another public/private organisation rather than as delivery partner in the manner set out in this report. This approach could provide some benefits in terms of reduced financial risk and programme management costs whilst still making CRF funding available for some of the Council's activities. However, within the city, there is not another appropriate partner with the track record to manage a large diverse project like the one covering the facets of business, skills and employment support together. Therefore, this option has been discounted.

3.3 The recommended option is for the Council to act as a Delivery Partner for this CRF project. This has maximised the level of CRF grant allocation which has been made available, and designates the Council to take a leadership role, working with our key partners, in how the CRF activities are delivered. As previously mentioned, the Council has an excellent track record of managing grants of this type; using them to create new jobs, improve employability and increase economic growth for Coventry. It will also put the Council in a stronger position to bid for UKSPF, which is expected to be a crucial funder of many of the Council's key economic and social development activities after EU Structural Funds end in 2023. It may also put the Council in a position to influence the more detailed design and focus of UKSPF.

4. Summary of the Project

4.1 CCC has applied to the WMCA for a total of £751,306 of CRF grant funds, proposing public and private match funding of £62,639, making a total project cost of £813,676. CCC will co-ordinate a partnership that also includes Coventry & Warwickshire Chamber of Commerce, CWLEP Growth Hub, Coventry College and Sky Blues in the Community to deliver this integrated package of business, skills and employment support that will facilitate the future growth and competitiveness of Coventry's cultural sectors (particularly creatives, tourism, hospitality and events).

4.2 The project will contain four thematic strands of activity:

- ***(a) Co-ordination & Management.*** The Delivery Partner function, liaison with WMCA as funding sponsor, and submission of claims.

- ***1. Business.*** Package of one-to-one support, workshops and small grants to enable tourism, hospitality, events and creative businesses and freelancers to grow, innovate and diversify. Further enhancements to CWLEP Growth Hub's "Find it in CW" portal to raise awareness of supply chain opportunities for these sectors, and further research into longer-term business and finance support needs of the sectors.

- ***2. Skills.*** Small grants to support businesses in the above sectors to upskill their workforce, and design of a portable apprenticeships scheme targeted at these sectors to provide improved training and employment opportunities longer-term.

- ***3. Employment.*** Targeted employment support at those furthest from the labour market and those in Coventry's most deprived areas (including Binley & Willenhall and Canley & Tile Hill). This includes outreach support, skills training courses, enhancements to CWLEP Growth Hub's CW Employment Solutions and incentives to businesses in target sectors to recruit residents from priority cohorts.

4.3 The key outputs and outcomes that are proposed to be delivered through the above activities are:

- 503 businesses will be supported through one-to-one support, one-to-many support and/or grants, which will deliver the following outcomes:

  - 40 Businesses introducing new products to the market as a result of support
  - 58 Businesses introducing new products to the firm as a result of support
  - 40 Employment increase in supported businesses as a result of support
  - 165 Jobs safeguarded as a result of support
  - 10 Number of new businesses created as a result of support.

- 460 Coventry residents will benefit from skills or employment support, which will deliver the following outcomes:

  - 135 People in education/training following support
  - 94 People gaining a qualification following support
  - 330 People engaged in job searching following support
  - 110 People engaged in life skills support following interventions.

4.4 In terms of timescales, the project was due to start on 1st September 2021 and end on 31st March 2022. However, due to decisions on funding awards taking longer than anticipated, the project will commence once the contracting process with WMCA is complete and will end on 30th June 2022.

5. Results of Consultation Undertaken

5.1 The CRF bid was developed by a partnership led by CCC. The partnership (including the organisations named in Section 4) brings together a broad representation of organisations working on economic development activities and training in Coventry and Warwickshire. This includes public and private sector partners, such as; other councils services, private companies, and third sector organisations. Coventry University Services was also consulted in developing the application to ensure alignment with current ERDF programmes that it is delivering in partnership with CCC.

5.2 Each partner had had the opportunity to influence the ESIF bid under the relevant themes, allowing the views of a wide range of people and businesses from Coventry and the local economy to be considered in the project design.

5.3 The ESIF bids deliver against the One Coventry Plan and Coventry Economic Growth & Prosperity Strategy, both of which underwent significant consultation processes.

6. Timetable for Implementing This Decision

6.1 The CRF application was first reviewed by WMCA, and subsequently shortlisted for the national funding award by Government. It was then assessed by the Department for Levelling Up, Housing & Communities (DLUHC), and CCC was formally informed by WMCA on 3rd November 2021 that the application was successful.

6.2 DLUHC will firstly issue a Funding Agreement to WMCA covering all 8 CRF projects that will be delivered within its Constituent Local Authority areas.

6.3 Once this is agreed, WMCA will issue CCC with a Grant agreement (as a Delivery Partner) that will set out the contribution of this project in terms of CRF grant, match funding and outputs and outcomes.

6.4 Once this is agreed, CCC will issue each of our delivery partners with a 'back to back' Agreement that sets out their contribution to project in terms of match funding/outputs and sets out how much CRF funding will be available to them.

6.5 Although the timescales will be heavily influenced by how long the steps detailed in 6.2 and 6.3 will take, the expectation is that this will be expected to be completed by the start of 2022 to enable a full six months of the delivery of support to end beneficiaries.

6.6 The project will run until 30th June 2022. At present, the Government has indicated that this will be a firm end date for completing all activities.

7. Comments from the Director of Finance and the Director of Law and Governance

7.1 Financial implications

7.1.1 The recommendations propose that the Council act as Delivery partner for this project, which totals £751,306 of CRF grant. Whilst there is some financial risk, there is no immediate implication of being the Delivery partner. Risk is discussed further in Section 8.2.

7.1.2 To achieve this, the Council will provide £27,606 of match funding from existing resources. Delivery Partners will also be providing £34,763 in match funding over the same period, making a project total of £814k as stated in the table below. The CRF project will provide a total of up to £115,380 in grant funding towards the Council's staffing costs and associated overheads.

7.1.3 The £813,675 total investment is entirely revenue funds. The Economic Development Service will monitor this to ensure grant is fully maximised.

7.1.4 **Table 1 – Summary of Financial Profile**

	CRF Grant	CCC Match Funding	Delivery Partner Match	Total
Total	**£751,306**	**£27,606**	**£34,763**	**£813,676**

If CCC or a Delivery Partner's level of match funding changes for any reason, CCC would need to notify this to WMCA as "lead body" for CRF.

7.2 **Legal Implications**

7.2.1 The legal implications of the recommendations have been considered and taken into account in the preparation of this report. The Council has power to enter into this arrangement under Section 1 of the Localism Act 2011

7.2.2 The Council will act as the Delivery partner for the CRF project on the terms of the agreement put in place between the Department for Levelling Up, Housing & Communities and WMCA (Lead Authority). The Council will be issued with a grant agreement containing terms and conditions which ensure that the Council delivers the project on eligible expenditures associated with the delivery of the project activities.

7.2.3 The terms and conditions will be devolved to the project's grant recipient to ensure that the Council meets its obligations to the UK Government and WMCA to secure the delivery of the projects and agreed outcomes.

7.2.4 In the event of non-compliance with the terms and conditions set out in any agreement entered into between the Council and the Funding Body, there may be a risk of clawback of the funding. This will be managed through strict monitoring and reporting (in addition to the measures identified in paragraph 8.2 of this report) which will minimise this risk.

8. Other implications

8.1 **How will this contribute to the Council Plan (**www.coventry.gov.uk/councilplan/**)?**

8.1.1 At its highest level, the CRF make a strong contribution to the One Coventry Council Plan, and particularly the Council's aims to promote the growth of a sustainable Coventry economy. This includes through supporting businesses to grow and helping local people into jobs – including through improving employability through access to skills and qualifications and creating routes into work, including apprenticeship opportunities. It will also contribute to the aim of improving the quality of life for Coventry people by improving educational outcomes.

8.1.2 The project will make a significant contribution towards delivering the outcomes of the Council's Economic Growth and Prosperity Strategy. This includes the Business theme, through providing first class support that will enable Coventry businesses to start, grow and prosper, and the People theme, through working with local businesses to create good quality jobs and pathways for people to access opportunities.

8.1.3 Given that the project will also support some businesses to improve adoption of ICT and in some cases develop new digitally-driven products or services, it will also contribute towards the carbon reductions commitments within the Climate Change Strategy for Coventry 2020.

8.1.4 This project is strongly aligned with WMCA's strategic priorities stated within the Local Industrial Strategy. Under "Business", it will support business innovation and decarbonisation through transforming/diversifying operations and providing the foundation for longer-term job creation. Under "Employment" it will support the self-employed (including those in the gig economy) to increase work volumes, will support young people and NEETs, and those furthest from the labour market and outside of JCP and ESF support.

8.2 **How is Risk Being Managed?**

8.2.1 The Council will act as the delivery partner for a total £751,306 of CRF allocation funding and will be responsible for ensuring that the funding is spent in compliance with the Fund's regulations, and this will include ensuring that grant recipients use their grant correctly.

8.2.2 Managing these complex projects with several partners does present some risk, but the Council has a good track record for maintaining and achieving significant financial controls and well-established procedures for handling public funds and these will be applied to the CRF project in order to ensure that the best possible value is achieved for the Government's investment in the activities. Risk will be managed using the following approach:

i. ***Grant Aid Agreements*** will be issued to partners which will pass on the risk of any funding claw back to partners in the event of non-compliance on their part.

ii. Building on experience of other major CCC-led business, skills and employment support programmes (mainly ERDF and ESF funded)***, an Operational Group of management-level representatives*** from each of the partners will be established for the CRF project. The group will be chaired by the Economic Development Service, and will manage risk by ensuring that partners are on course to achieve their output targets and are keeping records correctly etc.

iii. From a Governance standpoint, the project will report into the ***single CCC Programmes Board*** (CCC-led ERDF programmes currently report into this Board, and this system would ensure alignment between the CRF project and other key business support programmes). This is chaired by the appropriate senior manager from the Council to ensure that risk is sufficiently managed by major CCC-led economic and social development projects and programmes.

iv. The delivery partner function will continue to be completed by the Council's Economic Development Service (EDS). This is ***a specialist function which is responsible for managing large economic development funding contracts***. The team has a great deal of experience in this area and is currently managing funds worth £100m+ and is highly regarded by the Government's Cities & Local Growth Team.

v. ***Where grants are being awarded to businesses (we expect all awards to be under £10,000 and decisions on grant awards to be made rapidly), we will ensure the Delivery Partners have full records of the reasons for awarding the grant in appraisal documents*** (reflecting fit with the project aims). Although risk to the Council is low given the grant values, the Management & Co-ordination function will quality check a sample of grant application and appraisal forms completed by Delivery Partners to ensure that grants are being awarded fairly and in line with project objectives.

8.3 **What is the Impact on the Organisation?**

8.3.1 **HR Implications**

Project Team staff are already in place to ensure successful delivery of such complicated partnership projects and the Council's ability to provide an adequate delivery partner function. Any new staff will be recruited on temporary fixed term basis.

8.3.2 **Equality and Consultation Analysis (ECA)**

The CRF project is likely to have a positive equalities impact. Many of the interventions are designed to assist people from groups which may otherwise struggle to access support. For example, the Employment strand will particularly target residents from Coventry's most deprived areas (notably Binley & Willenhall and Canley & Tile Hill), particularly women, over 50s, young people, the disabled and those made redundant through COVID-19 pandemic.

8.3.3 **Implications for (or impact on) Climate Change and the Environment**

The project is intended to have a positive environmental impact, not least through supporting businesses to apply more efficient processes and in some cases adopt digital technologies or create more digital based projects. Efforts will be made to ensure that the project minimises any negative environmental impacts by encouraging project staff to use public transport and keep electronic records where possible.

8.3.4 **Implications for Partner Organisations?**

Securing this CRF funding will allow the Council to part-fund the activities of important partner organisations working in business and employment support. Funding will be passed on to partner organisations through these programmes, giving them focused funding till June 2022 to deliver significant and aligned outcomes for residents and businesses in Coventry.

