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

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**Time and Date**

2.00 pm on Wednesday, 29th March, 2023

**Place**

Diamond Room 2 - Council House

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**Public Business**

1. **Apologies and Substitutions**
2. **Declarations of Interest**
3. **City of Culture Trust - Background to Loan Decision** (Pages 3 - 22)  
Briefing Note of the Interim Chief Executive (Section 151 Officer)
4. **Responses to Finance and Corporate Services Scrutiny Board 1 Questions** (Pages 23 - 42)  
Briefing Note of the Scrutiny Co-ordinator
5. **Work Programme and Outstanding Issues** (Pages 43 - 46)  
Report of the Scrutiny Co-ordinator
6. **Any other items of Public Business**  
Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved

**Private Business**

Nil

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Julie Newman, Chief Legal Officer, Council House, Coventry

Tuesday, 21 March 2023

Note: The person to contact about the agenda and documents for this meeting is Carolyn Sinclair [carolyn.sinclair@coventry.gov.uk](mailto:carolyn.sinclair@coventry.gov.uk)

Membership: Councillors R Auluck (Chair), J Blundell, B Gittins, R Lakha, J Lepoidevin, J McNicholas, S Nazir, E Ruane and T Sawdon

By invitation: Councillors R Brown and P Hetherton

**Public Access**

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**Carolyn Sinclair**  
**carolyn.sinclair@coventry.gov.uk**



Coventry City Council

## Briefing note

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**To: Finance and Corporate Services Scrutiny Board 1**

**Date: 29<sup>th</sup> March 2023**

**Subject: City of Culture Trust – Background to Loan Decision**

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

- 1.1 On 4<sup>th</sup> October 2022 the Cabinet Member for Strategic Finance and Resources approved a loan from the Council up to a sum of £1m to Coventry City of Culture Trust (the Trust) on commercial terms. The loan was subsequently made later that month. On 2<sup>nd</sup> February 2023 the Trust publicly announced that it was in a difficult financial position with ongoing cashflow difficulties and on 28<sup>th</sup> February it confirmed that it was entering administration.
- 1.2 This course of events has raised questions about the Council's involvement in the financial affairs of the Trust and the decision to make the loan, a response to which is the subject of this note. This includes some background to the Trust, including a brief financial history and initial analysis of the reasons for the Trust's financial problems. Amongst others it provides specific responses in the following areas:
  - The context for the City Council providing the loan.
  - The Council's policy basis for making the loan.
  - The due diligence undertaken prior to the loan being made.
  - How the loan was used by the Trust.

The note is not intended to answer any wider questions about the running of the Trust, for which the Council was not responsible.

### **2 Recommendations**

- 2.1 Finance and Corporate Services Scrutiny Board 1 are recommended to consider the contents of the note.

#### **Information/Background**

The remainder of the note covers the background to the decision and analysis covering the areas set out in section 1.2 above.

### **3 Trust Background**

- 3.1 In October 2015, Coventry City of Culture Trust was incorporated as an independent, private company to coordinate and deliver Coventry's bid for the UK City of Culture 2021 title. In 2016, The Trust was registered as an independent charity.
- 3.2 Formed as an independent vehicle, the Trust successfully brought together partners (public and private sector) in support of a city-wide bid for the UK City of Culture title. At the time of submitting the bid, the Council was one of four Principal Partners. Uniquely, Coventry's bid was developed and submitted with the support of over 150 partners, including 7 Founding Presidents and 120 Business Club Members.
- 3.3 On 7<sup>th</sup> December 2017, Coventry was awarded the title of UK City of Culture 2021 (UKCOC). The process of implementing and further developing planning for the title year commenced with immediate effect.

- 3.4 In Spring 2020, in recognition of the emerging impact of Covid on planning for the delivery of the year, the Coventry City of Culture Trust (the Trust) worked with all its principal partners, including the Department for Digital Culture Media and Sport (DCMS) and the Council, to agree revised dates for the title year.
- 3.5 Originally set for 1<sup>st</sup> January to 31<sup>st</sup> December 2021, it was announced in July 2020 that Coventry's year as UK City of Culture would run from May 2021 to May 2022.
- 3.6 Coventry launched its UK City of Culture year online on 15<sup>th</sup> May 2021, with the first large-scale event in the city (Coventry Moves) held on 5<sup>th</sup> June 2021, whilst the nation was still in Step 3 of the Government's Roadmap Out of Lockdown.
- 3.7 The Coventry City of Culture Performance Measurement and Evaluation Supplementary Report (published September 2022) highlights that the Coventry UK City of Culture programme comprised over 700 events, hosted in the city centre and in neighbourhoods across the city. Over 3,000 community dancers, musicians, poets and makers participated, and 1,515 volunteers provided over 37,000 volunteer hours of support.
- 3.8 The year concluded on 31<sup>st</sup> May 2022, after which the Trust entered its legacy phase, which was intended to run until March 2024. The Trust's Legacy Plan included several key strands of legacy activity, including delivery of:
  - *The Assembly Festival Garden* – a city centre festival site, operating across the summer of 2022
  - *The Legacy Commissioning Programme* – overseeing and commissioning an interactive and engaging arts and cultural programme that supports the Green Futures agenda
  - *A Grants Programme* – that supports cultural and community organisations to build capacity, create extraordinary activities and improve their Green Futures credentials
  - *The Reel Store* – the digital gallery, launched in May 2022 as a visitor destination, for which the Trust planned to secure a longer-term operating model by the end of March 2024

#### **4 Trust Financial History**

- 4.1 The Trust's accounts available through Companies House and audited throughout by Dains' Accountants show that the City of Culture Trust traded solvently from 2016 through to its last set of published results up to March 2022. The March 2022 accounts included the conclusion by Dains that the Trustees' use of the going concern basis of accounting was appropriate. The accounts, approved on 29<sup>th</sup> July 2022 also contained the view from Dains that they had not identified any material uncertainties casting significant doubt on the company's ability to continue as a going concern for a period of at least 12 months.
- 4.2 The March 2022 accounts showed that the Trust received total income for the year of £19.2m and made expenditure of £20.7m. This represented expenditure in excess of income (described in the accounts as a net movement in funds) of £1.5m. Such a net outflow of funds did not represent an unplanned trading loss. The Trust's budget for the financial year 2021/22 anticipated greater expenditure than income which is not unusual for an organisation of this type. It reflected the fact that some of the Trust's funding was received in previous reporting periods in advance of the need to spend and that the main City of Culture year would see extensive cultural programme costs incurred, in-part funded by this income. This position was not an indication that the Trust was in financial difficulties.
- 4.3 Records from the Trust's published accounts shows that it had been successful in attracting nearly £39m of funding over its lifetime up to March 2022. In addition, information provided to the City Council indicated that the Trust had secured a further c£4m part way through the 2022/23 financial year. The vast majority of the income received came in the form of grants

from Government and quasi-Government organisations and from contributions from charitable trusts and local businesses. Much of this revenue came as a result of grant bids and representations made to external bodies and depended on specific programmes of activity to meet conditions set for the Trust. In overall terms it is reasonable to conclude that the Trust had a good track record of attracting grants and other contributions.

- 4.4 Despite the challenges created by delivering the City of Culture year during the COVID pandemic the Trust achieved an impactful programme that delivered significant outputs and outcomes for the city. Throughout the period up to the end of the 2021/22 financial year the Trust's accounts indicate that it had continued to operate within a balanced budget.
- 4.5 The Trust worked within a clear governance structure, including its Board which was responsible for approving and monitoring its budget and budgetary performance, supported by the Trust's Audit and Risk Committee. The Audit Committee was comprised of independent members with experience of operating at a senior level within local organisations plus representatives of the Trust Board and was supported by senior Trust employees including its Chief Executive.

## **5 Loan Decision Background**

- 5.1 The Trust's financial issues were first flagged to Council officers on 14<sup>th</sup> August via an e-mail which referenced discussion between The Trust's Chair and Chief Executive understood to have taken place at a meeting on 5<sup>th</sup> August. The Council first received written notification of the Trust's financial difficulties on 24<sup>th</sup> August when the Trust's Chief Executive set out the financial position understood at the time to the Council's Chief Operating Officer indicating that the Trust "will have an overspend for the period 1<sup>st</sup> April 2021 and 31<sup>st</sup> March 2022 of between £633k and £1m." This was presented as being a historic problem which was causing a temporary cashflow challenge. The Trust's Chief Executive referred to having a full understanding of the financial challenge faced and a clear funding plan to secure the Trust's budget for 2022/3 and 2023/24. Information provided on 6<sup>th</sup> September gave a strong indication that the Trust would face a cashflow shortfall as early as at the end of September.
- 5.2 Although funding and commercial income streams had been identified to support the legacy period, the challenge of hosting the UK City of Culture year during a period blighted by the COVID-19 pandemic and followed by challenging trading conditions in summer 2022, put financial stress on the financial model and cashflow position of the Trust.
- 5.3 The Trust's financial monitoring activity in August 2022 indicated a worse than previously anticipated financial position. The Trust's Chief Executive stated that the Trust had found itself in the position of having over-committed its core activity programme by c5%. In addition, the Trust had to revise downwards its assessment of the level of capital grant funding it was due to receive and was awaiting payments due from HMRC relating to Theatre Tax Relief and VAT.
- 5.4 As a result, the Trust was committed to delivering its remaining programme of activity within a reduced financial envelope and identified a need for some temporary cash-flow support. This cashflow requirement led to a request to the City Council to provide a loan facility of up to £1m to meet the short-term financing shortfall faced by the Trust, repayable over the remaining life of the Trust. The temporary cashflow support was intended by the Trust to enable it to realign expenditure plans with the timing of grant support and other income flows over the coming period and to provide additional time to identify additional sources of funding during the legacy period.
- 5.5 The Trust's Chief Executive set out his expectations that the Trust would be able to secure funding from a number of sources, with major bids to the National Lottery Heritage Fund and National Lottery Community Fund, links with existing Trust and Foundation funders, fundraising via the Trust's business club and sponsors and through ticket sales related to the Reel Store (Digital Gallery). Other options in their early stages included exploring further opportunities offered through the Digital Gallery and additional investment related to Green

Futures priorities. Although many of these opportunities were unsecured, they were consistent with the Trust's approach to fundraising over the course of its existence and as such were not implausible as a basis for moving forward.

