Coventry City Council

Agenda

Cabinet

Time and Date
2.00 pm on Tuesday, 14th February 2023

Place
Council Chamber - Council House

Public business

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes** (Pages 3 - 12)

   (a) To agree the minutes from the meeting of Cabinet on 10th January 2023

   (b) Matters arising

4. **Medium Term Financial Strategy 2023-2026** (Pages 13 - 38)

   Report of the Interim Chief Executive (Section 151 Officer)

5. **2022/23 Third Quarter Financial Monitoring Report (to December 2022)** (Pages 39 - 64)

   Report of the Interim Chief Executive (Section 151 Officer)

6. **Electric Vehicle Charging Infrastructure - Procurement** (Pages 65 - 72)

   Report of the Director of Transportation and Highways

7. **Coventry UK Shared Prosperity Fund 2023-2025** (Pages 73 - 82)

   Report of the Director of Business, Investment and Culture

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, Chief Legal Officer, Council House, Coventry

Monday, 6 February 2023

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

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, G Lloyd and S Nazir

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

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Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 10 January 2023

Present:	
Members:	Councillor G Duggins (Chair) Councillor A S Khan (Deputy Chair) Councillor R Brown Councillor K Caan Councillor M Mutton Councillor J O'Boyle Councillor K Sandhu Councillor P Seaman Councillor P Hetherton Councillor D Welsh
Non-Voting Deputy Cabinet Members:	Councillor G Hayre Councillor G Lloyd Councillor S Nazir
Non-Voting Opposition Members:	Councillor G Ridley Councillor P Male
Other Non-Voting Members:	Councillor N Akhtar Councillor J Clifford Councillor J Innes Councillor R Lakha
Employees (by Service):	
Chief Executive	M Reeves (Chief Executive)
Education and Skills	K Nelson (Chief Partnership Officer), R Sugars
Finance	B Hastie (Chief Operating Officer (Section 151 Officer)), P Hammond, P Jennings
Human Resources and Organisational Development	S Newing (Chief People Officer)
Law and Governance	J Newman (Chief Legal Officer), M Salmon
Streetscene and Regulatory Services	A Walster (Director of Streetscene and Regulatory Services), T Weatherall

Apologies: Councillor P Akhtar
Councillor R Auluck
Councillor L Bigham
Councillor B Gittins
Councillor R Singh

Public Business

75. **Declarations of Interest**

There were no disclosable pecuniary interests.

76. **Minutes**

The minutes of the meeting held on 13th December 2022 were agreed and signed as a true record.

There were no matters arising.

77. **Exclusion of Press and Public**

RESOLVED that the Cabinet agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 85 below headed 'Coventry One Strategic Plan and Education Capital programme' on the grounds that the report involves the likely disclosure of information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act, as it contains information relating any individual and relating to the financial affairs of a particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

78. **2023/2024 Council Tax Base**

The Cabinet considered a report of the Chief Operation Officer (Section 151 Officer) that established the 2023/24 Council Tax base for tax setting purposes.

The Council Tax base was the measure of the taxable capacity of an area, for the purpose of calculating an authority's Council Tax. It represented the estimated number of Band D equivalent chargeable dwellings for the year. It also took into account the authority's estimated Council Tax collection rate.

The report did not set the actual level of Council Tax in Coventry; that would be set by Council on the 21 February 2023.

Appendices to the report provided: the Tax Base Calculation for 2023/24 Tax Setting (Coventry); the Tax Base Calculation for 2023/24 Tax Setting (Allesley); the Tax Base Calculation for 2023/24 Tax Setting (Finham); the Tax Base Calculation for 2023/24 Tax Setting (Keresley); and Grant payments to parish councils.

RESOLVED that the Cabinet:

1) Approves that the Council Tax collection rate for 2022/23 be set at 97.9%.