Report author(s):

Name and job title:
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Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
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Karen Mihajlovic	Human Resources Business Partner	Human Resources	22/11/2021	23/11/2021
Michelle Salmon	Governance Services Officer	Law and Governance	22/11/2021	22/11/2021
Names of approvers for submission: (officers and members)				
Phil Helm	Finance Manager	Finance	11/11/2021	17/11/2021
Oluremi Aremu	Major Projects Lead Lawyer	Law and Governance	11/11/2021	17/11/2021
Andy Williams	Director of Business, Investment and Culture	-	17/11/2021	18/11/2021
Councillor J O'Boyle	Cabinet Member for Jobs, Regeneration and Climate Change	-	22/11/2021	22/11/2021

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Coventry City Council

Public report
Cabinet

Cabinet
Audit and Procurement Committee

14th December 2021
31st January 2022

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:
Director of Finance

Ward(s) affected:
City wide

Title:
2021/22 Second Quarter Financial Monitoring Report (to September 2021)

Is this a key decision?
No

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 2021. The headline revenue forecast for 2021/22 is 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 is **£3.1m.** At the same point in 2020/21 there was a projected overspend of £3.5m.

The position includes an underlying overspend of £6.8m within Children's Services although £3.3m of this has 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 has been undertaken to understand the likelihood and extent of these pressures continuing into next year and this will be reflected in the 2022/23 Pre-Budget Report. Management focus will 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 is clear though that a combination of societal and demographic trends and market pressures are creating a very difficult environment for the service, part of the effect of which is the challenging financial position reflected here.

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

The Council and the city continue to receive Government support linked to Covid within the 2021/22 financial year. This amounts 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 cannot be ruled out, the pace of funding announcements has slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants is therefore likely to be modest.

The Council's capital spending is projected to be £253.4m and includes major scheme expenditure which ranges 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 continue to be fundamental to the Council's role within the city.

The Council's services and its financial position are moving gradually towards a business as usual position as the year progresses with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continue to be significantly affected although often this is not resulting in a net financial cost. It is clear though that significant financial risk remains 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 remains a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

Recommendations:

The Cabinet is requested to:

1) Approve the Council's revenue monitoring position incorporating the application of Covid emergency funding.

2) Approve 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.

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 2021/22
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?

Yes - Audit and Procurement Committee, 31st January 2022

Will this report go to Council?

No

Report title:
2021/22 Second Quarter Financial Monitoring Report (to September 2021)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £243.8m on the 23rd February 2021 and a Directorate Capital Programme of £220.4m. This is the second quarterly monitoring report for 2021/22 to the end of September 2021. 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 2021/22 revenue forecast is for expenditure to be £3.1m over budget. This is after applying £11.3m of emergency funding received from Government for the purpose of managing the estimated cost of COVID-19 to the Council. The reported forecast at the same point in 2020/21 after adjusting for Covid-related funding was an overspend of £3.5m. Capital spend is projected to be £253.4m.

1.3 It is not unusual for the revenue position to reflect a projected forecast at this stage which improves over the course of the year. Nevertheless, if such an improvement did not occur the Council maintains a strong balance sheet and could manage an overspend of this magnitude at year-end.

2. Options considered and recommended proposal

2.1 This is a budget monitoring report and as such there are no options.

Revenue Position - The revenue forecast position is analysed by service area below. The position shown for each service area assumes that all Covid costs are met from the emergency funding referenced above.

Table 1 - Forecast Variances

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend	Funding for Covid Related Variance*	Non-Covid Forecast Variance
	£m	£m	£m	£m	£m
Adult Social Care	81.8	81.9	0.1	(0.1)	0.0
Business Investment & Culture	5.4	6.1	0.7	(0.4)	0.2
Children & Young People's Services	78.2	85.0	6.8	(3.3)	3.4
Contingency & Central Budgets	5.5	2.4	(3.1)	0.0	(3.1)
Education and Inclusion	16.1	17.1	1.0	(0.8)	0.2
Finance & Corporate Services	4.8	6.0	1.2	(0.2)	1.0
Housing & Transformation	13.5	13.9	0.4	(0.4)	0.0
Human Resources	1.3	1.4	0.1	(0.1)	0.0
Legal & Governance Services	4.1	5.1	1.0	(0.5)	0.6
Directorate Management	1.4	1.4	0.1	0.0	0.1
Project Management & Property Services	(4.6)	(4.1)	0.5	(1.9)	(1.4)
Public Health	0.3	0.4	0.1	0.0	0.1

Streetscene & Regulatory Services	29.4	32.9	3.5	(2.1)	1.5
Transportation & Highways	6.7	8.8	2.1	(1.6)	0.6
Total	243.8	258.2	14.4	(11.3)	3.1

*Covid Emergency Funding will be applied at year-end as contributions of specific grant.

2.2 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1 to the report.

The largest part of the variations reported at quarter 2 are as a direct result of the COVID-19 impacts across the City Council totalling an estimated £11.3m. It must be stressed that the differentiation between Covid and non-Covid costs in subject to significant estimation uncertainty. Covid financial impacts accounted for a budget variation of c£31m in 2020/21.

Directorate - Covid-Related
Children and Young People's Services continues to account for a significant amount of the overspend caused by both the total number of placements and the average unit cost of those placements, as well as additional staffing to manage the increase in caseloads. The Quarter 2 Children's Services' position includes an overspend of £3.3m that is attributed to the pandemic and which will be funded from one-off Covid funding accordingly.

Other Covid related impacts include: forecast commercial property rent losses (£1.8m); parking and enforcement income loss (£1.6m); income losses from cancelled events and outdoor education provision; and additional staffing across several services reflecting staffing cover for additional Covid tasks or to cover for Covid related absence including within Streetscene and Regulatory.

Directorate - Non-Covid
The Quarter 1 position also includes variations which are separate from those attributable to Covid.

The non-Covid overspend in Children and Young People's Services is £3.4m. Significant spend pressures include the additional costs of looked after children placements as a result of increased demand, higher unit cost of placements partly attributable to the youth violence in the city, an increase in support packages for disabled children, the use of allowances to promote permanence outcomes for children and a continued reliance on agency staff due to recruitment and retention pressures felt across the region.

The £1.5m net overspend within Streetscene and Regulatory reflects prolonged use of agency staff within Domestic Refuse as a result of high sickness, self-isolation, and accrued leave (the cost of part of which is included in the Streetscene Covid impact figure of £2.1m and is referenced above). Added to this is pressures on workload, which has resulted in a decision to accelerate the two additional rounds planned for April 2022, together with some reactive cost of ensuring all bins are collected. Additional vehicle and fuel costs have also been incurred reflecting spot hires required for the additional rounds.

Within Finance, a £0.8m clawback pressure has emerged relating to the 2019/20 benefit subsidy claim as the Council's external auditors have, during certification testing, found areas in which subsidy had been over claimed as a result of user processing errors. There is also a net Housing Benefit subsidy pressure of £0.5m due to an increase in the volume and price of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord.

Contingency and Central Budgets
A favourable variation of £3.1m is forecast at this stage arising from a combination of lower borrowing costs and greater investment income within the Asset Management Revenue Account than assumed at Budget Setting and Quarter 1, greater Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis.

Covid-Related Grants
The Government has announced a range of grant funding allocations to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic.

Table 2: Covid Funding Allocations

	Grant Value	Sub-Total
Funds Council Expenditure - Unallocated	**£000**	**£000**
Emergency Funding*	(11,314)	
Sales, Fees and Charges Income Loss (Quarter 1 claim - subject to confirmation)	(1,002)	
		(12,316)
Funds Council Expenditure – Specific**		
Covid Winter Grant Scheme/Local Support Grant/Household Support Fund	(5,194)	
Contain Outbreak Management Fund	(2,920)	
Holiday Activities and Food Programme 2021	(1,499)	
LA Practical Support Payment (Public Health)	(718)	
Clinically Extremely Vulnerable Support***	(670)	
Welcome Back Fund (Support to High Streets)	(334)	
Business Support Grant New Burdens	(290)	
Emergency Accommodation Allocation	(130)	
		(11,755)
External Provider or Programme Spend		
Adult Social Care Infection Control and Protection Fund	(3,111)	
Adult Social Rapid Testing Fund	(2,108)	
Adult Social Care Vaccine Funding	(155)	
		(5,374)
Grants to Businesses and Individuals****		

Restart Grants	(13,573)	
		(13,573)
Business Rates & Council Tax Collection Fund Contributions		
Retail Leisure and Hospitality Business Rates Reliefs	(22,000)	
		(22,000)
Overall Support		**(65,018)**

*A further £7.6m remains from the 1st tranche of funding paid in 2019/20.
** A further £8.3m is available having been carried forward as receipts in advance. £6.1m of this is COMF.
***A further £0.5m has been carried forward relating to other Covid grants of which £0.4m relates to CEV.
****Further amounts will have been paid out in 2021/22 from pre-existing schemes for Additional Restrictions Grant and Local Restrictions Support Grant.

The emergency funding allocation of £11.3m and Sales Fees and Charges Income Loss Compensation of £1.0m is sufficient currently to manage the cost of £11.3m detailed in Table 1. In addition, the specific grants communicated to date of £11.8m are being used to address Covid-specific priority programmes and are shown with a net nil position overall. It is possible that the purpose and guidelines specified in some instances means that not all of the grant will be spent with an expectation that any unused funding will be returned to Government at or after the year end.

The remaining grants and reliefs above are being passported to external Coventry businesses and Council suppliers in line with grant conditions.

2.3 **Capital**

The quarter 2 2021/22 capital outturn forecast is £253.4m compared with the original programme reported to Cabinet in February 2021 of £220.4m. Table 3 below updates the budget at quarter 2 to take account of a £1.541m of new approved/technical changes and £4.799m of rescheduling (accelerated spend).

The resources available section of Table 3 explains how the Capital Programme will be funded in 2021/22. It shows 79% of the programme is funded by external grant monies, whilst 13% is funded from borrowing. The programme also includes funding from capital receipts of £14.5m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2021-22 MOVEMENT	Qtr 2 Reporting £m
Estimated Outturn Quarter 1	247.1
Approved / Technical Changes (see Appendix 2)	1.5
“Net” Rescheduling from future years (See Appendix 4)	4.8
Revised Estimated Outturn 2021-22	253.4

RESOURCES AVAILABLE:	Qtr 2 Reporting £m

Prudential Borrowing (Specific & Gap Funding)	31.7
Grants and Contributions	201.4
Capital Receipts	14.5
Revenue Contributions and Capital Reserve	5.8
Total Resources Available	253.4

2.4 **Treasury Management**

Interest Rates
At the Monetary Policy's Committee meeting of 4th November 2021, it was agreed that the Base Rate was to be maintained at 0.10% despite fears over rising inflation. It was felt that current inflation increases are being driven by shocks to the supply chain, not increased demand and that the inflation will revert close to the 2% target in due course. The current forecast predicts that the base rate will climb incrementally over the next year and may reach 1% by end of 2022.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2021/22 Capital Programme is £18.5m, taking into account borrowing set out in Section 2.3 above (total £31.7m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.2m). The Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

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. This is due in part to the level of investment balances available to the authority. However, the budgeted and future high level of capital spend combined with a lower level of investment balances available mean that the Council will keep this under review. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow.

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In November 2020, the rules governing local authority access to PWLB changed and borrowing interest rates were reduced by 1%. The Treasury Management Strategy 2021/22 approved by Cabinet on 23 February 2021 reflected this change and agreed that the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st July and 30 September 2021 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2021/22 to Q2	Maximum 2021/22 to Q2	As at the End of Q2
5 year	1.25%	1.62%	1.61%
50 year	1.69%	2.17%	2.17%

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.

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

The Council's Treasury Management Team acts on a daily basis to manage the Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money market funds, helps to ensure that the Council has an adequate source of liquid funds. Current cash projections indicate that the Council may require short-term borrowing to cover cash shortfalls for the final quarter of 2021/22. All previous short-term borrowings (£54m) were fully repaid by the end of Quarter 1.