## **6 Policy Basis For Providing a Loan**

- 6.1 The Council had previously provided or committed significant funding to directly support the Trust and wider city partners to deliver UKCOC outcomes. In December 2017, the Council approved £4.75m of funding for the Coventry UK City of Culture programme, on top of £0.5m approved previously as part of the bid and initial delivery preparations. In addition to this overall funding package (£5.25m), the Council approved a City Readiness funding package of £6.1m, and a Cultural Capital Programme fund of £5m, the latter of which formed part of a city-wide programme which collectively secured investment in excess of £48m. These funds enabled Coventry to host the overall programme of events and ensured wider investment into cultural and heritage assets, although these did not form part of the payments to the Trust. These financial measures were a clear demonstration of the Council's commitment to the delivery of a successful City of Culture year and legacy period.
- 6.2 As the report which approved the loan identified, it was extremely unlikely that an organisation with a finite lifespan such as the Trust would be able to secure external loan finance to manage its financial difficulties in September 2022, or at best would only be able to do so with significant financial security or guarantee clauses attached. If the Council had not provided the required loan funding, it would have been impossible for the Trust to be able to fulfil its immediate financial obligations. At that point, the Trust had forecast a balanced budget to the end of the legacy period, including repayment of the loan, which it was confident had put it on a sustainable footing. The dilemma for the Council was either to provide a loan at risk to give the Trust an opportunity to operate solvently within its planned legacy period or to allow the Trust to enter administration immediately with the Council having not provided a financial solution to avoid that eventuality.
- 6.3 The Council's approach was to provide a loan to the Trust on commercial terms with a plan for the Trust to service the debt and repay the loan over its remaining life. In recent years the Council has provided loans to a range of external organisations across the city in line with its Medium Term Financial Strategy, enabling the Council to help support local organisations, provide financial returns, and achieve service policy objectives consistent with its the One Coventry priorities. Over the last five years the Council has generated a net interest benefit from such loans estimated at c£2.5m. The Council has been up-front that such measures have financial risks and as part of the 2020/21 Outturn Report, Cabinet agreed to set aside £3m to protect against shocks from Council involvement in external arrangements including loans and key partner support.
- 6.4 Without this temporary cashflow support the Trust would not have been able to manage its financial position, meaning that its legacy activity would need to be curtailed ahead of schedule. In these circumstances the Trust would not be able to deliver its performance benchmarks and would find itself in breach of targets set for funding that it had already received. This would inevitably be accompanied by reputational damage inflicted on the Trust and the city from not being able to fulfil the activities planned and in turn would put at risk the achievement of the long-term legacy impacts anticipated from the UK City of Culture year.
- 6.5 The Council's role in support of the UK City of Culture 2021 programme and its pre-eminent position in enabling cultural activity across the city provide the rationale as to why the Council wanted to ensure that the Trust was supported in the next phase of activity. Without this support from the Council, as well as the Trust having to face difficult decisions potentially including, but not restricted to, the need to curtail its current planned legacy period, there could be a risk to funding already agreed and/or provided, such that the loan proposed could be seen to be securing the funding provided to date.

## **7 Due Diligence Undertaken**

- 7.1 The Council requested and/or received several updated financial forecasts through September and October 2022. The financial position presented was very fluid throughout the period showing a different (worsening) position in relation to the overspend and outstanding creditors, different assumptions on the likelihood of capital funding for the Reel Store and updated assumptions about future grant income, a VAT rebate and Theatre Tax Relief.
- 7.2 There was clear evidence through the information and correspondence provided by the Trust that it was refining its financial assumptions through this period in response to the need to identify a credible financial forecast both to its own Board and to the Council as a potential lender. In the period leading up to the loan decision, the Trust's financial position reflected significantly lower cost assumptions and remodelling of its income forecasts in particular in relation to its commercial activity at the Reel Store. There were limitations to how much due diligence could be undertaken, especially in relation to the Trust's financial modelling of future grants and contributions for instance – these were essentially financial forecasts based on expectations of the future actions of funders. There was confidence that common information was being shared with the Council and with the Trust's Board and its Audit and Risk Committee, both of which contained an experienced membership. This information included an income tracker document that formed a key part of the Trust's financial forecast position and which is appended to this note (Appendix 1).
- 7.3 On the 15<sup>th</sup> September 2022, the Council wrote to the Trust explaining that for the Council to provide £1m cashflow support by way of a loan it would require assurance from the Trust that the provision of the financial loan would put the Trust in a position where it was confident that it would be able to fully discharge the Legacy Funding Services as required under the Legacy Funding Services Agreement. This assurance was confirmed in writing by the Trust Chief Executive on the same day. At the Trust Board Meeting on 28<sup>th</sup> September, it was noted that 'the loan would enable all major outstanding bills to be cleared and ensure the programme/commissioning plans could go ahead'.
- 7.4 The financial information submitted ahead of the Cabinet Member decision on 4<sup>th</sup> October included a balanced three-year budget position (2022/23 to 2024/25), which the Trust Board had been advised on 28<sup>th</sup> September had been developed by the Trust's Chief Executive, with support from the Trust Finance Team, Dains and the Audit and Risk Committee. This budget position included cash-flows for each year and income and expenditure analysis comparing previous and up-to-date forecasts. The financial position shown stated that the settlement of all creditor balances would virtually all be managed within the 2022/23 budget position. Financial information provided by the Trust on 11<sup>th</sup> October has been appended to this report (Appendices 2, 3, 4 & 5).
- 7.5 The income tracker document analysed whether income had been secured or whether it was still subject to confirmation or commercial activity. This provided some assurance of the Trust's understanding of this area of its budget and recognition of the level of risk facing the Trust in this key aspect of its financial position.
- 7.6 The decision to approve the loan was subject to delegated authority to the Chief Operating Officer (S151 Officer) and the Director of Law and Governance, following consultation with the Cabinet Member for Strategic Finance and Resources and the Cabinet Member for Housing and Communities, to finalise and agree the detailed terms of the transaction with the Trust. The authority under this delegation also included the power to undertake all necessary due diligence.
- 7.7 It was clear at all stages of the process and in statements within the report that this loan carried a degree of risk. The tone of the report left no doubt that the future financial security of the Trust relied upon it being successful in attracting further grant funding and delivering commercial targets over the remainder of its existing lifetime.
- 7.8 As discussions between the Trust and the Council progressed in September 2022, the Trust reviewed its budget, identifying efficiencies and areas of cost cutting to ensure that its

remaining activities could be delivered within a reduced financial envelope. The budget review was undertaken under the scrutiny of its Board and its Audit and Risk Committee. One of the main ways in which the Trust was seeking to manage its financial position was to deliver programmed activity (to maximise the impact of the legacy period) in as cost effective manner as possible and the Trust indicated that it was engaging actively with local community organisations and the cultural sector to ensure this.

- 7.9 The Trust strengthened its professional establishment around this period with a new Trust Financial Director and a senior manager position at the Reel Store. These appointments were designed to improve the financial and commercial success of the Reel Store, to improve the financial administration and financial reporting of the Trust overall and to relieve the pressure on the Chief Executive, allowing him to focus on some of the activities key to the future financial survival of the Trust. In the final analysis, the Trust entering administration has meant that the success or otherwise of these appointments cannot be demonstrated but they provided evidence of an organisation that continued to strive to secure its financial future at the time that the Council's additional financial support was approved.
- 7.10 The Trust Chief Executive was undertaking significant work to pursue a range of grant and trust funding awards consistent with the Trust's legacy programme as part of a renewed fundraising strategy. In early October, the Trust had secured 54% of its budgeted income to the end of the legacy period with the non-secured income reflecting grant awards that were being sought over the coming months and other amounts such as ticketing income for the Reel Store. The Council's report highlighted that the relatively short lifetime of the Trust provided some limit to the Trust's ability to manage its financial strategy and the need for a heightened degree of control within the Trust.
- 7.11 The work outlined in the sections above was necessary in order to put the Trust in a position to manage its financial position effectively but was not in itself sufficient. In order to be effective, the approach also required the temporary cashflow position to be supported and a sizeable proportion of the current and planned grant and trust award bids to be successful over the medium term. In the final analysis, the Trust's entry into administration in February 2023 has meant that it has not had the opportunity to demonstrate the success (or otherwise) of its ability to attract the additional funding required.