2) Agrees that, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2012, the amounts calculated by the City Council for 2023/24 shall be:

a net tax base of 86,075.2 for the whole of the City Council area made up as follows:

Allesley Parish	**387.5**
Finham Parish	**1,549.4**
Keresley Parish	**369.8**
All Other Coventry City Council Wards	**83,768.5**
TOTAL	**86,075.2**

3) That the following grant payments should be made to parish councils to reflect the impact in 2023/24 of Council Tax reductions on their tax bases:

Allesley Parish	**£2,057**
Finham Parish	**£3,114**
Keresley Parish	**£2,048**
TOTAL	**£7,219**

79. **Draft Urban Forestry Strategy**

The Cabinet considered a report of the Director of Streetscene and Regulatory Services that sought approval to adopt the City Council's Urban Forestry Strategy following three phases of consultation which were approved by the Cabinet Member for Policing and Equalities at his meeting held on 21st March 2022 (his minute 31/21 referred).

The Strategy was considered by the Business, Economy and Enterprise Scrutiny Board (3) at their meeting on the 6th November 2019 (their minute 21/19 referred) as part of the initial consultation stage at which the Board made several recommendations which were set out in section 3 of the report. All recommendations had been incorporated into the strategy document and action plan. The details were to be presented to the Scrutiny Board at a future meeting.

The draft Strategy recognised the value and importance of the urban forest particularly in mitigating pollution, heat, flooding and wind as well as its value towards biodiversity, wildlife, the community's health and wellbeing, overall quality of the urban environment and economic value.

Reductions in government spending had led to a decreased spend in greenspaces and as a result, lack of funding had been identified as a main constraint in both improving and maintaining the tree stock. Focus should be made in maximising funding through Planning Section 106 agreements, exploiting opportunities arising from Regeneration and Business Improvement Districts in establishing sustainable urban forests, along with establishing effective partnerships with developers and landowners.

The importance of strategically managing the urban forest was highlighted and the draft Strategy makes reference to a number of Coventry City Council Policies which touch the City's urban forest including the Coventry City Council Area Action Plan, Development Strategy and the recently adopted Greenspace Strategy.

The Strategy acknowledges the significant work done by Coventry's Urban Forestry team to explore new ways of working and provide better value for money in tree maintenance. A number of aspects were recognised as significant including the management of all street trees, the adoption of Tree Risk management processes and procedures to ensure the establishment of new trees.

Although measures were in place at Coventry to protect urban trees, the draft strategy suggested that the need to communicate the benefits of trees as well as enforcement was important and identified a number of issues for consideration including, policies which took into consideration the life cycle of the tree and its value to the environment, strong policies on enforcement and sustainable compensation measures and the protection of ancient woodlands and veteran trees.

There was a need to develop a resilient and sustainable urban forest which should be directed by strong policies to establish wide ranging tree sizes and species distributions. A number of aspects were seen as important in achieving this such as tree mapping, to identify gaps and establish population improvements, achieving a balance of numbers and genetic diversity, aiming to plant more and fell less, developing a species mix to protect against the impacts of disease and pathogens.

The City Council required an Urban Forestry Strategy in order to develop a resilient and sustainable urban forest achieving a balance of numbers and genetic diversity, aiming to plant more and fell less, developing a species mix to protect against the impacts of disease and pathogens. It would also help the City to continue to fight the causes and outcomes of global warming. A copy of the Draft Strategy was attached as an Appendix to the report.

RESOLVED that the Cabinet approves the adoption of the Urban Forestry Strategy as appended to the report.

80. **Outcomes of the Fair Funding Consultation Outcomes 2023-24**

The Cabinet considered a report of the Director of Education and Skills that set out the results of the consultation on proposed changes to the Fair Funding Scheme of Delegation ("the Scheme") and sought approval for recommended changes to the Scheme and the Fair Funding Formula.

Under Section 48 of the School Standards and Framework Act 1998, Local Authorities (LAs) were required to have schemes of delegation which set out the financial controls and arrangements that would operate between schools and the LA. Any proposed revisions to these schemes and/or the Fair Funding Formula must be the subject of consultation and required approval by the Schools Forum.