Returns provided by the Council's short-term investments yielded an average interest rate of 0.03% over the last 12 months. 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 the reporting stages were: -

	As at 31st March 2021 £m	**As at 30th June 2021 £m**	**As at 30th Sept 2021 £m**
Banks and Building Societies	0.0	0.0	0.0
Local Authorities	0.0	0.0	0.0
Money Market Funds	15.0	57.5	39.1
Corporate Bonds	0.0	0.0	0.0
Registered Providers	10.0	0.0	0.0
Total	**25.0**	**57.5**	**39.1**

External Investments

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out. In order to manage risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.36% over the last 12 months. As at 30th September 2021 the pooled funds were valued at £29.8m (£29.4m at 30 June 2021), against an original investment of £30m. There remains an expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow these 'losses' to be held on the Council's balance sheet and not counted as a revenue loss although this is due to change in April 2023. These investments will continue to be monitored closely.

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 Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing for capital purposes is 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 30th September 2021 are included in **Appendix 5** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2021/22. 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 30th September 2021 the value is -£42.9m (minus) compared to +£96.2m 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 30th September 2021 the value is £258.5m compared to £481.1m 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 the Director of Law and Governance

5.1 Financial implications

Revenue
Based on budget monitoring trends in previous years the Council will expect to be able to balance its overall revenue budgetary position over the remainder of the year. Should this not be the case, the Council has taken steps to ensure that it has a strong balance sheet position supported by reserve balances and provisions set aside for amounts owed to it which together provide protection against unexpected adverse budget variations. The position will continue to be monitored through the year, in particular in response to any further potential worsening of pandemic conditions through the Autumn and Winter months.

Within this overall picture, the position within Children's Services continues to represent a serious financial issue for the Council, some of which is being managed in 2021/22 through Covid resources available on a one-off basis. However, it is now clear that much of the budgetary pressure being experienced currently will outlast the direct impacts of Covid. Looking ahead to 2022/23, estimated additional Children's Services' pressures have been included within the Pre-Budget Report presented at the same Cabinet meeting as this one. Although the initial three year projection of these costs indicates a medium term trajectory it remains a priority of management to continue to focus on projects to understand and mitigate

these overspends taking a longer term view that the Council should seek cost effective models for safe management of vulnerable and looked after children in the city.

Further clarity will also be included within the Pre-Budget Report on the degree to which recent Covid related income pressures will continue into 2022/23. It seems unlikely that further significant Government support will be made available meaning that the Council will need to plan based on managing any remaining pressures from within its own resource base.

The indicative unrestricted funding of £12.3m made available for 2021/22 is likely to be enough to manage the current estimates of cost in excess of budget. The Council has also brought forward funding from a range of other Covid-related grants including the Contain Outbreak Management Fund (COMF) which it will seek to utilise in a way that best manages support to local communities and services across the city. The Covid pressures shown in this report represent variations to Budget. These do not include Covid pressures of nearly £16m (including within the Council Tax and Business Rates Collection Fund) that the Council had already taken account of as part of the Budget approved in February 2021, the large part of which has been managed locally by the Council without Government funding. Some of these pressures have also been assumed to continue into 2022/23 and therefore it is crucial for the Council to manage its Covid resources on a multi-year basis, maximising the use of specific and time-limited Covid grants in-year but managing more general and flexible funding to support Covid priorities running into next financial year.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. Current forecasts indicate that the Council's capital spending is projected to be £253.4m compared with the base budget of £220m. This takes account of programme spend brought forward from 2020/21 plus new approvals added to the programme. At this stage it is expected that £4.8m of the approved programme is likely be accelerated from the 2022/23 programme, with the secondary school expansion accounting for much of this spend.

This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, the second Friargate building, Coventry Station Masterplan, the Air Quality programme, the A46 Link Road and residual Public Realm works.

Legal implications

None

6. Other implications

6.1 How will this contribute to the Council Plan (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. The impact of Covid has represented a heightened level

of financial risk over this period. The Council has sought to take a proportionate approach to supporting key sectors, partners and vulnerable groups ensuring that a fundamental safety net is provided but doing so in a financially sustainable way, ensuring that the Council can maintain legacy support within the broad financial envelope indicated by Government emergency funding announcements.

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. The Council continues to monitor any changes to the financial position represented by Covid.

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.

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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	15/11/21	

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

Appendix 1 <u>Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position</u>

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.

Service Area	Revised Net Budget £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m	Funding for Covid Impact £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	(0.6)	0.6	0.1	(0.1)	(0.0)
Business Investment & Culture	5.4	6.1	0.4	0.3	0.7	(0.4)	0.2
Children & Young People	78.2	85.0	(2.4)	9.2	6.8	(3.3)	3.4
Contingency & Central Budgets	5.5	2.4	0.0	(3.1)	(3.1)	0.0	(3.1)
Education and Inclusion	16.1	17.1	(0.0)	1.0	1.0	(0.8)	0.2
Finance	4.8	6.0	(0.2)	1.3	1.2	(0.2)	1.0
Housing and Transformation	13.5	13.9	0.4	0.0	0.4	(0.4)	0.0
Human Resources	1.3	1.4	(0.1)	0.2	0.1	(0.1)	0.0
Legal and Governance Services	4.1	5.1	0.2	0.9	1.0	(0.5)	0.6
Directorate Management	1.4	1.4	0.1	0.0	0.1	0.0	0.1
Project Management & Property	(4.6)	(4.1)	0.3	0.2	0.5	(1.9)	(1.4)
Public Health	0.3	0.4	0.0	0.0	0.1	0.0	0.1
Streetscene and Regulatory	29.4	32.9	(0.0)	3.5	3.5	(2.1)	1.5
Transportation & Highways	6.7	8.8	(0.2)	2.4	2.1	(1.6)	0.6
Total	**243.8**	**258.2**	**(2.3)**	**16.6**	**14.4**	**(11.3)**	**3.1**

Budget Holder Variances

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £230k. Increased statutory demand for specialist placements both within and outside of the City continues to be the primary driver for cost increase. This has been compounded by unanticipated levels of post 16 course extensions, as a direct consequence of Covid disruption. However, management action in the form of an e-auction has been successful in reducing some route costs which are reflected in the Q2 forecast.	0.2
Education and Skills	Education Entitlement	Outdoor Education Service (OES) is forecasting an overspend of £242k. Due to Covid the OES service is reopening in a phased way and has had to have some expenditure to reopen. It is planned this will be part of the recovery programme to be addressed next academic year once we are able to deliver local OES services in City. The forecast also includes a £400k pressure relating to dedicated school transport for the 21/22 academic year. This is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes in the 20/21 academic year. Work is ongoing to identify options to ensure we can reduce/eliminate this pressure in future years.	0.6
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver the outstanding £189k financial savings target set as part of previous budget setting processes to ensure we maximise grant funding against internal training programmes.	0.3
Education and Skills	Education Improvement & Standards	An underspend on historic pension liability is partly offset against an overspend on school trade union facility time. Work is underway to understand the ongoing forecast of these variances and take corrective action where necessary.	(0.1)
Education and Skills	Libraries, Advice, Health & Information Services	The financial position reflects the service emerging from the Covid lockdown. Whilst library fees and charges have been re-introduced (since 1 October) other sources of income from room bookings etc are still in the early stages of recovery. The Schools' Library Service has also seen a decline in take up from schools which is also related to Covid impact and work is ongoing to re-focus the traded offer for the new challenges faced by schools post lockdown.	0.1
Education and Inclusion	Other Variances Less than 100K		(0.1)
Education and Inclusion			**1.0**
Children and Young People's Services	Commissioning, QA and Performance	The budget position has worsened from Q1 to Q2 with the projected overspend having increased by £76k to £233k.The overspend is largely linked to a shortfall of £0.1m in the Safeguarding training income target that is not expected to be met. Opportunities to increase income in this area are currently being progressed as part of the commercialisation programme and new training packages have been developed but we are yet to see how these will land and see increased income as a result.	**0.3**

		There has also been a pressure due to the higher cost of agency staff vs. permanent staff within the Safeguarding service. The other main driver for the projected overspend in Q2 relates to the PSS and a legacy saving target of £53k which is not going to be met.	
Children and Young People's Services	Help & Protection	There has been a net reduction in the projected overspend from Q1 to Q2 of £400k. This is due to deep-dive work on Social Worker agency spend driven and supported by the Finance Team. Clear expectations are now set in relation to the monitoring and cessation of agency SW contracts. Agency SWs are required within the service to cover vacant posts, maternity and long-term sickness cover as these roles are business critical. With a total forecast spend of £2.6m on Agency, offset by the £1.7 underspend of establishment vacancies the pressure in net pressure on this is £0.9m. There are vacancies being held in the Family Hubs delivering £180k underspend. The service has also seen a significant increase in the volume of families presenting as "homeless" and requiring the local authority to provide them with temporary accommodation. A targeted response is being provided to fast-track those families into permanent accommodation, however, those interim costs are forecast to be £130k overspent in 21/22.	**2.7**
Children and Young People's Services	LAC & Care Leavers	A £3.5m pressure on placements budget forms the majority of this overspend. Of the placement pressure, £1.3m is due to market price increases and £2.2m due to a combination of high numbers of children looked after and an increase in the use of high cost residential placements. Both pressures are linked to COVID activity and the associated impact on supply and demand. The overspend is particularly impacted by the partial delivery of the agreed placements mix. There has been some success with reducing children looked after numbers. The predicted mix of placements has not been achieved, which has resulted in more children living in an external children's homes. This is because of a slower than predicted growth in internal fostering and a closed external fostering market. A reduction in numbers of children looked after in supported accommodation is because more are living in Staying Put or with foster carers. There is a forecast overspend of £0.9m SGO allowances, from an increase in SGO orders to promote permanence for children. Decisions are made for children on an individual basis, accounting for immediate financial efficiency, but this does cause pressure in subsequent years in the SGO budget. This is partially offset by an underspend in RO fees and some one-off income on the ACE budget, but this will be an ongoing pressure in the medium-long term. The remaining overspend consists of: £0.8m pressure in the LAC permanency team and £0.2m in Through Care due to agency staff and professional fees, £0.2m Children's Disability Team due to an increase in support packages, and £0.2m in Supervised Contacts due to increased demand and £0.1m for children	**6.0**

		looked after transport due to increased use of secure transport. There is work underway in all of these areas to identify ways to mitigate these overspends and understand ongoing pressures.	
Children and Young People's Services	**Other Variances Less than 100K**		**0.1**
Children and Young People's Services			**9.1**
Adult Social Care	Adult Social Care Director	The overspend represents an increase in provision for bad debt partially offset by the use of iBCF and other resources to manage the overall Adult Social Care financial position.	0.2
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Overspend due to additional COVID related homecare and placement costs arising as a result of reduced day care services and other miscellaneous increased costs.	0.3
Adult Social Care	Strategic Commissioning (Adults)	£0.1m underspend relates to Carers budgets. Work is underway to enhance the support the offer to carers for the next 12 months. £0.25m underspend relates to transport as a result of reduced capacity in daycare opportunities.	(0.4)
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m). The All Age Disability Team and Mental Health services have also seen increasing demand alongside staff turnover. Ensuring statutory need is met has been essential and has resulted in additional forecast agency cost in both areas.	0.4
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			**0.6**
Housing Services & Transformation	Housing and Homelessness	The service has seen an increase in households in temporary accommodation, however this hasn't risen as steeply as forecast. However, the increasing number of evictions and the impact of Covid 19 is likely to an increased demand during the next 2 Quarters.	(0.6)
Housing Services & Transformation	ICT & Digital	The Quarter 2 position reflects a reduction in income from our school's service. The services to school offering is currently being reviewed in line with the corporate review of traded services. There are further uncertainties with the ICT budget with regards to demand for hardware and the fluctuation caused by increased demand due to COVID. This is being compounded further by issues with regards to availability and price variances with regards to ICT equipment as a result of the global microprocessor shortage. Further work is taking place to understand this impact for Quarter 3 and budget setting.	0.5
Housing Services & Transformation	Other Variances Less than 100K		0.1
Housing Services & Transformation			**0.0**