## **8 Trust Financial Difficulties**

- 8.1 The Trust has been forced to manage its financial position within the context of the COVID pandemic's devastating impact on the cultural sector and the ability of any organisation to deliver mass participation events. This caused several damaging financial aspects for the Trust. The City of Culture programme was required to be planned and delivered over an extended operating period which resulted in higher overall running costs for the Trust. Many events were delivered under COVID conditions which incurred additional costs and had a significant impact on audience numbers at events under pandemic and post-pandemic conditions, which affected the level of revenue generated on the Trust's commercial activities. Together these had an inevitable impact on the financial performance of the Trust compared with that envisaged at the start of the City of Culture programme.
- 8.2 Since the early days of the Trust, its financial position was supported by up-front funding which was held on its balance sheet in the form of reserves and released to fund expenditure as required. The Trust's financial projections always anticipated that significant expenditure would be incurred during the main City of Culture year, absorbing much of the reserve balances accumulated.
- 8.3 In addition to this overarching strategy, the Trust also assumed some level of forecast unconfirmed income streams would need to be generated within its legacy phase. Over time it was established that this would include commercial income (including from the Reel Store), grants from Government and quasi-Government bodies and charitable trust donations. Much of these revenue flows only crystallised within each year of the Trust's operation and were anticipated to continue into 2023 as the Trust's legacy activities became clear in 2022.

Information provided by the Trust to the Council indicated by October 2022, that 46% of its budgeted income for the remainder of its term had not been secured at that point. The fact that the Trust entered into administration in February 2023 prevented most of these outstanding future income streams from being realised.

- 8.4 The position moved quickly during August and September 2022 and several iterations of the financial information were required and requested over this period. The Trust found it difficult to get a clear position on the worsened financial position that it was experiencing and the overall value of outstanding creditors. It was not always easy to understand how the balance sheet position and the creditor position had been reflected within the budget and cash-flow analyses. A further result of this was that the Executive Board needed to respond to this fluid position and the challenge of the Audit Finance and Risk Committee (amongst others) by re-evaluating its expenditure budget and some income assumptions. This meant that there were always a large number of moving parts although there is clear evidence of efforts to ensure that consistent information was provided to all parties in the Governance process.
- 8.5 The Trust's financial position continued to evolve after the Council's decision to make the loan with the Trust giving an indication of a worsening position on its costs, commercial income and grant funding expectations. This instigated further discussions between the Trust and Council officers just before and after Christmas when it became clear that the Trust would need further support both to help manage its immediate cashflow and its overall budget position through the legacy period.
- 8.6 The Council sought to help the Trust in its discussions, especially with Government, in an effort to put together a credible package to support the Trust. Although these discussions led to the offer of some limited additional support and flexibilities in relation to existing committed funds, it became clear that this would not be sufficient to manage the Trust's overall financial position. At this point a decision was made for the Trust to enter administration.

## **9 Application of the Council Loan**

- 9.1 The terms of the loan agreement between the Council and the Trust stated that the Trust shall use all money borrowed under the agreement for temporary revenue cashflow, enabling the Borrower to pay for costs incurred during the City of Culture delivery year (including summer 2022) and to reduce the cashflow impact of delayed income from sources including HMRC.
- 9.2 The Trust provided information detailing how the £1m loan it had provided was used. This included payments to both to major and smaller cultural bodies that had provided content and events as part of the Trust programme and to a range of other suppliers which had been critical to the operation of the Trust.
- 9.3 The Trust continued delivery of its legacy services through this period, including holding the 'Life and Work of Frida Kahlo' exhibition at the Reel Store and commissioning the 'Cosy Creative' programme in community venues around the city, providing a warm, comfortable, and safe space for local people alongside food, creative performances and workshops.
- 9.4 By settling some of the urgent, outstanding debts, the loan provided a small breathing space to allow the Trust to evaluate its financial position and for discussions to take place with potential grant funders. The Council's support in October 2022 should be viewed in the context that without this, the administration period would almost certainly have come much sooner. The loan at least provided a credible opportunity to avert administration for the Trust, although in the final analysis this was clearly unsuccessful.

## **10 Mitigation of the Council's Financial Position**

- 10.1 The Council was already owed £0.6m by the City of Culture Trust at the time the loan was granted, a sum that it was almost certain to lose in the event of the Trust going into administration at that point. In addition, the potential positive outcomes of securing the legacy period, securing the employment outcomes for Trust employees, avoiding the reputational damage to the Trust and the city of the Trust's premature ending, and supporting the local cultural sector for the remaining life of the Trust were all at stake and all viewed possible at the point the loan was made.
- 10.2 The Council has identified financial sums which protect it from the potential losses incurred as a result of the Trust going into administration owing the Council £1.7m. These include some funding which was identified specifically to support the City of Culture Trust, other amounts identified to support the City of Culture year but not payable directly to the Trust and further corporate funds set aside to protect the Council's financial position at a strategic level.
- 10.3 A report to Council on 5<sup>th</sup> December 2017 approved £4.75m of Council funding for the UK City of Culture 2021 build-up programme, title year and legacy programme. Of this £1m was set aside for the legacy programme across 2022-24 and of this £0.25m has not been passed on to the Trust and remains uncommitted. Cabinet approved resources to be set aside as part of the Council's 2020/21 Outturn Report to fund policy priorities, of which £2m was identified for cultural priorities. Of this, £0.57m was earmarked as potential funding for the Reel Store to be granted to the Trust, although this funding was never ultimately agreed and paid. In total therefore, the Council has £0.82m of funding which was earmarked to be paid to the City of Culture Trust but which remains with the Council and can effectively be used by the Council to mitigate the debts owed by the Trust to the Council.
- 10.4 The Council's February 2019 Budget Report for 2019/20 approved £6.1m for a city readiness programme not all of which has yet been expended and is held in reserve balances. In excess of £0.7m remains uncommitted from this reserve and a small further balance from the cultural priorities reserve referenced above. These resources have not been identified previously to support the Trust but could be used in mitigation of any losses that the Council suffers from amounts owed by the Trust to the Council.
- 10.5 The Council's 2020/21 Outturn Report set aside £3m to protect against shocks from Council involvement in external arrangements (loans, regeneration development and key partner support). The reserve now held from this decision remains uncommitted and is available to mitigate risks such as the outstanding City of Culture debt.

## **11 Conclusions**

- 11.1 Over many years the Council has used its financial standing and overall financial position to support partner organisations through a combination of guarantor status, letters of comfort, loans and grants. The type of support provided has reflected the circumstances at hand and the nature of the relationship between the Council and the partner body. The common thread to such decisions is that the support should be aligned to the Council's policy priorities. The October 2022 decision to provide a loan to the Trust was very clearly in line with the Council's support of the City of Culture programme and as such was an appropriate use of public money.
- 11.2 The Council made a formal decision to provide financial support to the Trust in accordance with its approved governance processes, with a clear audit trail and informed by the Trust's formal reporting of the financial position known at the time. This all happened within a position of considerable financial urgency just 6 weeks after the Trust's formal approach to the Council and shortly before the Trust was due to suffer an unmanageable cashflow shortfall.
- 11.3 Over the past 6 years the Council has made a significant financial contribution to the City of Culture Trust, other elements of cultural and public realm investment and in-kind support to deliver the City of Culture year. The Council has demonstrated that it was fully supportive of

the City of Culture concept and the delivery of the Coventry UK City of Culture 2021 year has attracted widespread support and praise for what it has delivered for the city. Further support through the legacy phase was therefore an entirely legitimate policy objective for the Council and if, as might have been an alternative strategy, the Council had grant funded additional money to support the Trust, this would have been entirely consistent with its previous support.

- 11.4 The Council undertook an appropriate level of due diligence, although this was required within a relatively short timescale and with a fast-moving financial position. The decision to recommend a loan was a judgement call balancing the potential to rescue a very difficult position for the Trust set against the level of risk that part or all of the loan might not be recoverable. The risk was made clear as part of the authorising report.
- 11.5 The Coventry City of Culture Trust was forced to deliver the City of Culture year in unparalleled conditions. This created a unique set of challenges and made delivery of a coherent and robustly planned programme virtually unmanageable at times. The unpredictable nature of the pandemic and the transition in and out of lockdown restrictions placed a massive strain on the Trust which continued into the Spring of 2022. The Council's support for the Trust was consistent with the Government's wider COVID funding agenda to cashflow businesses affected by the financial impact of the pandemic.