The DFE introduced its National Funding Formula (NFF) for LAs in 2018-19, whereby allocations for LAs were determined under the NFF approach, but LAs retained control over how they chose to distribute that funding amongst their schools. In Coventry the decision since 2018-19 had been to mirror the NFF allocation for schools as far as possible. This had provided all schools with annual increases at least in line with the maximum per pupil funding increase set out in the NFF.

The Department for Education (DFE) published the "Schools Operational Guide: 2023 to 2024" which set out the school revenue funding arrangements for 2023-24. There had not been any significant changes required to the operation of the local school funding formula for 2023-24.

The Coventry Fair Funding Consultation document was circulated on the 4 November 2022 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association, members of the Schools Forum and Early Years Free Entitlement providers in the private, voluntary and Independent (PVI) sectors. The consultation period ended after 3 weeks on the 27 November 2022.

Stakeholder groups were briefed throughout the consultation period. These included Primary Finance representative head teachers and the Schools Forum. The consultation document also sought to act as an information document to school stakeholders regarding anticipated local budget pressures.

The results of the consultation were set out in Appendix 1 to the report - Fair Funding Consultation 2023-24: Summary of Responses, Appendix 2 gave details of the De-delegation Levels Approved for 2022-23, and Appendix 3 provided the Fair Funding Consultation document for 2023-24.

RESOLVED that the Cabinet:

1) **Approves the recommended changes to the Fair Funding Formula and Fair Funding Scheme of Delegation, which are summarised in section 3 of the report.**

2) **Delegates authority to the Director of Education and Skills, following consultation with the Cabinet Member for Education and Skills, to make any necessary amendments to the final detail of these recommended changes, in order to comply with the School Finance (England) Regulations 2022 once full detail of the schools funding settlement has been published by the Department for Education for 2023/24. Any changes will be made following discussion with the Schools Forum as appropriate.**

81. **Coventry One Strategic Plan and Education Capital Programme**

The Cabinet considered a report of the Chief Partnership Officer on the Coventry One Strategic Plan and Education Capital Programme. A copy of the Education and Learning One Strategic Plan 2021 – 2026 was attached as an appendix to the report.

A corresponding private report detailing confidential financial matters was also submitted for consideration (Minute 85 below refers).

Under Section 14 of the Education Act 1996, Coventry City Council had a statutory duty to ensure sufficient school places and fair, appropriate access to education. It was the Council's role to plan, commission and organise school places in a way that raised standards, managed supply and demand and created a diverse infrastructure.

The Coventry One Strategic Plan, first presented to Cabinet on 2nd October 2018 (minute 46/18 referred), set out pupil forecasts for special, primary and secondary pupils across education planning areas in response to rising or falling pupil cohorts across the city. It outlined the strategy proposed by the Local Authority and the Coventry Education Partnership to meet the additional places required in secondary provision from 2019 – 2024. Work had also been undertaken to look at the Special School provision and the primary estate in line with falling birth rates and new housing, and actions required as a result of the rising demand for specialist school placements.

It was proposed that this strategy would be a flexible plan, able to adapt to shifting mechanisms of parental preference, unforeseen changes in supply and demand of school places, and future birth rates. To do this, the One Strategic Plan would be monitored and updated annually with presentation to the Education Portfolio Councillor, and Cabinet, alongside a wider process of constant review of School Place Planning. In addition, the procuring of places would take place annually so as not to create an unstable number of school places.

This partnership commitment signified a statement of intent to collaborate and work in partnership to achieve the best possible outcomes for children and young people in Coventry, ensure the sustainability of Coventry schools, and to enable the City Council to meet its statutory obligations. As part of this process, numerous options had been discussed at both full Coventry Education Partnership meetings, and the Secondary Headteacher Executive. The preferred option had been approved by the Coventry Education Partnership as being the best valid option keeping in line with the statutory requirement as outlined by the DfE to:

i. Spend capital funding efficiently
ii. Safeguard the quality of places in the system
iii. Manage down spare capacity in the estate where it exists.