Legal & Governance Services	Legal Services	Variations in Legal Services (£490k) are as a result of an increased caseload volume for care proceedings. £290k of this is directly related to volumes caused by the COVID-19 pandemic. Additionally, a net pressure of almost £200k is forecast reflecting the cost of agency staff to cover vacancies. There are also COVID-19 related pressures in Coroners and Registrars (£180k) due to additional costs incurred and lost income.	0.8
Legal & Governance Services			**0.8**
Finance & Corporate Services	Revenues and Benefits	This variation is due to 3 main factors A net Housing Benefit subsidy pressure of £0.5m due to an increase in the volume and price of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord. The Council has historically had the opportunity to recover overpayments to offset this pressure, however due to customers transferring to Universal Credit and the effects of COVID, this has been greatly reduced. In addition, a £0.8m clawback pressure has emerged relating to the 2019/20 benefit subsidy claim due to failures on testing carried out in the certification process being higher than originally identified. The remaining net pressure of c£0.2m is due to administration costs associated with an increasing council tax base and a delay in the implementation of digital solutions to make savings.	1.4
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			**1.3**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	This pressure primarily reflects the loss of the Council's share of 'the Wave' profit caused by the facility being closed in the early part of the year due to Covid, reduced Godiva ticket sales, together with some short term operating costs in respect of Brandon Wood Golf course	0.3
Business Investment and Culture			**0.3**
Transportation & Highways	Parking	COVID-19 Income pressures due to a significant reduction in parking and enforcement income during the COVID-19 restriction periods and reduced collection rates. It is likely that this will continue to affect the position throughout the rest of the financial year.	1.5
Transportation & Highways	Highways	There are variances circa £150k due to delays in delivering MTFS targets and the use of agency to cover vacancies	0.1
Transportation & Highways	Transport and Innovation	This reflects additional Highways Development Management agency staff resources which have been brought in to support the with the major planning	0.5

		applications and to provide cover for vacancies due to the inability to recruit	
Transportation & Highways	Other Variances Less than 100K		0.2
Transportation & Highways			**2.3**
Streetscene & Regulatory Services	Regulatory Services	Due to COVID it hasn't been possible to carry out the required checks which has resulted in a number of licenses being issued as 5 year rather than the predicted 1 or 2 year.	0.4
Streetscene & Regulatory Services	Streetpride & Parks	This primarily reflects COVID related pressures resulting from cancelled events in parks, additional staffing and cleaning at the crematorium and additional manned vehicles in Streetpride. A large proportion of this was however offset by vacancy savings.	0.8
Streetscene & Regulatory Services	Waste & Fleet Services	£1.3m of this relates to pressures in Domestic Waste, most of which is as a result of the temporary cover arrangements required to cover sickness, isolation and accrued leave. In addition, pressures in workload has resulted in a decision to accelerate 2 additional rounds originally planned to be implemented in April 2022. Commercial Waste is forecasting a pressure of c£0.4m which is due to a combination of shortage of drivers, increased disposal gate fees and loss of income due to Covid. Waste Disposal costs are forecast to be underspent by c£136k which is primarily due to reduced CA Site Mgt costs. This is a direct result of introducing the appointment system. Fleet are also forecasting a small underspend due to reduced capital financing charges.	1.7
Streetscene & Regulatory Services	SSGS Management & Support	Additional costs are being incurred on Car Park Mgt & Security due to COVID restrictions and temporary mortuary fees.	0.4
Streetscene & Regulatory Services	Environmental Services	This is largely due to pest Control income pressures of £100k, partially due to COVID, additional staff cover caused by vacancies & isolating in the ESU of £150k, and an income loss of £60k from a reduced uptake of some services including Call handling, CCTV and Alarm Monitoring.	0.3
Streetscene & Regulatory Services			**3.5**
Project Management and Property Services	Commercial Property and Development	The underlying variance is a surplus of c£1m to reflect better performance against target. This is however being more than offset by a potential write off of rents forecast of £1.8m due to the lasting impact of the pandemic.	0.7
Project Management and Property Services	Facilities & Property Services	This is primarily a trading surplus within the Repair and Maintenance function due to increased project work, together with lower running costs for operational property due to lower usage over the lockdown periods	(0.6)
Project Management and Property Services	Other Variances Less than 100K		0.1

Project Management and Property Services			**0.2**
Ringfenced Funding	SEND & Specialist Services	SEN Provision is forecasting an over spend of £2.1m. The position has worsened by £0.8m compared to Q1. Following the full-time return to school, a small minority of pupils have presented with complex challenging behaviours requiring enhanced provision to secure their placement. This is supported by the LA through a panel process, that considers a time limited student specific financial allocation to enable schools to enhance staffing (1:1 support). There is an increased cost associated with post 16 provision as a result of demand growth compounded by an increase in the average placement fees because of the complexity of learners. It is evident that some of the growth (unanticipated retention) can be attributed to the impact of the pandemic, as students determine to repeat a year or extend their course length as an alternative to entering the world of work or adult social care provisions. The forecast expenditure also reflects the incremental cost of the ongoing increase in EHC Plans and includes a financial pressure against top up payments for mainstream schools. This absorbs the growth in special school post 16 retention, which was higher than originally forecast. The complexity of learners new to the system has increased the average cost with a changing proportion of Band 5 / Band 6 allocations. There is significant pressure on special school placements particularly in the area of SEMH (behaviour) which has increased the LA's dependency on external independent schools. This is likely to persist until Woodfield is able to increase local capacity. SEN Support services are forecasting an under spend of £0.5m. This mainly represents salary forecasts taking into account vacancies, the majority of these have been recruited to from September 21.	1.6
Ringfenced Funding	Schools	£2.75m relates to High Needs unallocated resource which has been earmarked to fund the SEND review. £155k is the underspend on Early Years provision for Summer Term due to a reduction in pupil hours	(3.0)
Ringfenced Funding	Education Improvement & Standards	The underspend is across staffing budgets and is a result of delays in the implementation of the Early Years Restructure. All vacant posts are either recruited to are in the process of being recruited to so the underspend is not ongoing beyond the current financial year.	(0.2)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	1.6
Ringfenced Funding			**0.0**
Corporate & Contingency		A favourable variation of £3.1m is forecast at this stage arising from a combination of lower borrowing costs and greater investment income	(3.1)

		within the Asset Management Revenue Account, greater Business Rates pooling income and lower than anticipated employer superannuation costs.	
Corporate & Contingency			**(3.1)**
Total Non-Controllable Variances			**16.6**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Coventry Station Masterplan	Realignment of budget to match funding	0.8
JCB Pothole	Purchase of the new JCB Pothole Pro vehicle. This is a unique 3 in 1 solution specifically designed to sort out any pothole repair or large reinstatement operations, efficiently, economically and permanently.	0.2
Highways Investment	£300k transfer to revenue to provide further support to the Highways reactive maintenance programme due to continued deterioration of the road and pavement network. This funding provides for three extra patching gangs until the end of the financial year. The £300k to be transferred from flood risk and drainage as a resource switch to fund the above additional pressures. Funding to be switched back to Drainage programme as required in future.	(0.3)
Dynamic Charging of Vehicles	Coventry City Council are accountable body and have secured £345k from Western Power Distribution's National Innovation Allowance (NIA) to carry out the feasibility study to see how the dynamic wireless charging technology will have impact on the energy grid and on the UK's road network. This will be delivered via a consortium of partners.	0.3
Funeral Directors	Affordable funeral provision	0.1
Miscellaneous		0.4
TOTAL APPROVED / TECHNICAL CHANGES		**1.6**

Appendix 3

DIRECTORATE	BASE BUDGET 21/22 plus 20/21 RESCHEDULING £m	TOTAL APPROVED TECHNICAL CHANGES £m	TOTAL OVER / UNDER SPEND £m	TOTAL RESCHEDULED EXPENDITURE £m	REVISED ESTIMATED OUTTURN QTR1 21-22 £m
PEOPLE	41.2	2.7	0.0	(1.3)	42.6
PLACE	211.7	17.6	(0.2)	(18.3)	210.8
TOTAL	**252.9**	**20.3**	**(0.2)**	**(19.6)**	**253.4**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
Friargate	The works completed by the contractor BK have been completed in advance of their original planned activity	1.5
Coombe Park new Play Facilities	Expenditure rescheduled into 22/23 due to programme delays – Visitor Centre works are being carried out in advance of the Forest Area Play which will be in 22/23 financial year.	(0.4)
Basic Need - Schools - Grant	The forecast increase in spend this financial year relates to additional project requirements as a result of project delays as a result of Covid, Brexit (resulting in material shortages), putting in mitigations such as temporary mobiles on several school sites. In addition to this, some projects have been accelerated which has meant spend has been expedited.	3.7
Miscellaneous under £100k		(0.3)
TOTAL RESCHEDULING		**4.5**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2021/22	As at 30th September 2021
Ratio of Financing Costs to Net Revenue Stream (Indicator 1), This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.	14.62%	14.26%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2021 plus the estimates of any additional CFR in the next 3 years (Indicator 2), 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 and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £529.5m	£331.8m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5), This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.	£549.5m	£331.8m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6), This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.	£529.5m	£331.8m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9), These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.	£481.1m	£258.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£96.2m	-£42.9m
Maturity Structure Limits (Indicator 10), This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.		

< 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	7% 2% 19% 3% 69%
Investments Longer than 364 Days (Indicator 11), This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.	£30m	£0.0m

Coventry City Council

Public report
Cabinet Report

Finance and Corporate Services Scrutiny Board (1)	1st December 2021
Cabinet	14th December 2021
Council	18th January 2022

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:
Director of Finance

Ward(s) affected: All

Title:
Medium Term Financial Strategy 2022-25

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

Executive Summary:

This report presents a Medium-Term Financial Strategy (MTFS) for adoption by the City Council. The previous strategy was approved as part of the 2021/22 Budget Report in February 2021. 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 current Budget process. Cabinet will consider proposals within the Pre-Budget Report in December and the final Budget Setting Report will be brought to Cabinet and Council in February 2022.

The national funding background to the MTFS is that the local government will 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 has been signalled at regular intervals this was once again postponed in SR2021 and there will be no structural changes to the system until 2023/24 at the earliest. In addition, SR2021 provides only indicative control totals for the sector and it will not be until the provisional local government settlement is released in December 2021 that firmer indications will be provided of the Council's outline financial settlement for the next three years. The Pre-Budget report that will be considered by Cabinet alongside this one sets out the best estimate of the Council's three-year settlement financial position. Current medium-term estimates are still based on assumptions of local authorities continuing to face significant financial pressures.

The national political and financial environment has continued to be subject to fluidity and uncertainty resulting from the impact of Covid and the economic transition as restrictions have 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 affects the financial position for local government will not be known with any certainty until the forthcoming local government settlement although it is anticipated that demographic, societal and inflationary pressures will absorb much if not all of the indicated growth in the sector. The shorter-term impact of this is likely to be some additional funding for local government to help deal with known and growing financial pressures. The extent that the position can be forecast beyond 2022/23 will depend greatly on the detail set out in the settlement. There is every expectation that the pressure on public finances will not ease in a sustained way and that any increase in available revenue resources will 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 continues 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 has 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 presents a further challenge. In addition, the elements of the Programme that are funded by future West Midlands Combined Authority (WMCA) 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. 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, 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 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 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 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 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 includes:

- 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 will change the way the Council works and engages 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 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 2021/22 approved budget, the initial financial gap for the following 3 years as at the start of the new Budget Setting round is:

	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 have been updated to reflect all approved decisions up to and including the 2021/22 Budget process.

The 2022/23 Pre-Budget Report which will be considered by Cabinet alongside this report will 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 is not unusually large in a historical context or compared with authorities similar to Coventry and the Pre-Budget report will show measures that are likely to bring next year's position close to balance. One of the challenges of this strategy will be to move the Council towards a balanced position over the medium term although this will depend to a large degree on the content of the local government settlement. It will nevertheless require the Council to consider the need to prioritise the services that it wishes to maintain in the future and identify those that may be allocated fewer resources, managed in a different way 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:

(1) 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) on 1st December 2021

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 - 18th January 2022

Medium Term Financial Strategy 2022-25

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 2022, following the consideration of the Pre-Budget report in December 2021.

1.2 National Context

1.2.1 Local authorities continue to face severe financial pressures. In recent years 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.

1.2.2 The detailed resource implications of SR2021 will not be known when Cabinet considers the 2022/23 Pre-Budget Report in December although planning assumptions based on best estimates will be reflected in the report. What is known is that local authorities face a number of structural challenges in managing their finances, including the need to transition to business as usual on exiting the EU and living with the potentially longer-term financial impact of living with Covid.