<b>Name</b>	<b>Barry Hastie</b>
<b>Job Title</b>	<b>Interim Chief Executive (Section 151 Officer)</b>
<b>Contact Details</b>	<b>barry.hastie@coventry.gov.uk</b>

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**Balance Sheet forecast**

	<b>Aug-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
Fixed Assets			
Digital Gallery Capital cost	2,711	2,744	2,816
Depreciation on Digital Gallery	-212	-636	-1,272
Office Equipment Capital (9100)	111	111	111
Depreciation on Office Equipment	-100	-111	-111
<b>Total Tangible Assets</b>	<b>2,510</b>	<b>2,108</b>	<b>1,544</b>
<b>Current Assets</b>			
Total Cash at bank and in hand	181	205	188
Accounts Receivable	352	187	348
Equals Purchasing card control	10	10	10
Income reserves	770	268	364
Paypal on account	2	2	2
Petty cash	0	0	0
Prepayments	28	28	28
Retail cash payments	1	1	1
VAT	0	0	0
Stock	12	12	12
<b>Total Current Assets</b>	<b>1,356</b>	<b>713</b>	<b>953</b>
<b>Creditors: amounts falling due within one year</b>			
Loan		1,035	0
Accounts Payable	2,047	537	790
PAYE/NI control	39	39	39
Pension control	0	0	0
Credit card	3	3	3
Wages Payable - Payroll	7	7	7
Accruals	23	23	23
VAT	7	7	7
<b>Total Creditors: amounts falling due within one year</b>	<b>2,126</b>	<b>1,651</b>	<b>869</b>
Net Current Assets (Liabilities)	-770	-938	84
<b>Total Assets less Current Liabilities</b>	<b>1,740</b>	<b>1,170</b>	<b>1,628</b>
Capital and Reserves			
Current Year Earnings	-659	-1,229	-771
UK City of Culture 2021	2,392	2,392	2,392
Unrestricted funds	7	7	7
<b>Total Capital and Reserves</b>	<b>1,740</b>	<b>1,170</b>	<b>1,628</b>

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**City of Culture : Budget Summary**

**11th October 2022**

	Original Budget 2022/23	Revised Budget 2022/23	Budget 2023/24	Budget 2024/25	3 year Total Budget	
<b>Income</b>	<b>6,313,479</b>	<b>6,989,461</b>	<b>3,643,000</b>	<b>410,000</b>	<b>11,042,461</b>	
<b>Expenditure</b>						
Core Salaries including NI & Pensions	547,267	547,267	0	0	547,267	5.1%
Legacy Salaries including NI & Pensions	871,386	682,792	728,301	98,210	1,509,303	14.1%
Other salary related costs	136,200	66,450	30,000	15,000	111,450	1.0%
Non Core Salaries on costs	25,587	25,587	0	0	25,587	0.2%
Programme	3,383,880	5,248,407	1,383,000	0	6,631,407	62.0%
Policing Costs	35,000	0	0	0	0	0.0%
Fundraising	12,000	15,000	8,000	0	23,000	0.2%
Sector Development	267,790	262,790	0	0	262,790	2.5%
Ticketing Service (includes retail costs)	59,307	74,307	0	0	74,307	0.7%
Research	23,000	35,000	0	0	35,000	0.3%
Visitor Experience	27,665	18,665	0	0	18,665	0.2%
Volunteering/City Hosts	62,000	60,784	35,000	0	95,784	0.9%
Marketing	330,000	230,500	115,000	0	345,500	3.2%
Monitoring & Evaluation	135,230	152,006	55,000	0	207,006	1.9%
Admin & Team	85,890	109,890	45,000	6,500	161,390	1.5%
Delivery	33,000	104,000	9,000	7,000	120,000	1.1%
Overheads	159,133	151,131	110,550	28,850	290,531	2.7%
Governance	56,000	112,000	81,000	38,000	231,000	2.2%
Delegates	18,000	4,057	0	0	4,057	0.0%
	<b>6,268,334</b>	<b>7,900,633</b>	<b>2,599,851</b>	<b>193,560</b>	<b>10,694,044</b>	
Programme Contingency	0	0	0	0	0	0.0%
Non-Programme Contingency	105,000	0	0	0	0	0.0%
<b>Total Expenditure</b>	<b>6,373,334</b>	<b>7,900,633</b>	<b>2,599,851</b>	<b>193,560</b>	<b>10,694,044</b>	
<b>Operating Surplus/(Deficit)</b>	<b>(59,855)</b>	<b>(911,171)</b>	<b>1,043,149</b>	<b>216,440</b>	<b>348,418</b>	
<b>Digital Gallery Income</b>	<b>1,338,700</b>	<b>1,079,616</b>	<b>1,487,271</b>	<b>1,724,793</b>	<b>4,291,679</b>	
<b>Digital Gallery Expenditure</b>						
Direct Overheads	140,795	184,333	183,395	192,565	560,293	13.9%
Core cost internal recharge	235,000	235,000	320,000	0	555,000	13.8%
Rent	0	0	35,000	35,000	70,000	1.7%
Ticketing	0	0	50,000	50,000	100,000	2.5%
Programme	291,000	484,898	329,081	350,000	1,163,979	28.9%
Technical SLA costs	0	0	0	25,000	25,000	0.6%
Team costs	456,912	362,178	387,504	396,255	1,145,937	28.5%
Training Budget	0	10,000	15,000	15,000	40,000	1.0%
Marketing & Comms	100,000	130,000	116,000	100,000	346,000	8.6%
Launch event costs	40,000	15,000	0	0	15,000	0.4%
	<b>1,263,707</b>	<b>1,421,409</b>	<b>1,435,980</b>	<b>1,163,819</b>	<b>4,021,208</b>	
Contingency	50,000	0	0	0	0	0.0%
<b>Total Expenditure</b>	<b>1,313,707</b>	<b>1,421,409</b>	<b>1,435,980</b>	<b>1,163,819</b>	<b>4,021,208</b>	
<b>Digital Gallery Operating Surplus/(Deficit)</b>	<b>24,993</b>	<b>(341,793)</b>	<b>51,291</b>	<b>560,973</b>	<b>270,471</b>	
<b>Total Operating Surplus/(Deficit)</b>	<b>(34,861)</b>	<b>(1,252,965)</b>	<b>1,094,440</b>	<b>777,413</b>	<b>618,888</b>	
<b>Depreciation</b>	<b>29,807</b>	<b>646,000</b>	<b>636,000</b>	<b>636,000</b>	<b>1,918,000</b>	
<b>Total Surplus/(Deficit)</b>	<b>(64,668)</b>	<b>(1,898,965)</b>	<b>458,440</b>	<b>141,413</b>	<b>(1,299,112)</b>	
<b>Digital Gallery Capital Income</b>	<b>0</b>	<b>670,000</b>	<b>0</b>	<b>0</b>	<b>670,000</b>	
<b>Total result including capital</b>		<b>(1,228,965)</b>	<b>458,440</b>	<b>141,413</b>	<b>(629,112)</b>	
Balance Brought Forward	40,127	(111,194)	(1,340,158)	(881,718)	(111,194)	
<b>Balance Carried Forward</b>	<b>5,266</b>	<b>(1,340,158)</b>	<b>(881,718)</b>	<b>(740,306)</b>	<b>(740,306)</b>	
<b>Digital Gallery Capital Expenditure</b>	<b>0</b>	<b>151,000</b>	<b>72,000</b>	<b>100,000</b>	<b>323,000</b>	

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**City of Culture Trust: Income Tracker**

**28/09/2022**

	Revised 3 year Total Budget	Confirmed	In Progress	No progress
Coventry City Council	1,000,000	1,000,000		
2021 Club	160,000	80,000	80,000	
CBS	100,000	100,000		
Coventry College	25,000	25,000		
Private sector - target	300,000		100,000	200,000
Local Trusts & Foundations	200,000		200,000	
University of Warwick	0			
Coventry University	0			
Warwickshire County Council	250,000	250,000		
West Midlands Combined Authority	0			
WMCA - Apprenticeship Levy	7,000	7,000		
Retail and merchandise	9,099	9,099		
Non-commercial event ticket sales	0			
Gift Aid & Other Income	15,000		15,000	
Paul Hamlyn	250,000		250,000	
Garfield Weston	0			
Esmee Fairbairn	500,000	200,000	300,000	
Jerwood Arts	0			
Art Fund	10,000	10,000		
Patrick Trust	0			
Cadent Foundation	10,000	10,000		
Radcliffe Foundation	0			
Foyle Foundation	0			
Bernard Sunley	0			
Severn Trent Community Fund	7,500	7,500		
Linbury	0			
Backstage Trust	0			
David & Sandra Burbidge Charitable Trust	0			
Clore Duffield	0			
Calouste Gulbenkian	0			
Rayne Foundation	0			
AKO Foundation	0			
John Brown Charitable Trust	0			
Cadbury	0			
Eveson	0			
Stanwell Trust	0			
National Trusts & Foundations	900,000		300,000	600,000
Arts Council England Core	250,000	250,000		
Digital Gallery Management recharge income	555,000	555,000		
Arts Council Transforming Leadership	45,000	45,000		
National Lottery Heritage Fund	582,000	582,000		
National Lottery Heritage Fund - Legacy	1,000,000		1,000,000	
National Lottery Community Fund	220,862	220,862		
National Lottery Community Fund - legacy	850,000		850,000	
Spirit of 2012	75,000	75,000		
British Council	100,000	50,000	50,000	
British Film Institute	0			
DCMS Legacy £2,615,000	2,615,000	2,615,000		
Additional DCMS support	500,000	500,000		
DCMS Youth Grant support	260,000	260,000		
Cultural Recovery Fund	0			
Theatre Tax Relief	246,000		246,000	
<b>TOTAL :</b>	<b>11,042,461</b>	<b>6,851,461</b>	<b>3,391,000</b>	<b>800,000</b>
		62.0%	30.7%	7.2%