Capital allocations to meet projected shortfalls in provision were provided by the Education Skills Funding Agency (ESFA) to all Local Authorities based on the data provided in the annual School Capacity return (SCAP). Demand for places minus the supply of places was multiplied by a cost per pupil place to inform the final allocation. This return informed the ESFA of the expected change in pupil numbers over the next few years, the current capacity of schools to meet those numbers and the planned changes to that capacity. The next tranche of funding would be announced in March 2023.

The Council in reports to Cabinet dated 12th October 2021 (minutes 37/21 and 41/21) and to Council 18th October 2021 (their minutes 46 and 51/21 referred) respectively approved a capital budget for the delivery of the capital refurbishment works on the Woodlands Site to facilitate the relocation of the existing Woodfield Primary and Secondary schools. Further funding had been identified toward the delivery of this project and this report sought the approval of an increase to the capital budget.

RESOLVED that the Cabinet:

1) Authorises the programme of work outlined within the proposed Coventry One Strategic Plan for Primary, Secondary Education and Special Educational Needs (SEN).

2) Delegates authority to the Chief Partnership Officer and the Chief Legal Officer to agree the most appropriate procurement route for the works to be delivered and awarded.

3) Delegates authority to the Chief Partnership Officer and the Chief Legal Officer to undertake all necessary due diligence and to enter into the legal agreement to facilitate the lease for Swanswell to Sidney Stringer Multi Academy Trust (MAT) to allow Sidney Stringer Academy to increase their Published Admission Number (PAN)

4) (Subject to acting within approved budgets), authorises an increase to capital budget for the delivery of the capital refurbishment works on the Woodlands site, to facilitate the relocation and expansion of Woodfield Special School by an additional amount of up to the sum identified in the private element of this report.

5) Approves that the Council capital programme is adjusted to facilitate the Recommendation set out in Recommendation 4 above.

82. **Outstanding Issues**

There were no outstanding issues.

83. **Appointment of Proper Officers and Appointments Panel**

The Cabinet considered a report of the Chief People Officer, that would also be considered at the meeting of Council on 17th January 2023, as urgent business, the reason for urgency being the need to enable a decision to be taken within the timescales required to ensure that appropriate provision was made for interim arrangements following the resignation of the Chief Executive.

The report sought approval to the implementation of an interim Chief Executive and a Proper Officer and to make provision for electoral arrangements, following the resignation of the Chief Executive. The report also proposed the establishment of an Appointments Panel in respect of recruitment to the post of Chief Executive to be filled following the resignation of Dr Reeves.

Following the resignation of the Chief Executive, it was necessary for interim Chief Executive arrangements to be put in place until the recruitment process for a permanent replacement had been successfully completed. In this regard, it was proposed that Barry Hastie (Chief Operating Officer) and Kirston Nelson (Chief Partnership Officer) both assume the role of joint Acting Chief Executive from 1st February 2023.

In addition, in accordance with the Representation of the People Act 1983, the City Council was required to appoint an Electoral Registration Officer to be responsible maintain a complete and accurate register of electors. A Returning Officer who was responsible for the conduct of local elections. Proper Officer and Counting Officer for any referendums held under the Local Government Act 2000 or any other legislation. An officer to exercise functions in relation to any referendum to change governance arrangements under the Local Government Act 2000 and to hold elections for an elected mayor. Currently, the posts were held by the Chief Executive. It was proposed that the Chief Legal Officer (Julie Newman) was appointed to these roles with effect from 1st February 2023.

The recruitment and selection process for the Chief Executive "Head of the Paid Service" was detailed in the Council's Constitution, this included the convening of an Appointments Panel. To support Members in the recruitment process, an executive search company had been selected in line with appropriate procurement requirements. It was proposed that the Appointments Panel would be advised by the Chief People Officer and an external professional adviser from the supporting executive search company Gatenby Sanderson.

In accordance with the Constitution, Council would approve the appointment of the Chief Executive following the recommendation of the Appointments Panel.