1.2.3 Cost pressures and rising inflation across a number of areas including energy, supplies and staffing impose a significant burden across the economy, impacting on all sectors, with the Local Government Association recently estimating that councils are facing cost pressures of £2.6 billion each year, comprising £1.1 billion for adult social care and £1.5 billion for other services, just to keep them at their 2019/20 level of quality and access.

1.2.4 In September, the Government launched "Building Back Better: Our Plan for Health and Social Care" which when implemented is expected to introduce a cap on personal care costs, provide financial assistance to those without substantial assets, deliver wider support for the social care system and improve the integration of health and social care systems. Although limited detail is currently available, of the overall £36bn additional resourcing, the Government has identified £5.4bn (raised from a new Adult Social Care Levy) over the next 3 years, to be invested in Adult Social Care to meet the costs of implementation. Alongside a significant increase in National Living Wage next year, this is likely to have a large impact on the cost of Adult Social Care Provision going forward, and until more detail is provided the cost and the profile of the impact remains unclear.

1.2.5 In addition, local authorities are facing reduced levels of income, as for instance car parking and property rental income are hit as a result of the pandemic. Although the extent to which these changes are permanent will only become apparent over time. Nevertheless, the Council will need to budget for the impacts and assume limited government support going forward. The reality is that public sector finances are virtually always faced with the need to balance budgets under resource constraints, with the severity of these constraints being the factor that changes over time. Nationally a number of authorities have faced acute financial difficulties, with S114 reports having been issued in recent years as some struggle to set balanced budgets, with insufficient reserves to manage the transition to greater financial stability.

1.2.6 Commercialisation across local government through investment in property, shares and loans has come under national scrutiny, particularly where such investment is funded through borrowing. As some authorities have encountered problems with a number of their commercial investments there has been an increased focus on the regulatory framework in which authorities operate. CIPFA is currently reviewing the Prudential Code for Capital Finance and the Public Works Loans Board (PWLB) has changed the requirements governing local authority access to borrowing, in order to limit investment in commercial assets with the prime purpose of achieving a financial return or yield.

1.2.7 The move towards net zero emissions in 2050 will present a major challenge to all sectors of the economy. The precise role of local government in meeting that challenge and the financial dimension of doing so will only be determined over time. Coventry City Council's One Coventry Council Plan is in the process of being updated but the Council has already taken a strong stance on the issues around climate change and this will be reflected in the revised Plan.

1.3 The Local Dimension

1.3.1 In order to ensure that Council financial plans are robust in the medium term the Council's MTFS continues to be intended to cover a 3-year period. The starting point for the Council is that it faces a large budget gap across the planning period, with starting gap of £15m in 2022/23 rising to £27m by 2024/25, a total cumulative gap of £63m over the 3-year period.

1.3.2 From a resource perspective Coventry has faced significant reductions over the last decade with a reduction in like for like core government funding of c£120m. 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. Reserves have continued to provide a one-off resource to meet investment needs.

1.3.3 Against this backdrop local government has had to manage the impact of Covid-19. Whilst the Council has received unprecedented Government support for general expenditure this has tapered off in 2021/22 and is unlikely to continue at any significant level in 2022/23. The Council will remain vulnerable to future shortfalls between Government funding and the costs that they have incurred or the income that they have lost. In the meantime, the Council has provided appropriate support to local citizens, service users, businesses ratepayers and suppliers. This has included passing on of specific ringfenced funding to Business Ratepayers (in the form of rates relief and business grants) and recipients of Council Tax support, together with being actively involved in a wide range of other measures in relation to controlling Covid-19 and managing the social, environmental and economic impacts.

1.3.4 Apart from the 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 £438m to the Council's capital programme, some £245m has been agreed in principle only, effectively being dependent on future WMCA resourcing decisions. In addition, the WMCA was successful recently in securing £1.05bn of grant funding across the region under the City Region Sustainable Transport Settlements (CRSTS), with the aim of providing investment for transformational change across the region. The precise arrangements and processes through which future WMCA programmes are

financed 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 MTFS period.

- 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, increasingly complex care packages, the impact of the pandemic and significant financial pressures across the sector. Although the government's initial proposals for adult social care reform focus on funding though a national insurance based social care precept and dividend taxes there still remains significant uncertainty about the extent to which funding reforms will address the underlying pressures.

- The Council's Commercialisation Investment Strategy sets out the framework within which the Council's commercial investments are to be managed. This includes the Council's company shareholdings, its commercial property holdings and the loans it provides to external organisations. The Strategy reports on the overall value of these assets (c£350m in 2021/22) and the return on them (c£18m) and is a key component of the Council's approach to managing risk. Whilst providing financial returns, the service dimension of commercial investments is important including in facilitating local regeneration, addressing market failure and supporting local organisations. The approach within the MTFS is to continue to undertake commercial activities where these are consistent with the PWLB requirements of not investing primarily for yield and where risk is proportionate to the financial strength of the Council.

- The importance of regeneration, economic support, skills and employment investment, particularly in the light of the potential changes to business rates and the impact of Covid-19. How national developments such as the Levelling Up agenda and the Shared Prosperity Fund progress will be critical in addressing these needs. As the replacement for European Union grant funding, under the Shared Prosperity funding is planned to rise to £1.5bn pa from 2024/25 nationally. The Council is also taking steps independent of these national measures, for instance taking forward plans to secure and develop a vehicle battery manufacturing Gigafactory on the outskirts of the city.

- 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 been a very significant additional cost pressure and has represented one of the most challenging recent financial developments to face the Council. Although the number of households accepted as homeless has reduced in 2020/21 the unwinding of Covid-19 measures, such as the ban on eviction is likely to increase the number of approaches to the service.

- 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. The further financial distress caused by COVID-19 has inevitably added to this pressure.

- The schools sector continues to be fragmented across maintained, academy and free school provision. This has changed the face of local education provision with the reduced role of councils putting more pressure on the remaining rump of local authority education services and finances.

- The re-phasing of the UK City of Culture programme to May 2022 has provided the opportunity for the city to continue to secure cultural and economic benefits, and to contribute to Coventry's position as a global and connected city. 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. The Council will continue to provide financial support to the Trust and its successor body as its work transitions into a legacy programme when the City of Culture year ends.

1.3.5 There are a number of local factors that provide a solid foundation on which the city can build towards sustainable economic growth: two major universities; excellent transport infrastructure links; pockets of highly innovative businesses; significant infrastructure and connectivity investment including Friargate, Coventry station and very light rail project. Furthermore, major events such as, UK City of Culture 2021 and the Commonwealth Games 2022 are key to improving the attractiveness and desirability of the city as a venue.

1.3.6 However, significant challenges do exist for the city. The level of average pay within the city is lower than in both the West Midlands region and England as a whole, and at 5.9%, the city's unemployment rate is higher than average compared to a group of similar local authority areas, whilst inequalities in healthy life expectancy exist between areas of the city. These are set out in full within the Council's Annual Plan Performance Report 2020/21 and improvement in these and other measures will continue to be the focus of activity across Council services.

Resource and Planning Position

The starting point for the Council's MTFS is the forecast multi-year **revenue programme** set out in the 2021/22 Budget Report in February 2021, updated for all approved future years' budget decisions known at that time. The current planning process starts with significant forecast deficits from 2022/23:

	2022/23 £000	**2023/24 £000**	**2024/25 £000**
Position Carried Forward from 2021/22	**15.4**	**21.4**	**26.6**

The Pre-Budget Report, which will be considered by Cabinet in December 2021, sets out the detailed financial position over the next 3 years, including emerging pressures, together with potential technical savings to partially offset the impact of these. At quarter 2 the forecast outturn for 2021/22 was a net overspend of £3.1m, taking account of the impact of Covid-19, and prior to the implementation of measures to balance spend to budget as at the year end. Significant pressures exist across several areas including children's services and highways and transport including car parking income.

The current **capital programme** approved in February 2021 includes the following expenditure profile:

	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Capital Programme Spend	**137.7**	**44.5**	**57.4**	**19.8**

This programme provides for several large investment schemes including a second Friargate building, regionally significant infrastructure schemes through the UK Central Connectivity programme, the Collection Centre, housing infrastructure, public realm, as well as investment in school buildings and business development. Of the total 4 year planned capital spend of £259m, £189m is resourced by grant, including significant sums through the WMCA, and £60m by prudential borrowing.

The level of prudential borrowing funding has increased in recent years, as significant sums have been invested through the capital programme. 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 may not 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.

The Council has significant reserves including **revenue reserve balances** of £122.5m; £26.6m of **capital reserves** earmarked to fund major capital schemes; £27.1m of reserve balances belonging to or earmarked to support **schools**, and £48.3m of **business rates relief transitional reserves**. The Council's reserves are reviewed in order to assess their adequacy for current known liabilities, approved policy commitments and financial risk, including that arising from commercial investments. The level of available reserves is important in maintaining the financial resilience of the Council. The make-up of the Council's reserves as at 31st March 2021 was:

Table 2 Summary of Reserve Movements in 2020/21

	1st April 2020	(Increase)/ Decrease	31st March 2021
	£000	£000	£000
Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(3,017)	(9,651)	(12,668)
Private Finance Initiatives	(9,467)	(1,527)	(10,994)
Early Retirement and Voluntary Redundancy	(9,323)	0	(9,323)
Potential Loss of Business Rates Income	(7,735)	0	(7,735)
Covid-19 Government Funding	(7,558)	0	(7,558)
Innovation and Development Fund	(5,549)	0	(5,649)
Reset and Recovery	(5,467)	0	(5,467)
City of Culture Readiness	(1,842)	(3,122)	(4,964)
Air Quality	(641)	(3,876)	(4,517)
Commercial Developments	(4,419)	0	(4,419)
Management of Capital	(5,564)	1,536	(4,028)
City of Culture	(4,000)	1,500	(2,500)
Insurance Fund	(721)	(1,327)	(2,048)
Public Health	(1,356)	(398)	(1,754)
Other Directorate	(11,187)	(3,962)	(15,149)
Other Corporate	(1,797)	(11,803)	(13,500)
Total Council Revenue Reserves	**(89,920)**	**(32,630)**	**(122,550)**

Extra-Ordinary Item - Covid Business Rates Relief	**0**	**(48,302)**	**(48,302)**
Council Capital Reserves		0	
Useable Capital Receipts Reserve	(31,099)	6,363	(24,736)
Capital Grant Unapplied Account	(1,834)	6	(1,828)
Total Council Capital Reserves	**(32,933)**	**6,369**	**(26,564)**
School Reserves			
Schools (specific to individual schools)	(18,007)	(4,289)	(22,296)
Schools (related to expenditure retained centrally)	(3,298)	(1,509)	(4,807)
Total Schools Reserves	**(21,305)**	**(5,798)**	**(27,103)**
Total Reserves	**(144,158)**	**(80,361)**	**(224,519)**

One Coventry Council Plan

The MTFS rests on the principles, visions and priorities set out for the City within the One Coventry Council Plan 2016-2024, which is currently being refreshed via a process that should be concluded in the first half of 2022. This will include a revised set of corporate priorities and performance measures. The MTFS will need to ensure through appropriate resource allocation decisions that it supports this plan once it has been established, alongside the fundamental aims of delivering a balanced budget and enabling the Council to fulfil its statutory duties.

The period since 2010 has been marked by Budget processes that have by necessity had to focus on balancing the Council's financial position with limited scope for significant resource allocation to reflect changes in priorities. SR2021 provides some evidence of greater stability for future local government settlements although caution is needed given the service pressures that the sector will face over the medium term. If subsequent local government settlements confirm this transition, the Council may be able to allocate additional resources to a greater range of its policy priorities. It remains likely that this will be possible only with continued success in generating commercial incomes and implementing transformative change to how services are delivered.

Strategic Policy Assumptions

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.