RS Ticket Target	1,650,000			1,650,000
Refik Anadol exhibition ticket sales	150,000	140,000	10,000	
Frida Kahlo exhibition ticket sales	451,354			451,354
Frida Retail profit	100,000			100,000
RS Merchandise & Retail profit	132,486		20,000	112,486
RS Food & Beverage profit	50,215		12,908	37,307
RS additional event income	22,000		0	22,000
RS ACE subsidy	700,000	700,000		
RS specific Trusts and Foundations	600,000			600,000
RS Sponsorship	125,000			125,000
RS contribution to core costs from fundraising	100,000			100,000
RS Capital income	670,000	670,000		
Gallery Tax Relief	80,000			80,000
Gallery Gift Aid	55,624			55,624
<b>TOTAL:</b>	<b>4,886,679</b>	<b>1,510,000</b>	<b>42,908</b>	<b>3,333,771</b>
		30.9%	0.9%	68.2%

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2022/23 Cashflow forecast

	Actual	Actual	Actual	Actual	Actual	£000	MS figures	Ms profile for income							£000 Total Sept - Mar	£000 Total 2022-23
	£000	£000	£000	£000	£000			£000	£000	£000	£000	£000	£000	£000		
	April	May	June	July	Aug	Total YTD		Sept	Oct	Nov	Dec	Jan	Feb	Mar		
<b>Income</b>																
B/O Main grant	176				221	397									0	397
DCMS		100	500	800		1,400	1,950		269			115			384	1,784
The ticket factory	38	65	15	33	1	152	110	29	19	55	80	80	60	86	409	561
Arts council	800	95	250			1,145	250	210				210			420	1,565
Heritage Lottery Fund	495		431	30		956	683			120			350	400	870	1,826
Reel Store capital						0			570						570	570
Esmé Fairburn						0				200					200	200
Paul Hamlyn						0					125				125	125
Royal Shakespeare Company	206					206									0	206
Coventry CC	2	600				602	750	300							300	902
Warwickshire CC		24	125			149	125			125					125	274
Coventry Building Society		24	120			144	260								0	144
<b>Main income providers</b>	<b>1,717</b>	<b>908</b>	<b>1,441</b>	<b>1,084</b>	<b>1</b>	<b>5,151</b>	<b>4,128</b>	<b>539</b>	<b>858</b>	<b>500</b>	<b>205</b>	<b>405</b>	<b>410</b>	<b>486</b>	<b>3,403</b>	<b>8,554</b>
<b>Other Income</b>	<b>85</b>	<b>67</b>	<b>37</b>	<b>81</b>	<b>22</b>	<b>292</b>	<b>62</b>	<b>37</b>	<b>141</b>	<b>17</b>	<b>69</b>	<b>193</b>	<b>75</b>	<b>226</b>	<b>758</b>	<b>1,050</b>
VAT refund		466			267	733			50			150		50	250	983
Theatre Tax relief						0							246		246	246
<b>Income before Loan</b>	<b>1,802</b>	<b>1,441</b>	<b>1,478</b>	<b>1,165</b>	<b>290</b>	<b>6,176</b>	<b>4,190</b>	<b>576</b>	<b>1,049</b>	<b>517</b>	<b>274</b>	<b>748</b>	<b>731</b>	<b>762</b>	<b>4,657</b>	<b>10,833</b>
CCC Loan									1,000						1,000	1,000
<b>Total Income</b>	<b>1,802</b>	<b>1,441</b>	<b>1,478</b>	<b>1,165</b>	<b>290</b>	<b>6,176</b>	<b>4,190</b>	<b>576</b>	<b>2,049</b>	<b>517</b>	<b>274</b>	<b>748</b>	<b>731</b>	<b>762</b>	<b>5,657</b>	<b>11,833</b>
<b>Expenditure</b>																
Salaries	249	197	195	93	85	819		97	105	105	105	105	105	120	742	1,561
Nest pension	18	23	17	15	8	81									0	81
HMRC	87	132	86	101	40	446		40							40	486
<b>Salaries and oncosts</b>	<b>354</b>	<b>352</b>	<b>298</b>	<b>209</b>	<b>133</b>	<b>1,346</b>	<b>933</b>	<b>137</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>120</b>	<b>782</b>	<b>2,128</b>
<b>Large creditors paid in period</b>																
Creditor 5	250	122				372			118						118	490
Creditor 6	60	48				108									0	108
Creditor 7	118		180			298									0	298
Creditor 8		149		10		159									0	159
Creditor 2		150	125	325		600	576		979					350	1,329	1,929
Creditor 4				100		100									0	100
Creditor 3														469	469	469
Creditor 1											200	200	201		601	601
<b>Total large creditors</b>	<b>428</b>	<b>469</b>	<b>305</b>	<b>435</b>	<b>0</b>	<b>1,637</b>	<b>576</b>	<b>0</b>	<b>1,097</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>819</b>	<b>1,916</b>	<b>3,553</b>
Current creditors	806	297	691	918	183	2,895	3,271	413	232	467					1,112	4,007
New creditors from trading Sept onwards											200	500	700		1,400	1,400
Reel store programme									216	144					360	360
Loan repayment											15			15	30	30
<b>Total Revenue expenditure</b>	<b>1,588</b>	<b>1,118</b>	<b>1,294</b>	<b>1,562</b>	<b>316</b>	<b>5,878</b>	<b>4,423</b>	<b>413</b>	<b>1,545</b>	<b>611</b>	<b>15</b>	<b>200</b>	<b>500</b>	<b>1,534</b>	<b>4,818</b>	<b>10,696</b>
Reel store capital															33	33
<b>Total Expenditure</b>	<b>1,942</b>	<b>1,470</b>	<b>1,592</b>	<b>1,771</b>	<b>449</b>	<b>7,224</b>	<b>5,356</b>	<b>550</b>	<b>1,683</b>	<b>716</b>	<b>120</b>	<b>305</b>	<b>605</b>	<b>1,654</b>	<b>5,633</b>	<b>12,857</b>
<b>Net cash flow by month</b>	<b>-140</b>	<b>-29</b>	<b>-114</b>	<b>-606</b>	<b>-159</b>	<b>-1,048</b>	<b>-1,166</b>	<b>26</b>	<b>366</b>	<b>-199</b>	<b>154</b>	<b>443</b>	<b>126</b>	<b>-892</b>	<b>24</b>	<b>-1,024</b>
<b>Cash b/f</b>	<b>1,229</b>	<b>1,089</b>	<b>1,060</b>	<b>946</b>	<b>340</b>	<b>1,229</b>	<b>1,229</b>	<b>181</b>	<b>207</b>	<b>573</b>	<b>374</b>	<b>528</b>	<b>971</b>	<b>1,097</b>		<b>1,229</b>
<b>Cash c/f</b>	<b>1,089</b>	<b>1,060</b>	<b>946</b>	<b>340</b>	<b>181</b>	<b>181</b>	<b>63</b>	<b>207</b>	<b>573</b>	<b>374</b>	<b>528</b>	<b>971</b>	<b>1,097</b>	<b>205</b>		<b>205</b>
<b>Creditors end of Sept 2022</b>	<b>3,053</b>															
Minus																
Creditor 1	601															
Creditor 2	816															
Creditor 2	350															
Creditor 3	236															
Creditor 3	233	469														
Creditors £817 at the end of Sept	817															
<b>Total creditors Sept 2022</b>	<b>817</b>															
<b>New creditors paid</b>	<b>1,760</b>															
Spend in budget (GROSS)	2,297															
<b>Potential creditors at year end</b>	<b>537</b>															

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Coventry City Council

## Briefing note

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**To: Finance and Corporate Services Scrutiny Board 1**

**Date: 29<sup>th</sup> March 2023**

**Subject: Financial Position of the City of Culture Trust –  
Responses to Finance and Corporate Services Scrutiny Board 1 Questions**

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

1.1 Finance and Corporate Services Scrutiny Board 1 held an additional meeting to consider the implications of significant financial concerns reported by the Coventry City of Culture Trust. As a result of the meeting, Members raised a number of questions in relation to the City of Culture Trust.

1.2 Appended to this briefing note are the following

Appendix 1 – Response from the Insolvency practitioner to the invitation to attend the scrutiny board meeting on 29th March

Appendix 2 – Responses to questions raised by Members of the Finance and Corporate Services Scrutiny Board

**Victoria Castree**  
**Scrutiny Co-ordinator**

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Councillor Randhir Auluck  
Chair Finance and Corporate Scrutiny Board  
Council House  
Earl Street  
Coventry  
CV1 5RR

Date: 17 March 2023  
**Please ask for:** Ann Probert  
Our Ref: 75274/CCC  
Your Ref:  
T: 0113 2211 342  
e: ann.probert@armstrongwatson.co.uk

Dear Councillor Auluck

**Coventry City of Culture Trust – in Administration (“the Company / CCCT”)**

Thank you for your email to Ann and I, and your invitation to attend a public meeting of the Council's Finance and Corporate Services Scrutiny Board (“**FCSS Board**”) on 29 March 2023.

As Joint Administrators, we are aware of the degree of public interest in the matter of CCCT, and the concerns of councillors and constituents, as well as other public bodies such as the Department for Digital, Media, Culture and Sport (“**DMCS**”) and the Charity Commission (“**Commission**”). We are keen to engage and work with the Council, public bodies, and all other key stakeholders, within the scope of our own duties of investigation in support of their own enquiries.