RESOLVED that the Cabinet:

Recommends that the City Council, at their meeting on 17th January 2023:

1) **With effect from 1st February 2023, appoints Barry Hastie (Chief Operating Officer, S151 Officer) and Kirston Nelson (Chief Partnership Officer) as joint Acting Chief Executives for the Council until such time as a new Chief Executive has been recruited and is in post.**

2) **Designates Barry Hastie (Chief Operating Officer) as Head of Paid Service under s.4 Local Government and Housing Act 1989.**

3) **With effect from 1st February 2023, appoints Julie Newman (Chief Legal Officer) as the City Council's Returning Officer and Electoral Registration Officer.**

4) **Delegates authority to the Chief Legal Officer to make appropriate changes to the Council's Constitution to reflect the above recommendations.**

5) **Approves the establishment of the Appointments Panel for the appointment of the Chief Executive as detailed in Section 1.6 of the report.**

84. **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.

Private Business

85. **Coventry One Strategic Plan and Education Capital Programme**

Further to Minute 81 above, the Cabinet considered a private report of the Chief Partnership Officer, which set out the commercially confidential matters relating to further funding and increase in the capital budget for the delivery of the capital refurbishment works on the Woodlands Site to facilitate the relocation of the existing Woodfield Primary and Secondary schools.

RESOLVED that the Cabinet:

1) **Authorises the programme of work outlined within the proposed Coventry One Strategic Plan for Primary, Secondary Education and Special Educational Needs (SEN).**

2) **Delegates authority to the Chief Partnership Officer and the Chief Legal Officer to agree the most appropriate procurement route for the works to be delivered and awarded.**

3) **Delegates authority to the Chief Partnership Officer and the Chief Legal Officer to undertake all necessary due diligence and to enter into the legal agreement to facilitate the lease for Swanswell to Sidney Stringer Multi Academy Trust (MAT) to allow Sidney Stringer Academy to increase their Published Admission Number (PAN)**

4) **(Subject to acting within approved budgets), authorises an increase to capital budget for the delivery of the capital refurbishment works on the Woodlands site, to facilitate the relocation and expansion of Woodfield Special School by an additional amount of up to the sum identified thereby increasing the total capital budget available in the sum identified.**

5) Approves that the Council capital programme is adjusted to facilitate the Recommendation set out in Recommendation 4 above.

86. **Any other item of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved**

There were no other items of private business.

(Meeting closed at 2.30 pm)

Coventry City Council

Public report
Cabinet Report

Scrutiny Co-ordination Committee	8th February 2023
Cabinet	14th February 2023
Council	21st February 2023

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

Director Approving Submission of the report:
Interim Chief Executive (Section 151 Officer)

Ward(s) affected: All

Title:
Medium Term Financial Strategy 2023-26

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

Executive Summary:

This report presents a Medium-Term Financial Strategy (MTFS) for adoption by the City Council. The previous strategy was approved in January 2022. The Strategy, which is included in full as a separate appendix, sets out the financial and policy context for the Council's medium term financial plans.

Cabinet considered separately the detailed proposals for 2023/24 within the Pre-Budget Report in December which included the best estimate of the Council's three-year settlement financial position available at that time. The final Budget Setting Report will be brought to Cabinet and Council in February 2023.

The national funding background has been set out in the Autumn Statement published by the Government in November 2022 with further detail included in the 2023/24 Provisional Local Government Finance Settlement on 19th December 2022. This confirmed the position that there will be no structural changes to the funding arrangements in the coming financial year.

The Council's existing financial position has been characterised by several fundamental financial challenges including a long period which saw the real value of Government financial settlements reduce, an increase in the demand for services such as social care and the emergence of inflationary pressure on a wide range of costs. In response the Council has been able to balance its budget through the receipt of significant time-limited Government grant allocations and approval of maximum permitted Council Tax rises. The Council still faces significant budget gaps in the medium-term and one of the purposes of the MTFS is to set out the Council's approach to managing this position. Notwithstanding, 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.

The Strategy has at its heart the need to deliver the priorities set out in the One Coventry Council Plan with a paramount need to protect the most vulnerable people in the city and deliver expectations on the Council to maintain service levels and standards across a wide range of core services.

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 quality core services for every citizen in the city in line with the Council's aspiration to deliver its One Coventry Plan.