The Council had previously undertaken work on a transformation programme with activity organised into workstreams covering place-based working within our communities, commercialisation, digital activity, organisational design and use of property assets. One of the impacts of Covid has been the delay to this activity and as a result, no transformation savings were built into the 2021/22 Budget although the programme did identify some service enhancements and provided a planning framework for future improvements. The Council is subsequently refreshing its approach to transformation activity incorporating a wider series of connected workstreams across its activities, and with a focus on partnership working. This work is at an early stage but is gathering pace and will be well placed to drive achievement of the revised One Coventry Council Plan when it is approved during 2022. It is not appropriate at this

stage to assign financial savings targets to this programme. This will be reviewed as the activity is progressed with a presumption that, alongside the need to achieve better outcomes for local residents, greater efficiency should be a key part of the programme's output.

It is anticipated that the Council's prospective Budget plans for 2022/23 to 2024-25 (which will be first published after this report has been written) will continue to face financial pressure over this period and the need to change the way that it delivers some of its services to meet this challenge. Until the provisional and final local government settlements are published the Council's financial plans will contain considerable speculation although there is some evidence to suggest a more positive funding trajectory than previously. Most of these resources will be needed to meet funding pressures that had already been identified or which have emerged recently. The prospective position will continue to include the identification of technical savings within corporately held budget areas, any growth in Business Rates and Council Tax tax-bases, contributions from commercially related activity and (if required and as a back-stop) reserve contributions to manage one-off pressures.

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 key stakeholders such as the Coventry and Warwickshire Local Enterprise Partnership, the One Coventry Partnership and the Coventry and Warwickshire Anchor Alliance;
- Collaborating with voluntary bodies and community sector organisations in order to develop alternative delivery models to enable people to access effective and efficient support.

Consistent with the One Coventry Commercialisation workstream, the Council will seek to maximise income through several 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 and PWLB and regulatory requirements.
- 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.

The Council will continue to seek opportunities to make investments in a selective manner in commercial ventures to secure a financial return and achieve service policy objectives where consistent with its priorities, the One Coventry Council Plan, Commercial Investment Strategy and PWLB requirements. 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. This is likely to entail providing further investment to existing ventures for the purposes of both expansion and consolidation.

The capital programme will continue to be resourced from several 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, over the next 2/3 years it is likely that the Council will need to undertake some borrowing for capital investment. When borrowing, the Council will look beyond the traditional source of the Public Works Loans Board (PWLB), in order to minimise financing costs. In 2020 PWLB borrowing rates were reduced by 1% alongside the introduction of restrictions on access to the PWLB where an authority invested in commercial investments primarily for a financial return.

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.

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 98% which is much improved on levels for much of the previous period. Its contributions to the pension fund will stand at 22.9% as a proportion of the superannuable payroll in 2022/23. As an alternative to making monthly payments, in order to efficiently manage the burden of contributions, an upfront payment of £97.8m was made in 2020/21 to cover the next 3 years. The Council will continue to work with the West Midlands Pension Fund to agree employer pension contributions that strike a balance between increasing the funding level over the long-term and maintaining sustainability and affordability in relation to the Council's overall financial position. 2022/23 sees the end of the current triennial review period and a new assessment will be made of employer superannuation contributions from 1st April 2023.

Strategic Financial Management Framework

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

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 Leadership Team (SLT) with the One Coventry Leadership Team (OCLT) overseeing transformation programmes, quarterly monitoring and development of Budget proposals;
- A framework founded on delegation and clear accountability, with budgets managed by the designated budget holder, reported through Service Management Teams, the OCLT, SLT, 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 and programme delivery;
- 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 SLT 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, considering the overall level of risk faced by an organisation of the City Council's size.

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

- Stabilised Government funding for the three years starting 2022/23 with some growth expected. This has been set out indicatively by the SR2021 although no authority level detail is available at this stage. The headline position is for a growth in funding over the period although the balance of resources available to fund services vs the amount required to pay for the Government's proposed social care reforms will dictate the extent to which the headline represents real growth for council budgets;
- In line with the Spending Review and as a technical assumption, Council Tax increases of just under 2% per annum and Adult Social Care precept increases of 1% per annum. This will be subject to political debate and decision as well as any changes at a national level;
- Increases in pay budgets of 2% per annum. 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 (plus compensating Government grants) will be assumed to be inflated broadly in line with Government dictated Business Rates multiplier inflation levels (currently RPI) amended for trends in Business Rates tax-base, collection performance and appeals.
- Planning based on the underlying Council Tax-Base growing at 0.8% 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. Actual increases in fees and charges will depend upon local factors such as the need to generate enough 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. This will be reviewed on an annual basis to ensure that additional costs for external contracts which reflect patterns dictated by pay inflation or other significant inflationary pressures are 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 2022/23 Budget.

5. Comments from the Director of Finance and the Director of Law and Governance

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 balance its budget 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 £27m in 2024/25 although this will be updated within the Pre-Budget Report presented to Cabinet on December 14th, 2021. 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. The Council will seek to identify medium-term measures linked to the One Coventry approach and set out in this report and 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?**

Despite the likelihood of a somewhat stabilised funding settlement, the Council will continue to be faced with challenging resource constraints in the coming years. This will demand that there continues to be a focus is to identify additional income generation and commercial options but in a way that takes a balanced approach to financial risk. The Council's activity will be focussed on a One Coventry approach, working with partners and the community and identifying synergies between services. This may result in different

ways of delivering some services although the ultimate goal will be to deliver better outcomes for the citizens of Coventry. Within these parameters, the MTFS is closely aligned to the One Coventry Council Plan priorities.

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**

The extent to which Climate Change is an emerging priority for the Council will be reflected in the revised One Coventry Council Plan during 2022 and can be expected to figure more prominently in the Council's policy and financial planning activities in the near future.

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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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	12/11/21	15/11/21

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Coventry City Council

Briefing note
(Relating to agenda Item 6 – Medium Term Financial Strategy 2022-2025)

To: Cabinet **14th December 2021**

Subject: Medium Term Financial Strategy 2022-2025 – Recommendation from Finance and Corporate Services Scrutiny Board (1)

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1 Purpose of the Note

1.1 To inform the Cabinet of the recommendation made by Finance and Corporate Services Scrutiny Board (1) at their meeting on 1st December 2021.

2 Recommendation

2.1 Finance and Corporate Services Scrutiny Board (1) supported the Medium Term Financial Strategy 2022-25 and recommended Cabinet agree the recommendations contained in the report.

3 Background and Information

3.1 At their meeting on 1st December 2021, Finance and Corporate Services Scrutiny Board 1 considered the Medium Term Financial Strategy 2022-25.

3.2 Members were supportive of the MTFS.

3.3 The Scrutiny Board asked that Cabinet consider the following when discussing the report;

1) That there is increased reporting to Members regarding the Transformation Programme, including regular engagement with the Finance and Corporate Services Scrutiny Board.

2) That budget limitations, particularly around the changes to the Public Works Loan Board, be communicated to the public.

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Coventry City Council

Public report
Cabinet

Cabinet 14th December 2021

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:
Director of Finance

Ward(s) affected:
All

Title:
Pre-Budget Report 2022/23

Is this a key decision?
Yes - Cabinet is being recommended to approve, as a basis for consultation, the spending and savings and Council Tax proposals for 2022/23 and future financial years

Executive Summary:

This report outlines as a basis for consultation a set of new revenue budget proposals for 2022/23 to 2024/25 which represent changes to the Council's existing Budget. Consultation views are 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 will be subject to Council approval in February.

The Council's overall future strategy is set out in the "One Coventry Council Plan" which describes 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 share in the benefits; and making the most of our assets and working closer with partners and residents to enable people to do more for themselves. Implicit within the plan is the Council's commitment to delivering a range of core services to everyone in the city. The Plan is currently being revised and it is intended that it will be brought for approval during the first part of 2022. Much of the policy content will remain similar to the current version although it is expected that there will be some significant changes.

The expected developments in relation to the system of local government finance continue to be delayed. The Secretary of State for Levelling Up, Housing and Communities has announced that a future move to 75% Business rates retention will not now proceed although the current assumption is that wider 50% retention and existing arrangements for Business Rates pools and pilots will 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 continue to offer potential positive financial benefits. At present though, neither further reform to the fundamental nature of the

Busines Rates and Council Tax arrangements within local government nor the fair funding review of local government appear imminent.

The Chancellor of the Exchequer did announce the Autumn Budget and Spending Review 2021 (SR2021) on 27th October. This presented a three year horizon for Government spending in the form of Departmental Spending Limits (including local government). This indicates some further financial support for local government although at the time of writing the Council is still awaiting the 2022/23 Provisional Local Government Finance Settlement which will include details on a number of key funding announcements which will dictate the funding envelope within which the Council will need to operate next year. As a result, the financial Pre-Budget position set out in this report is assumption sensitive and is likely to be subject to significant changes in some important areas prior to the setting of the final Budget in February. A note of caution is urged both due to the pressures which are likely to need to be met over the coming budget period and with the expectation that the detail for local government is likely to be restricted to a one year settlement despite the 3 year horizon of SR2021.

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

The financial proposals in this report do not include any new service cuts. It is anticipated that this can 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 are proposed at this stage. The Council's view remains that it wants to avoid the need to reduce vital services and will seek to explore all possible avenues to do this. That being said, this report does 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 includes a range of approaches in section 5.1 which are intended will 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 has 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 are under way and will be implemented in the first part of 2022. This is expected will form an increasing focus of the Council's activity beyond 2021/22 to improve the manner and cost effectiveness with which the Council is able to deliver services to its citizens.

The proposals in this report 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.

An outline of the resources and the spending and savings proposals are provided in Section 2 and on a line by line basis in Appendix 1. The Council's Council Tax assumptions and the basis on which it is consulting is set out in section 2.

An indicative outline is included within this report for the Council's prospective Capital Programme for 2023/24 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:

Approve as a basis of consultation: the revenue spending and savings options in Section 2 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%.

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. The final budget proposals will be considered by Council following the consultation period.

Pre-Budget Report 2022/23

1. Context (or background)

1.1 Proposals for the Council's 2022/23 Budget are set out in this report within the context of the period of austerity from 2010 which has led to the Council having had to become accustomed to operating within a very significantly tighter financial envelope than it did previously. The Budget and Spending Review announcement on 27th October indicated some further support for local government although at the time of writing the Council is still awaiting the 2022/23 Provisional Local Government Finance Settlement which will include details on a number of key funding announcements which will dictate the funding envelope within which the Council will need to operate next year.

1.2 The Provisional Settlement should be received in mid-December followed by a final settlement announcement a few weeks into 2022. The initial financial gap for 2022/23 has been updated to take account of all approved decisions and stood at £15m, rising to £27m by 2024/25. These figures were based on broad assumptions about the Council's financial position, including the impact of the wider local government finance system. They form the starting point of the 2022/23 Budget process.

1.3 In the period since February, work has been undertaken to update the assumptions that underpin this position with the underlying objective of meeting the immediate budget gap and to address the medium term financial position. Any changes to the existing position have been included within the Appendix to this report. Although the Council continues to be affected to some degree by the impact of COVID-19, expectations are that this will affect a relatively narrow number of areas next year.

1.4 The City Council's Medium Term Financial Strategy (MTFS) has been considered by the Finance and Corporate Services Scrutiny Board (1st December) and any comments passed on to Cabinet. The MTFS sets out further 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 2022/23 and declare projected deficits or surpluses from previous years. Initial estimates of these tax-bases have been included in the financial projections within this report although it is expetected that these will be refined in the final Budget Report. This will include any assumed reduced level of Council Tax and Business Rates collection rates and projected level of Council Tax Support claimants. Although these were all affected by the impact of Covid in 2021/22 this impact is forecast to reduce significantly next year.

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. The Council continues to face a difficult task to achieve this following the period of austerity from 2010 although initial indications suggest that the local settlement will not further exacerbate these conditions. The proposals in this report include a small but significant number of items of service and technical savings to help the bottom line position. Beyond this the Council is seeking to consolidate service improvement activity but without imposing savings targets at this stage. It will continue though to explore a balanced and prudent approach to seeking commercial opportunities that dovetail with or are aligned to its existing activites.

1.6 The Council has forecast a range of resource assumptions including information from SR2021 although these are somewhat speculative at this stage ahead of the detail that will be included within the Provisional Settlement. The proposals avoid any significant detrimental impacts on services to the people of Coventry. The descriptions set out in Appendix 1 give an indication of the 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 1% Adult 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 3% as a result of decisions made by the Council. It is possible that increases in the Police and Fire precepts could result in a total Council Tax rise above 3%.