As Joint Administrators we are subject to our own statutory obligations which include:

- gathering, protecting and preserving the assets and records of CCCT;
- maximising realisations in the interests of creditors generally;
- compliance with our statutory duties and functions in the performance of the statutory objective and purposes of administration.

These broad obligations include a duty to investigate the affairs of CCCT and the conduct of its directors, however our investigations are confidential and information obtained under our investigations may be subject to legal privilege. With regret, in order to preserve the integrity of our investigations and comply with our statutory duties of confidentiality, we are therefore unable to engage with the FCSS Board in a public setting, in the manner envisaged by your invitation which we therefore must decline.

Third Floor  
10 South Parade  
Leeds  
LS1 5QS  
T: 0113 2211 300  
F: 0113 2211 301

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[www.armstrongwatsonfp.co.uk](http://www.armstrongwatsonfp.co.uk)



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We are also still at a relatively early stage of the administration, where we are still developing our proposed strategy for the achievement of the purposes of the administration of CCCT, including as to the scope and extent (as well as the use of available resources) of our investigations. We will be presenting our proposals to creditors in the next few weeks, though we would benefit from earlier private and confidential discussions with the Council in advance of issuance.

There is likely to be a considerable degree of overlap in the areas of our investigations with the Appendix kindly provided with your email, though it should be noted that the purpose and extent of our investigations may differ from that of the FCSS Board and the Council generally. Additionally, we are limited by the extent of resources available to us, given that CCCT is insolvent, and also the wishes of creditors which our proposals will seek to understand.

We are currently seeking legal advice as to how we may better engage with the Council and other public bodies whilst preserving the confidentiality of our investigations, and would propose to have an early discussion with you as soon as possible with the benefit of such advice.

As regards your request for us to invite members and former members of the directors of CCCT or other individuals connected with CCCT, as this is not within the functions of the Joint Administrators, we are unable to do so. We would note that the FCSS Board is entirely free to invite such individuals to the meeting directly, and we confirm we have no objections to the FCSS Board doing so as regards those persons specifically named in your email.

We will, however, inform such individuals as you have mentioned for whom we have contact details of your request, and that they should obtain their own independent advice as to whether they should attend and the extent to which they are at liberty to provide the FCSS Board with confidential information of CCCT.

If you wish to discuss any of the above, please do call either myself or Ann at your earliest convenience.

Yours sincerely  
For and on behalf of  
Coventry City of Culture Trust



Michael C Kienlen  
Joint Administrator

The Joint Administrators act as agents of the Company and without personal liability.  
The affairs, business and property of the Company are being managed by the Joint administrators,  
Mike Kienlen and Daryl Warwick.

Daryl Warwick is authorised to act as an insolvency practitioner in the UK by the ICAEW. IP number 9500. Mike Kienlen is authorised to act as an insolvency practitioner in the UK by the IPA. IP number 9367.



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**SB1 calls for disclosure of the financial accounts (for the duration of the organisation) of the City of Culture Trust and the City Council to be shared for consideration.**

Question	Source of information	Response
<p>1. Coventry City Council contributed over £5.5m towards the City of Coventry Trust - how was that money spent?</p>	<p>Contract management</p>	<p>The Council's contributions to the Trust total £5.572m (including the loan). These contributions include:</p> <ul style="list-style-type: none"> <li>• £0.122m in grant payments paid directly to the Trust to support activity developing and delivering the bid for the UK City of Culture 2021 title.</li> <li>• £3.70m for services delivered (following award of the title) in the build-up to, and delivery of, UK City of Culture 2021. Services Agreement includes four workstreams linked to the 15 outcomes of the City of Culture Theory of Change (see below)</li> <li>• £0.75m for legacy services outlined in the Trust's Legacy Services Business Case and refreshed Theory of Change outcomes</li> <li>• £1m cashflow loan (October 2022) arranged to meet the short-term financing shortfall faced by the Trust. Loan funding was used to make payments to both to major and smaller cultural bodies that had provided content and events as part of the Trust programme and to a range of other suppliers which had been critical to the operation of the Trust.</li> </ul>
<p>2. Was there an Audit and Risk Committee? Did they flag financial concerns? Who sat on that Committee? Are minutes of the meetings available?</p>	<p>Held by IPs following Trust entering into administration.</p> <p>CCC has some material but IP letter confirms</p>	<p>There was an Audit and Risk Committee.</p> <p>The information has been requested from the appointed IPs - Please see letter in response dated 17<sup>th</sup> March 2023</p>

Question	Source of information	Response
	seeking legal advice around disclosure	
3. Are the administrators aware of the meeting and has their permission been sought for information to be released to the members of the Scrutiny Board.		Yes - letter sent from SB1 Chair and response received 17 <sup>th</sup> March 2023.
4. Can copies of the City of Culture Trust Board Minutes be made available to Scrutiny Members? How often did the Board meet?	Held by IPs following Trust entering into administration.  CCC has some material but IP letter confirms seeking legal advice around disclosure	The Trust board met on a regular basis. Board meetings were scheduled for every two months, with additional meetings added where circumstances required.  As financial concerns were raised, the Trust Board made additional governance provisions including additional Board Meetings. The Trust Board met on 28 <sup>th</sup> September 2022, 5 <sup>th</sup> October 2022, 12 <sup>th</sup> October 2022 and 30 <sup>th</sup> November 2022.  The information has been requested from the appointed IPs – Please see letter in response dated 17 <sup>th</sup> March 2023
5. Is there a timeline of key decisions taken by the Trust?		No
6. Who are the creditors owed money by the City of Culture Trust?	Held by IPs following Trust entering into administration.	The information has been requested from the appointed IPs - Please see letter in response dated 17 <sup>th</sup> March 2023

Question	Source of information	Response
	CCC has some material but IP letter confirms seeking legal advice around disclosure	

**SB1 calls for all sums of monies held by the City of Culture Trust to be made public, in order to consider the extent to which loan conditions and deliverables were met.**

Question	Source of information	Response
7. Could the full accounts for the City of Culture be shared?	Company House  IPs	Trust audited accounts are available on Companies House <a href="https://find-and-update.company-information.service.gov.uk/company/09808960/filing-history?page=1">https://find-and-update.company-information.service.gov.uk/company/09808960/filing-history?page=1</a>  IP has been asked for any additional management accounts – Please see letter in response dated 17 <sup>th</sup> March 2023
8. What was the income and expenditure for each year?	IPs	Available in the published accounts and IP has been asked for additional management accounts.
9. What performance monitoring processes were in place to measure outcomes against expenditure?		Trust outcomes were monitored against the City of Culture 2021 Theory of Change and Key Performance Indicators (KPIs). A number of

Question	Source of information	Response
		<p>individual grant funders also had their own KPIs and reporting requirements.</p> <p>Released in 2019 and revised in early 2020, the City of Culture 2021 Performance Measurement &amp; Evaluation Strategy details the Trust's Theory/Story of Change which highlights the change sought as a result of Coventry being the UK City of Culture. Developed in partnership between the University of Warwick, Coventry University, Coventry City Council and Coventry City of Culture Trust, the strategy outlined how the UK City of Culture 2021 programme and activities were intended to impact on the city and its peoples along cultural, social, economic, health and wellbeing, and other impacts.</p> <p>Details of the Performance and Evaluation Strategy (PM&amp;E Strategy), and access to key monitoring and evaluation reports (published as they have been released) is provided via the Trust's website: <a href="https://www.coventry2021.co.uk/monitoring-and-evaluation">Monitoring and Evaluation - Coventry UK City of Culture 2021 (coventry2021.co.uk)</a></p> <p>An external Technical Reference Group (TRG) was established, comprising experts in social, cultural and economic evaluation. The TRG met quarterly to receive reports and comment on the rigour and progress of the PM&amp;E Strategy. This group signs off on PM&amp;E findings and other evidence of impact.</p> <p>Activity plans, programme and financial and performance updates were also provided to the Council's 'City of Culture 2021 and Major Events</p>

Question	Source of information	Response
		Panel' and to the Council's Scrutiny Boards, where scheduled.
10. What was the £1M loan from the city council used for i.e. to pay creditors (if so which ones) and or wages?	Held by IPs following Trust entering into administration.  CCC has some material but IP letter confirms seeking legal advice around disclosure	Addressed in report on City Council loan.  The information has been requested from the appointed IPs - Please see letter in response dated 17 <sup>th</sup> March 2023
11. How long had the directors been trading insolvently and what justification did they have for that?	Held by IPs following Trust entering into administration.	It is understood that the Trust were not trading insolvently  The information has been requested from the appointed IPs – Please see letter in response dated 17 <sup>th</sup> March 2023
12. What remuneration and expenses did the Directors have during the previous 12 months and how much of this was paid to them while the trust was insolvent?	IP	The information has been requested from the appointed IPs – Please see letter in response dated 17 <sup>th</sup> March 2023
13. Why did the directors not reduce their overheads and employee headcount as the financial position worsened?	IP	The information has been requested from the appointed IPs – Please see letter in response dated 17 <sup>th</sup> March 2023 However cost-cutting arrangements were initiated.

Question	Source of information	Response
14. Can information be provided on the income from sales of ticketed events?	IP	It is understood that this material is held in the management accounts – The information has been requested from the appointed IPs - Please see letter in response dated 17 <sup>th</sup> March 2023
15. What funding did the Trust expect to receive which did not materialise? Where was this funding expected from? What reasons were given for the funding not being given?		Addressed in briefing note on City Council loan.
16. Has the Value for Money assessment been completed? Can this be shared with the Scrutiny Board?	Evaluation reports	<p>It is unclear what is meant by the 'Value for Money assessment'.</p> <p>The City of Culture 2021 Performance Management and Evaluation Framework (see <a href="#">HERE</a>) includes a published Economic Impact Baseline Report (with work underway on a further longitudinal impact report) and in the published report outlining Innovations in Economic Impact Assessment.</p> <p>The Supplementary Report (published September 2022) includes a section on Economic, Skills and Place measures and sections summarising wider health and social impact. Impact on Social Value is also widely considered within the individual Programme Evaluations and Focus Studies published to date.</p>

**Potential risks to the Coventry City Council’s reputation and City Council finances, including implications and mitigations for the loan made in October 2022.**

Question	Source of information	Response
17. Was the Cabinet Member aware the two universities did not consider the £1m a wise investment?		<p>The Universities’ position on the loan became known to the Council after the Cabinet Member had approved the loan on 4<sup>th</sup> October 2022.</p> <p>The University representatives resigned further to discussions held a week later, at both the Trust’s Audit and Risk Committee on 11<sup>th</sup> October and the Trust Board Meeting on 12<sup>th</sup> October. The Trust Board voted to accept the loan at the meeting on 12<sup>th</sup> October, further to which the Universities’ representatives resigned from the Board.</p>
18. If the Cabinet Member was aware of the concerns why were other Members not informed?		See response above
19. What advice did the Cabinet Member receive from Officers prior to signing off the loan?	CM report	<p>The advice to the Cabinet Member was clearly outlined in the Cabinet Member report dated 4<sup>th</sup> October 2022.</p> <p><a href="https://edemocracy.coventry.gov.uk/documents/s54707/Coventry%20City%20of%20Culture%20Trust%20Temporary%20Loan%20Funding%20Support.pdf">https://edemocracy.coventry.gov.uk/documents/s54707/Coventry%20City%20of%20Culture%20Trust%20Temporary%20Loan%20Funding%20Support.pdf</a></p>
20. The Trust had already deferred £0.6m payments to the Council– why then did the Council decide to loan a further £1M?		Addressed in briefing note on City Council loan.
21. What was put in place to ensure the £1m would be spent wisely?		Addressed in briefing note on City Council loan.

Question	Source of information	Response
22. Was there a loan agreement in place? How was it anticipated the loan would be repaid?		Addressed in briefing note on City Council loan.
23. What Due Diligence was undertaken prior to the loan?		Addressed in briefing note on City Council loan.
24. Who is now responsible for the Trust entering the legacy phase?		No one as Trust no longer exists - the Council and partners are committed to ensuring the legacy of the City of Culture continues.
25. Is there a breakdown of spend on Regeneration Projects?		<p>The public realm works and the cultural capital programme were overseen by the Council, not the Trust.</p> <p>The only capital project directly delivered by the Trust was The Reel Store.</p> <p>The financial breakdown on Regeneration projects is as follows:</p> <ul style="list-style-type: none"> <li>• Cultural Capital Investment Fund: £48m</li> <li>• Public Realm: £44m</li> </ul> <p>The amount of spend of funding secured for each project is itemised, below:</p> <p><b><u>Cultural Capital Investment Fund:</u></b>  (N.B. CCC managed grants have been match-funded by partners, which brings the total programme spend up to the £48m above)</p> <ul style="list-style-type: none"> <li>• <i>Cathedral</i> - £2,545,461</li> <li>• <i>Drapers Hall</i> - £2,656,879</li> <li>• <i>Daimler Powerhouse</i> - £1,914,150</li> <li>• <i>Belgrade</i> - £5,035,071</li> <li>• <i>The Box at Fargo</i> - £500,000</li> </ul>

Question	Source of information	Response
		<ul style="list-style-type: none"> <li>• <i>Herbert Art Gallery &amp; Museum - £1,000,000</i></li> <li>• <i>St Mary's Guildhall - £3,678,856</i></li> <li>• <i>Unique visitor-stay accommodation - £869,211</i></li> <li>• <i>The Albany Theatre - £2,908,000 (committed)</i></li> <li>• <i>The Reel store - £750,000</i></li> <li>• <i>Charterhouse - £2,500,000</i></li> <li>• <i>Anglican Chapel - £167,000</i></li> <li>• <i>HMV Empire - £115,000</i></li> <li>• <i>The Tin Music &amp; Arts - £64,647</i></li> </ul> <p><b><u>Public Realm:</u></b></p> <ul style="list-style-type: none"> <li>• Broadgate/Nationwide/ Cuckoo Lane/Cov Cross demo - £1.3m</li> <li>• Upper Precinct Smithford &amp; Market Way - £26,079,020</li> <li>• Salt Lane/Shrub Walk - £900,000</li> <li>• Pepper Lane - £600,000</li> <li>• Water Park /Inspire/Bull Yard - £1,700,000</li> <li>• Hertford Street - £440,000</li> <li>• Protecting Places - £1,316,000</li> <li>• Public Realm Refresh - £1,760,980</li> <li>• Corporation Street - £400,000</li> <li>• Travel Planning - £300,000</li> <li>• CCTV / Screens and Digital inc VMS - £500,000</li> <li>• Drapers Hall/Bayley Lane - £600,000</li> <li>• Unity Lawn - £140,000</li> </ul>

Question	Source of information	Response
		<ul style="list-style-type: none"> <li>• City Centre Lighting enhancements - £1,300,000</li> <li>• Wayfinding - £1,000,000</li> <li>• Canal towpath &amp; basin - £1,400,000</li> <li>• City Centre cycling - £500,000</li> <li>• Pool Meadow - £1,500,000</li> <li>• London Road Crossing - £700,000</li> <li>• Charterhouse Car Park - £1,940,000</li> <li>• Station Boulevard - £500,000</li> </ul>
<p>26. Why did the loan request appear to be 'last minute' when page 15 of the Report shows Council officers and Trust employees were working on the papers for this 1 item agenda on 13<sup>th</sup> September 2022?</p>		<p>CM report was published with usual 5 clear working days notice as required by the Access to Information Procedure Rules.</p>
<p>27. Why was the SCRUCO Chair required to be present at the Cabinet Member Meeting on 4<sup>th</sup> October 2022, to agree the business of the 'loan' to Coventry City of Culture Trust did not been to be 'Called In' due to urgency – when in fact this matter could have been take as a piece of Urgent Business at the SCRUCO meeting on 28<sup>th</sup> September 2022?</p>		<p>The Chair of the SCRUCO was invited to the CM meeting on the 4<sup>th</sup> October and attended the meeting to agree the need for urgency.</p> <p>This was reported to SCRUCO on 19<sup>th</sup> October 2022 minuted as follows:</p> <p>“The Scrutiny Co-ordination Committee noted that Cllr N Akhtar attended the meeting of Cabinet Member for Strategic Finance and Resources held on 4 October, 2022 for consideration of the item relating to “Coventry City of Culture Trust - Temporary Loan Funding Support</p> <p>Councillor Akhtar had agreed that the decision was urgent and that call in should not apply. In accordance with the Constitution, the matter was reported to inform the Committee of the reason for</p>

Question	Source of information	Response
		urgency, which was that the loan is required to provide immediate cashflow support to the City of Culture Trust. If the decision was delayed, this would be a threat to the Trust being able to remain in a positive cashflow position.”
<p>28. What due diligence checks were carried out by the Council on the Trust’s financial sustainability prior to the loan being agreed? Is the following correct? 1) Some or all of the £1m loan was used to pay existing creditors – and if so, how much, and who were the creditors paid? Given that National Lottery cannot pay £850,000 previously agreed to be paid to the Trust as it could not show itself as a ‘going concern’, am I correct in thinking the National Lottery operates higher due diligence checks than Coventry City Council?</p>		Addressed in briefing note on City Council loan.
<p>29. Please confirm that, now the City of Culture Trust has entered administration, the Council’s access to the Public Works Loan Board will be unaffected.</p>		The administration of the City of Culture Trust will not affect access to PWLB borrowing.
<p>30. Coventry University has made a formal statement explaining it is seeking to recover the money it is owed by City of Culture Trust. Is Coventry City Council also making similar efforts to recover the £1.6m Coventry City Council is owed by the City of Culture Trust?</p>		Yes.
<p>31. Is £1.6m the total Coventry City Council is owed by City of Culture Trust? Or is the outstanding amount higher?</p>		The total amount owing to the Council, including accrued loan interest, is £1.677m
<p>32. What was the City Council’s role as guarantor for the City of Culture?</p>		To clarify the position, the City Council, as part of the bid to DCMS for Coventry to be the City of Culture,