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 After taking account of all Council approved decisions, the Council started the 2022/23 Budget process with a shortfall of £15m rising in subsequent years. A number of expenditure and income pressures have created a revised budget gap over this period. The most significant of these individual pressures are outlined below:

- Children's Services has experienced ongoing expenditure pressure resulting from external market price increases, the impact on the placement mix resulting from reduced availability in the fostering market and increased reliance on higher cost residential provision. There are also workforce impacts of increased levels in Child in Need, Child Protection & Children Looked After caseloads. Further pressures come from meeting statutory responsibilities to young carers, responding to the number of children who have secured permanent homes through special guardianship, meeting regulatory responsibilities in children's homes and children's tier 2 mental health services.

- The Council anticipates facing corporate inflationary pressures in three areas: the 1.25% increase in employer National Insurance Contributions announced by the Government in Autumn 2021; the impact of local government pay awards and proposed National Living Wage increases; and underlying inflationary pressures within the economy impacting aross a range of cost bases including energy. An estimated additional budgetary requirement of £4.5m has been identified to meet these demands.

- Income budgets for car parking are forecast to continue to suffer shortfalls of c£1m per annum in future years with the impact of Covid contributing to a persistent long-term impact on driving and parking habits. These shortfalls have been met through Covid grant funding to date but this will not be available beyond 2021/22.

- A need has been to identify software updates and staffing support to strengthen the integrity of the Council's existing ICT systems and data. It includes c£1m to ugrade software and system licences and provision for 7 additional staff to provide enhanced capacity within the Council's ICT function.

2.3 Overall resources include the Government settlement, amounts in relation to Council Tax and Business Rates and several specific grants that the Government includes within its definition of Core Spending Power. Movements in this category include the following:

- SR2021 has provided initial indications of additional resources for local government although it is difficult to know the extent of this without the further

detail expected within the Local Government Provisional Settlement. The elements listed in Appendix 1 makes some assumptions both about the level of additional funding and the types of area where this might be applied or hypothecated. These are broad planning assumptons which are highly likely to be subject to significant change when the Settlement is released. However, the overarching trajectory of additional resources to fund pressures within local government is expected to be confirmed at that point. The Council's current position includes: an expectation that previously assumed resource cuts built into the Council's future budgets (£7m in 2022/23) will not now occur; it is assumed that the Settlement will provide funding for the Council's expected additional National Insurance costs (£1.5m) and continuation of the 2021/22 Social Care Grant (£2.51m); a projection is built in that the New Homes Bonus will not fall-out to the extent assumed in previous Council budgets (£1.5m); a further overall £4.5m of additional resource is also built in based on a prudent calculation of the national control total for new local government money and expectations of new money to be announced for social care purposes for example.

- Collection rate forecasts for Council Tax and Business Rates have been lower than historical experience in 2020/21 and 2021/22 although any further impacts are expected to subside into 2022/23. The volume of Council Tax Support claimants has stabilised through 2021/22 and is expected to continue close to levels being experienced before the pandemic. Further work is expected to refine the Collection Fund position in January enabling greater clarity on the extent to which any existing and future surplus resources can be released next year. At this stage a prudent figure of £2m has been included. In addition, it is expected that the Government will honour an on-going commitment to provide grant funding to councils to compensate for businesses not being charged the Business Rates multiplier inflationary increase dictated by regulation. Governemnt has pledged to freeze the multiplier for 2022/23 compared with the September 2021 Retail Prices Index increase of 4.9%, which would ordinarily be expected to apply. If the Government's commitment is honoured, this should represent compensation resources of £3m above the Council's budgeted resource level.
- The proposals put forward in this report assume taking the full flexibility of the 1% Adult Social Care Precept allowed for within the Spending Review as a basis for consultation. This would create additional resources of £1.4m.

2.4 There is a small but significant number of technical savings as follows:

- The Council expects to receive a further £1m of dividends from the Coventry and Solihull Waste Disposal Company above the ongoing budgeted level of £6m.
- The Council's commercialisation programme incorporates a series of individual projects which are expected to deliver savings of £0.9m ongoing.
- Tom White Waste Ltd is anticipated will deliver dividend levels which match those forecast when the Council purchased the company in 2019/20. Prudent forecasts have been built in for the next two years building to £1m by 2024/25.
- Savings are included from the Council's latest restructure of its senior management team, delivering net reduced costs (£0.3m) of two post deletions and associated refining of responsibilities of remaining posts.
- A modest time limited income stream is assumed from the interest repayments on approved loans to partner organisations representing the difference between the rate at which the Council is able to borrow and the rate which it is required to charge on loans provided. The figures included are provided here are based on actual/potential loans including to Coombe Abbey Park Limited, the Council's Friargate Hotel partner and the Coventry and Warwickshire Reinvestment Trust.

2.5 The net result of these changes would leave the Council adrift of a balanced budget position. The likelihood is that the combination of the final Government Settlement and further work to refine some key technical areas of the Council's budget such as the Council Tax and Busines Rates Collection Fund will move the Council towards a balanced position. Should a budget gap still remain, the Council would be able to use reserve balances to fund some of the non-recurring pressures within its financial position in a manner consistent with its Medium Term Financial Strategy.

Table 1: Financial Position 2022/23 to 2024/25

	2022/23 £000	**2023/24 £000**	**2024/25 £000**
Initial Budget Gap	15,360	21,360	26,640
Expenditure and Income Pressures	13,438	12,600	12,650
Resources	(23,661)	(24,027)	(25,427)
Directorate and Technical Savings	(3,224)	(2,224)	(2,323)
Policy Priorities	1,138	1,075	1,075
Budget Gap	**3,161**	**8,785**	**12,615**

Capital

2.6 The Council has an aspirational draft 5 year capital programme which totals nearly £1.5billion. Of this nearly c£158m is currently cash-flowed for 2022/23 taking into account 2021/22 rescheduling to date. Further funding will be built into the programme before the final budget report, as the Council is currently awaiting final confirmation of the City Region Sustainable Transport Settlement (CRSTS) grant award.

2.7 CRSTS is a five-year capital settlement to enable the region to achieve its ambitions in terms of transport investment. The fund is overseen by DfT and aligns with the planned publication of a new Local Transport Plan (LTP). The SR2021 confirmed a WMCA allocation of £1.05bn for 2022-27. Work is on-going between the WMCA and the 7 West Midlands district councils to confirm the CRSTS programme. It is the assumption that CRSTS funding will displace some of the WMCA Investment Programme funding for CCC which is yet to be secured and was part of the initial Devo Deal.

2.8 The main components of the Council's provisional programme are set out below with the figures quoted representing the projected sums earmarked currently for 2022/23. 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 in excess of £25m incorporating the Coventry South package, Housing Infrastructure Fund works at Eastern Green, Keresley Section 106 works and Very Light Rail.
- Continued delivery of the £31.5m Air Quality programme, which includes works at Junction 7 of the Ring Road and Spon End.
- Commencing the delivery of the £8.5m Binley Road Cycleway up to Walsgrave Hospital.
- Completion of Public Realm 5 works, specifically Coventry Cross and Palmer Lane.
- City Centre Regeneration investment taking forward the city's Friargate District (building 2) and City Centre South plans.

- Continued investment in the schools capital works including provision for the expansion of secondary places under their One Strategic Plan, to include the new SEND school proposal at Woodlands.
- Continued investment in Adult and Social Care in form of Disabled Facilities and Pathway to Care; along with the programme of vehicle replacement and ICT.

2.9 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 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 consultation channels including social and digital media.

4. Timetable for implementing this decision

4.1 This report includes a set of draft budget proposals and does not authorise spending and savings decisions. Following a public consultation period, full Council will consider the final budget proposals in February to be implemented from 1st April 2022. An indicative profile is set out in Appendix 1.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 **Financial implications**

The Council's financial circumstances for 2022/23 and beyond will depend heavily on the fine detail behind SR2021. For local government, much is expected to be revealed in the Provisional Settlement expected in December. In order to provide as firm a planning base as possible this Pre-Budget Report includes estimates coming out of SR2021 that contain a high degree of planning uncertainty. The intention has been to err on the side of prudence in relation to these numbers. The proposals contained in this report do not assume any further time-limited effects of Covid – any remaining impacts are ones that the Council expects to exist for the medium to long term. Any other short-term costs that do emerge will need to be covered by the residual Covid grant still held on the Council's balance sheet.

The local government landscape has continued to be scarred by a number of authorities reporting financial difficulties through 2021/22 due to Covid pressures, challenges caused by commercial ventures or pressure from their underlying financial position. Coventry has continued to maintain a stable financial position through this period although it is difficult to understand and explore all the reasons for differences of experience between authorities. What is clear is that the Council has continued to maintain its financial position by following sound financial management practices including: implementing medium term planning which is not over-reliant on reserve contributions; making budgeting decisions that recognise fundamental pressures in the financial position; maintaining reserve balances at a level that is sufficient to provide manage budget risks; addressing issues of governance in decision making in line with external advice; pursuing financial planning approaches which do not place an over reliance on speculative commercial activity but which do incorporate a balanced and forward thinking approach to delivery of modest commercial gains; and embarking on a programme of activity driven by the deliver the forthcoming

refreshed One Coventry Council Plan which will include at its heart effective delivery of services for Coventry citizens.

The Council's Medium Term Financial Strategy which is being reported to Cabinet alongside this one provides greater coverage of the Council's approach to financial planning addressing the issues above. These continue to be difficult times for local authorities and any flexibility provided within SR2021 is only likely to provide some stabilistion for local authorities meeting some of the underlying and emerging pressures faced by the sector. The path to a balanced medium term financial position continues not to be easily identifiable at this point hampered, amongst other things, by the Government's postponement of a number of issues relating to local government finance. It is hoped that the Spending Review has provided some assurance which will help the Council move towards being able to manage its financial position next year. In terms of future years however, the Council continues to use several prudent assumptions to provide some budgeting realism and help to maintain a focus on sound budget setting decision making going forward.

The indicative level of Capital Programme set out above is only a guide at this stage although it continues to point towards a significant programme of spend on Capital schemes across the city. Much of this spend will continue to deliver benefits to the locl economy through infrastructure improvements and enhancement of the the city's appeal to private sector investment. The medium term trajectory of the Capital Programme does not reflect currently the level of expenditure experienced in recent years and will depend on the success of future grant bidding processes and announcements in relation to Government plans on its levelling up agenda and Shared Prosperity Fund.

The resulting financial position in Appendix 1 show a financial gap of £3m rising to £13m over the next three years. With a focus at this point on 2022/23, the Council's approach between this report and the final Budget proposals will seek to bridge the £3m gap through the following mechanisms:

- Incorporating Government announcements as they emerge including through the Local Government Finance Setlement.
- Refine existing forecasts in a few key areas including the Council Tax and Business Rates Collection Fund and the Asset Management Revenue Account.
- As a last resort, the use of reserves to manage time-limited cost pressures.

It is anticipated that these areas will enable the Council to manage the remaining gap and it is the view of the Director of Finance that further action to identify new savings is not required at this stage. However, this does not mean that the Council can afford to be complacent or plan on an optimistic basis for the medium term. Any such approach would run the risk of leaving future financial gaps with insufficient time to identify ways of addressing them. The Council will approve a refined One Coventry Council Plan in the first part of 2022 and is embarking on a programme of activity aimed at meeting the key objectives of the Plan. As part of this programme the intention will be to identify more effective ways to deliver services, adopt cross cutting approaches, work with partners and the community and focus on key delivery metrics. No savings have been assigned to the programme at this stage but it is envisaged that it will be a key part of enabling the Council to deliver its financial as well as its performance targets in future years.

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. This will continue to be important as part of a

balanced strategy which plays due regard to the risks and limitations inherent within them. The view of the Director of Finance is that the risk of occasional negative financial consequences of taking such approaches is lower than the risk of not pursuing them at all and failing to attract the sustained financial benefits that they offer.