Question	Source of information	Response
		<p>agreed to be the accountable body and guarantor for the City of Culture 2021 to be delivered; this did not commit the Council to meeting any future financial liability and the Memorandum of Understanding between the Council and DCMS clearly stated that this is not intended to be legally binding. Nonetheless, it was a commitment of the Council made as part of the bid.</p> <p>The City of Culture Trust was set up as an independent charity as the delivery vehicle. The arrangement put in place between the Council and the City of Culture Trust did not have any provisions or agreement that the Council would act as a guarantee for any of the contracts and/or liabilities that they entered into. It was the responsibility of the City of Culture Trust to decide and manage their contractual arrangements with third parties and these contracts were stand-alone arrangements between the Trust and the individual parties.</p> <p>To the extent that the Council was requested to act as a guarantee for any activity these would have been via a separate contract with the individual party and the Council.</p>
33. Was the commitment made in the bid in relation to being a guarantor suspended?		No
34. <b>'To the extent that the Council was requested to act as a guarantee for any activity these would have been via a separate contract with the individual party and the Council.'</b> Therefore by implication what did the Council act as guarantor for on		<p>The following guarantees were provided by the Council:</p> <ul style="list-style-type: none"> <li>• <b>Lease of Land from Coventry University</b> – The guarantee provided by the Council was to ensure the City of Culture Trust complied with the provisions of the Lease solely around maintaining the land and returning the property back to the Landlord. The beneficiary of this guarantee was Coventry University</li> </ul>

Question	Source of information	Response
those separate contracts? How many? What were they? Who with? What value?		<p>Higher Education and the liability for the Council was limited to a capped sum of £200,000 exclusive of VAT</p> <ul style="list-style-type: none"> <li>• <b>Coventry Glides 2021</b> – The guarantee provided by the Council was to meet the Shortfall in the event that the Coventry Glides 2021 did not generate a Profit for the City of Culture Trust. The Beneficiary of this guarantee was the City of Culture Trust and any liability for the Council to meet the Shortfall was capped at £200,000 exclusive of VAT</li> </ul>
35. Is the Council legally protected from creditors?		<p>Following the review and due diligence of the legal documentations in place, we are able to confirm that there is no contractual relationship with creditors that would give any implication that we are liable for any liabilities incurred by the City of Culture Trust.</p> <p>To the extent that a creditor disputes our position, the burden of proof will for them to provide the necessary evidence to support such assertion</p>
36. Can the Board see the original documentation on the council's position as a guarantor?		The MOU contains a confidentiality clause which requires for the consent of DCMS and the Trust for it to be disclosed – no consent has been received

### Miscellaneous Questions

Question	Source of information	Response
37. Who is now responsible for Trust entering the legacy phase?		No one as Trust no longer exists - the Council and partners are committed to ensuring the legacy of the City of Culture continues.
38. Who is running the City of Culture Trust?		No longer exists

Question	Source of information	Response
39. Who is the Chairman of the City of Culture Trust?		No longer exists
40. How many Directors are left on the Trust?		No longer exists
41. Can the Board review the Value for Money Evaluation Assessment?		All monitoring and evaluation reports published as part of the Evaluation report - SRUCO Details of the Performance and Evaluation Strategy (PM&E Strategy), and access to key monitoring and evaluation reports (published as they have been released) is provided via the Trust's website: <a href="http://Monitoring and Evaluation - Coventry UK City of Culture 2021 (coventry2021.co.uk)"><u>Monitoring and Evaluation - Coventry UK City of Culture 2021 (coventry2021.co.uk)</u></a>
42. Can the Board review the City of Culture Evaluation Report led by Warwick University?		This will be discussed at the first meeting of SCRUCO in the new municipal year.
43. What involvement has the City Council had with the Charities Commission following the administration of the Trust?	Email from commission to CCC.	<p>“The Commission understands the concern that the administration of the charity is causing people in Coventry and Warwickshire. The Charity Commission’s compliance case into the charity remains ongoing, and we are liaising with the charity and other stakeholders as we consider our next steps”.</p> <p>We have made no finding of wrongdoing at this time and cannot comment further at this time. Depending on what regulatory action is taken, an outcome may be published on the Commission's website. At present, investigations are still ongoing.”</p>

Please see page 2 onwards for background to items

<b>13<sup>th</sup> July 2022</b>
- Introduction to Local Government Finance
<b>21<sup>st</sup> September 2022</b>
- HR Update and People Plan
- Workforce Diversity & Inclusion Update
<b>9<sup>th</sup> November 2022</b>
- Procurement and Social Value Update
- Recruitment & Selection and Tribepad the Council's Applicant Tracking System
<b>11<sup>th</sup> January 2023</b>
- ICT & Digital Update
- Digital Inclusion
<b>15<sup>th</sup> February 2023</b>
- Reserve Balances
- CIPFA Resilience Index
<b>9<sup>th</sup> March 2023</b>
- City of Culture Trust
<b>29<sup>th</sup> March 2023</b>
- City of Culture Trust
<b>2023/24</b>
- Equality and Diversity – Interview Panels
- HR/ Workforce update to include:
• Apprenticeship Update
• HR/Workforce Management information
• Managing an Agile Workforce
- Early Retirement/ Voluntary Redundancy
- Financial Management Code
- Medium Term Financial Strategy
- Coventry Connects
- Council Office Space

<b>Date</b>	<b>Title</b>	<b>Detail</b>	<b>Cabinet Member/ Lead Officer</b>
<b>13<sup>th</sup> July 2022</b>	- Introduction to Local Government Finance	The report will include opportunities, challenges and risks for LG finance nationally and locally; the current Position on issues including inflation, reserves, treasury management and grants; the budget settings process; benchmarking and making best use of CCC published financial information.	Cllr Brown Barry Hastie
<b>21<sup>st</sup> September 2022</b>	- HR Update and People Plan	To review the new plan for 2022-2025. This will what is being done to develop, retain and attract new talent to CCC.	Cllr Brown Susanna Newing
	- Workforce Diversity & Inclusion Update	To provide Finance and Corporate Services Scrutiny Board with an opportunity to scrutinise the Council's Workforce Diversity & Inclusion and Anti-Racism work.	Cllr Brown Grace Haynes
<b>9<sup>th</sup> November 2022</b>	- Procurement and Social Value Update	To receive an update on procurement and social value. To include the financial implications of ethical procurement and social value.	Cllr Brown Oluremi Aremu
	- Recruitment & Selection and Tribepad the Council's Applicant Tracking System	To include the impact of the introduction of anonymised recruitment and a demonstration of the system.	Cllr Brown Susanna Newing Grace Haynes
<b>11<sup>th</sup> January 2023</b>	- ICT & Digital Update	To review the position with regards to ICT & Digital and the progress being made against the ICT & Digital strategy and service plans. To include progress against the feedback from the last feedback ICT survey. To consider what work is taking place and how decisions are being taken to future proof ICT investments.	Cllr Hetheron Susanna Newing/ Paul Ward
	- Digital Inclusion	Identified at the meeting on 13 <sup>th</sup> July 2022. To include the levels of digital poverty in the City.	Cllr Hetheron Susanna Newing/ Paul Ward/ Adrienne Bellingeri Laura Waller

Date	Title	Detail	Cabinet Member/ Lead Officer
15 <sup>th</sup> February 2023	- Reserve Balances	To receive an update on the position of Council Reserves and identify recommendations for the Cabinet Member.	Cllr Brown/ Paul Jennings
	- CIPFA Resilience Index	To receive information on the outcome of the CIPFA Financial Resilience Index.	Cllr Brown/ Barry Hastie/ Paul Jennings
9 <sup>th</sup> March 2023	- City of Culture Trust	An additional meeting to discuss the City of Culture Trust.	Julie Newman
29 <sup>th</sup> March 2023	- City of Culture Trust	To consider; <ul style="list-style-type: none"> <li>- The background to the decision to make a loan to the City of Culture Trust in October 2022</li> <li>- Responses to questions raised by the Scrutiny Board</li> </ul>	Cllr Brown/ Cllr Welsh Kirston Nelson/ Barry Hastie/ Julie Newman
2023/24	- Equality and Diversity – Interview Panels	As a follow up to the item on Recruitment & Selection and Tribepad the Council’s Applicant Tracking System, to review the analysis of the outcome of increasing the diversity of interview panels.	Cllr Brown Susanna Newing Grace Haynes
	- HR/ Workforce update to include: <ul style="list-style-type: none"> <li>• Apprenticeship Update</li> <li>• HR/Workforce Management information</li> <li>• Managing an Agile Workforce</li> </ul> - Early Retirement/ Voluntary Redundancy	To receive an update on apprenticeships within CCC.  For the Board to scrutinise the HR/Workforce Management dashboard.  To scrutinise the mechanisms in place to enable managers to manage an agile workforce to include how staff are supported, developed and performance management undertaken. To receive an update on ER/VR at an appropriate time.	Cllr Brown Susanna Newing
	- Financial Management Code	The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and	Cllr Brown/ Barry Hastie/ Paul Jennings

Date	Title	Detail	Cabinet Member/ Lead Officer
		standards within the code authorities will be able to demonstrate their financial sustainability. This item will examine Coventry's progress towards meeting the FM Code principles.	
	- Medium Term Financial Strategy	To discuss the Council's Medium Term Financial Strategy prior to its approval through the political process. This is an annual item.	Cllr Brown /Barry Hastie/ Paul Jennings
	- Coventry Connects	To include Customer Service channels including the feedback loop for customers and councillors and continuous improvement.	Cllr Brown/ Cllr Hetherton Adrienne Bellingeri/ Paul Ward
	- Council Office Space	Review the usage of Council office space within the context of more flexible working practices.	