The Council has been able to continue to pursue its expansive Capital Programme plans. This remains a critical part of its medium term revenue focus and its plans to increase local regeneration and prosperity as the city addresses the need to recover from the pandemic and meeting the challenges of EU exit and economic recession. The need to secure the remaining funding within the WMCA Devo Deal remains a significant risk to successful delivery of part of the Programme.

5.2 **Legal implications**

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2022/23 budget by mid-March 2022. 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 proposals set out in this report demonstrate the Council's commitment is seeking to minimise impacts on front-line services. The Pre-Budget position is presented within the context of the Medium Term Financial Strategy, which will align with the priorities 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 and income targets 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 budget gaps for future years will need to be addressed as part of the next budget process through 2022. The fact that these pressures are now lower than last year gives an indication that the current level of risk has reduced somewhat.

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

None of the new proposals set in Appendix 1 are likely to result in post deletions or service reductions. Measures for managing the financial gap based on current forecasts are set out in section 5 and any new savings proposals are unlikely to be put forward except as a last resort if the local government financial settlement is much worse than currently anticipated. Revenue gaps that need 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) climate change and the environment**
This report includes a proposal to increase the Council's capacity to develop its response to climate change issues.

6.6 **Implications for partner organisations?**
There are little or no direct implications for partner organisations in the proposals.

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

Appendix 1: 2022/23 Pre-Budget Financial Proposals

Figures from Line 1 onwards show **changes** to previous approved levels.

		2022/23 £000	2023/24 £000	2024/25 £000	
	POSITION CARRIED FORWARD FROM 2021/22	**15,360**	**21,360**	**26,640**	
	RESOURCES				
1	Local Government Settlement	**(7,251)**	**(9,717)**	**(9,717)**	Amended view of 2022/23 settlement following the Autumn Budget and Spending Review 2021 (SR2021). This removes a previous assumption of resource loss on the same trajectory experienced in previous years.
2	SR2021 - Employer National Insurance Contributions (Health and Social Care Levy) and National Living Wage	**(1,500)**	**(1,500)**	**(1,500)**	The Local Government Settlement is expected to incude funding equivalent to the cost of the SR2021 increase of 1.25% on Employer National Insurance Contributions and the increase in the National Living Wage up to £9.50 an hour from April 2022.
3	Council Tax & Business Rates Resource Position	**(5,000)**	**(3,000)**	**(3,000)**	Assumes Government compensation for inflation linked Business Rates rise not being charged to business ratepayers plus projected surpluses from tax-base growth.
4	Adult Social Care Precept @ 1%	**(1,400)**	**(2,800)**	**(4,200)**	Increase in ASC precept by 1% pa over the SR period to fund costs of Adult Social Care in line with the Autumn Budget and Spending Review 2021.
5	New Homes Bonus	**(1,500)**	**0**	**0**	Conjecture that the New Homes Bonus will continue in some form. This estimate assumes only 50% of the previously assumed reduction in 2022/23.
6	2021/22 Social Care Grant	**(2,510)**	**(2,510)**	**(2,510)**	Existing Budget assumes that this grant does not form part of the ongoing settlement. The revised assumption here is that the Government retains this grant as part of the Council's Core Spending Power in place to manage social care costs.
7	SR2021 - Assumed Additional Local Government Settlement Resources	**(4,500)**	**(4,500)**	**(4,500)**	Forecast of new funding which might be provided within the Local Government Finance Settlement. This is consistent with Government messaging around providing resources to meet inflationary demands within local government services and may, for instance, be matched to specific areas such as social care through grant additionality equivalent to levels provided in 2021/22.
	Total Change in Resources	**(23,661)**	**(24,027)**	**(25,427)**	
	EXPENDITURE AND INCOME PRESSURES				
	Corporate				
8	2021/22 Pay Award	**1,000**	**1,000**	**1,000**	Additional budget provision to reflect the potential cost of the ongoing effects of the 2021/22 pay award (including lower pay grade and National Living Wage increases) exceeding existing budgetary provision.
9	Employer National Insurance Contributions (Health and Social Care Levy) and National Living Wage	**1,500**	**1,500**	**1,500**	SR2021 confirmed an increase of 1.25% on Employer National Insurance Contributions which will subsequently be treated as a Health and Social Care Levy. It also announced an increase in the National Living Wage up to £9.50 an hour from April 2022. Equivalent funding is expected to be provided within the overall Local Government Settlement (included above).
10	Inflation	**2,000**	**2,000**	**2,000**	Assumed additional energy and contract inflation reflecting wider market conditions and national inflation rates.
	Children's Services				

11	Children's Services - Ongoing pressure against placement mix, market prices and managing increasing caseloads	**2,671**	**1,803**	**1,803**	The legacy impact of the pandemic means an ongoing impact of external market demand leading to price increases during COVID and the impact on the placement mix resulting from reduced availability in the fostering market and increased reliance on higher cost residential provision. Also, the workforce impact of sustained increased levels in Child in Need, Child Protection & Children Looked After caseloads.
12	Children's Services' permanence, caring for our children and mental health services	**2,757**	**2,857**	**2,957**	Meeting our statutory responsibilities to young carers, responding to the number of children who have secured permanent homes through special guardianship, meeting regulatory responsibilities in Children's Homes and children's tier 2 mental health services.
	Education and Inclusion				
13	SEND Transport	**200**	**200**	**200**	Increase in statutory demand for specialist placements both within and outside of the City continues to be the primary driver for increases in SEND transport costs. This figure reflects demand pressures relating to the full year impact of September 2021 increases in activity alongside projected increases from September 2022.
	Finance				
14	Revenues and Benefits Capacity	**150**	**150**	**150**	The Revenues and Benefits team has faced an increasing workload particularly in relation to the Council's expanding Council Tax base. This will increase capacity wilthin the function to ensure the team are able to maintain collection performance and undertake vital discount eligibility checks. This investment will be self-funding through increasing the collectable debit and better collection of outstanding debt.
	Human Resources and ICT				
15	ICT Licensing and Assurance	**1,260**	**1,440**	**1,640**	Measures to provide greater assurance of the future integrity of the Council's systems and data.
	Legal and Governance				
16	Legal Services Capacity	**150**	**150**	**150**	This creates additional capacity and resilience for the provision of specialist legal advice to the Council across all areas of service delivery including adult and children social care, commercial, regeneration, property and transformation projects to counter the risk of not making sufficiently quick progress and/or requirement to procure more expensive external advice
	Project Management and Property Services				
17	Commercial Property Rents	**500**	**250**	**0**	A longer impact of covid is being experienced in the payment of commercial rents. This is time-limited provision to allow for the payment of commercial property rents to return to pre covid levels.
	Transportation and Highways				
18	Car Parking Off-Street and On-Street	**1,000**	**1,000**	**1,000**	This reflects what is now considered to be a longer term downturn in the use of Council on-street and off-street parking facilities.
19	Residents Parking	**100**	**100**	**100**	The 2021/22 Budget Setting proposals scaled back plans for income generation from residents parking schemes, leaving a £100k residual target to be achieved through a revised consistent pricing mechanism. It has not been possible to agree a satisfactory approach to pricing so this income budget is not achievable presently. A strategic study of parking will be carried out in 2022 to understand the impact on all aspects including residents parking schemes post pandemic, in order to inform future decisions

20	Highways Development Management	**150**	**150**	**150**	This team plays a key statutory role in ensuring new developments are properly planned through the provision of technical advice to the planning function and developers, and effectively overseeing the construction of new transport and drainage infrastructure. The current substantive team is insufficient to manage workloads or ensure we optimise s106 developer contributions, so agency staff have been brought in to provide temporary support. This proposal would allow for 3 additional staff to prevent costly temporary arrangements and improve quality through continuity and consistency, whilst also supporting the Council's ability to secure satisfactory levels of s106 contributions.
	Total Change in Expenditure and Income Pressures	**13,438**	**12,600**	**12,650**	
	DIRECTORATE AND TECHNICAL SAVINGS				
21	Senior Management Restructure	**(325)**	**(325)**	**(325)**	Savings from a revised structure of the Council's senior management.
22	Commercialisation Programme	**(900)**	**(900)**	**(900)**	This is based on the current list of savings from the Commercialisation transformation programme.
23	Tom White Waste Dividends	**(499)**	**(749)**	**(998)**	The borrowing costs to fund the acquisition of TWW have been built into the Budget but not the corresponding dividends which are assumed within the original business case to fund the purchase. There is an expectation as the post-Covid trading conditions begin to normalise that the company will identify an on-going dividend stream - assumed here to build towards the level of capital financing costs indicated in the report to Cabinet.
24	CSWDC Dividends	**(1,000)**	**0**	**0**	Given historical trends it is not unreasonable to expect an announcement of dividends above the underlying level of c£6m already included in the Council's budget. The figure included here is speculative at this stage but modest by historical standards.
25	Temporary Loan Finance Repayments	**(500)**	**(250)**	**(100)**	Current and or approved plans to partner organisations can deliver an income stream to the Council representing the difference between the rate at which the Council is able to borrow and the rate which it is required to charge on loans provided. Indicative figures are provided here based on actual/potential loans including to Coombe Abbey Park Limited, Hotel Indigo and Birmingham Airport.
	Total Change in Directorate and Technical Savings	**(3,224)**	**(2,224)**	**(2,323)**	
	POLICY PRIORITIES				
	Business, Investment and Culture				
26	Festive Lights	150	150	150	In order to mark the City's year as the UK City of Culture, the Council has invested significantly in its festive lights programme for 2021 both in the City Centre and neighbourhoods. This proposal would ensure the continuation of a similar level of quality into 2022, another landmark year for the city, and beyond.
27	Climate Change Strategy Implementation	125	200	200	The Council is refreshing it's Climate Change Strategy currently which will culminate in a report to Cabinet early in 2022. This together with the recently inaugurated Climate Change Board will start to define the vision on climate change both from a City Council and City wide persepctive, and the direction of travel in order to start to deliver on what is a high priority in the Councils One Coventry plan. This proposal would create operational and technical capacity to facilitate more opportunities to work towards the agreed vision

28	Major Events Strategy Capacity	150	150	150	The City will have seen during the City of Culture year, a huge programme of events delivered by both the CoC Trust and the Council itself. There is a risk without investment in capacity that after 2021 and 2022, which also sees the BBC Big Weekend, Commonwealth Games and Queens Jubilee, that the benefit of this is not capitalised upon and any legacy benefit is lost. This resource would create some capacity for officers to service a more aspirational programme on an ongoing basis.
	Education and Inclusion				
29	School Improvement	113	225	225	Budget to cover anticipated removal of grant funding for School Improvement functions whilst the local authority works on designing a future delivery model. The figure reflects a 50% reduction in grant from 2022-23 and full removal from 2023-24.
	Streetscene and Regulatory				
30	Street Cleaning & Litter Picking	0	250	250	Significant resources are currently being applied to maintaining the cleanliness of the streetscene during the City of Culture and in the lead up to the Commonwealth games through one off resources approved by members for that purpose, and which will see the service through the next financial year. This proposal would enable an improved cleansing regime can be maintained for the new infrastructure and public realm installed in the City centre in particular, on an ongoing basis
	Transportation and Highways				
31	Highways - Pavement Programme	500	0	0	The number of both carriageway and pavement defects have increased such that the current level of reactive maintenance budget has not been sufficient to keep on top of the backlogs without use of additional gangs at the expense of other capital works. New equipment has been acquired which will significantly improve the speed at which carriageway defects can be repaired, and create greater capacity for pavement works in future. Due to the much more laborious nature of pavement repairs however, the backlog for these repairs can only be tackled by deploying additional gangs. The acceleration of footway repairs would improve the environment for the less mobile and help promote active travel.
32	City Centre Cleansing & Maintenance	100	100	100	Following the renewal of much of the City's public realm, including the water features, planters, high quality surface materials, and street furniture, it is the intention that the benefit of that investment is maintained for many years to come. In order to prevent the degradation of the new installations, this proposal would enable the ongoing maintenance of these assets thus enhancing the streetscene for the forseeable future
	Total Change in Policy Priorities	**1,138**	**1,075**	**1,075**	
	TOTAL BUDGET DEFICIT/(SURPLUS)	**3,051**	**8,785**	**12,615**	