Recommendations:

Scrutiny Co-ordination Committee 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 Scrutiny Co-ordination Committee; 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:

Appendix 1 - Medium Term Financial Strategy 2023-26

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

Yes - Scrutiny Co-ordination Committee – 8th February 2023

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 - 21st February 2023

Report Title: Medium Term Financial Strategy 2023-26

1. **Context (or Background)**

1.1 This Strategy, attached at Appendix 1 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.

1.2 The MTFS contains an introduction and the policy framework in section 2 provided by the existing One Coventry Plan which sets out how the Council is focused on increasing the economic prosperity of the city and region, improving outcomes and tackling inequalities within Coventry communities and tackling the causes and consequences of climate change.

1.3 Section 3 of the Strategy explains the national financial context and the medium-term uncertainty that exists around local government funding. Although recent Government announcements broadly consolidate the existing level and pattern of local government resources there is significant uncertainty over the future path funding.

1.4 The key factors that the Council has identified as influencing current and future demand for our services, are outlined in Section 4. These continue to include recurrent challenges such as sustained demand for social care as a result of the ageing population and increasing numbers of children with complex care needs. In addition, councils are faced with increasing demand for support from citizens driven by current national financial challenges, the greatest inflationary pressures witnessed in a generation and the consequent cost of living crisis.

1.5 Section 5 outlines the Council's financial planning context and assumptions which draw on the information set out in the remainder of the Strategy and provide the foundations of the medium-term financial position. This includes the key spending forecasts, inflation expectations and planning assumptions in areas such as Council Tax.

1.6 The Council's response to the current financial gap is set out in Section 6. This sets out the Council's approach to how it will seek to balance its Budget in future, subject to future Budget decisions and other major policy approvals.

2. **Options considered and recommended proposal**

2.1 The remainder of the report and in particular the details set out in Appendix 1 contain the proposed updated Medium Term Financial Strategy for the Council. The recommended proposal is for Cabinet and Council to adopt this Strategy in replacement of the existing Strategy.

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 This MTFS is broadly reflected in the Budget proposals that will be considered by Cabinet and Council in February 2023 and will underpin the proposals and approaches in the subsequent Budget process for 2024/25.

5. Comments from the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer

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.

Moving into the next phase of financial planning the initial position shows forecast gaps rising to £42m in 2025/26 although this will be updated within the Budget Report. 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 nature to help balance future budgets. These approaches may include but will not be restricted to; the use of reserves, the use of Capital receipts, repayment of debt, investment in property and other investment assets, application of the Council's Minimum Revenue Provision policy and updating estimates of the Council's Business Rates and Council Tax resources.

5.2 Legal implications

The proposals in this report provide the foundations to allow the Council to meet its statutory obligations in relation to setting a balanced budget by mid-March each year, in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003.

6. Other implications

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

The Council will continue to be faced with challenging resource constraints in the coming years. This will demand that there continues to be a focus 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.

6.4 **Equality Impact Assessment 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 is reflected in the revised draft of the One Coventry Council Plan and can be expected to figure more prominently in the Council's policy and financial planning activities over time.

6.6 **Implications for partner organisations**

Implementation of the Council's financial plans continue to affect the way it works with some of its partners and the implications of these changes need to be managed in consultation with partners as individual changes are identified.

Report author(s):

Name and job title:
Paul Jennings
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Finance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	20/1/23	23/1/23
Ewan Dewar	Head of Finance (Performance)	Finance	20/1/23	24/1/23
Phil Helm	Head of Finance (Corporate and Commercial)	Finance	20/1/23	24/1/23
Tina Pinks	Finance Manager	Finance	20/1/23	20/1/23
Chris Whiteley	Finance Manager	Finance	20/1/23	20/1/23
Names of approvers for submission: (officers and members)				
Sarah Harriott	Corporate Governance Lawyer	Law and Governance	20/1/23	24/1/23
Barry Hastie	Interim Chief Executive (Section 151 Officer)	Finance	20/1/23	25/1/23
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	20/1/23	24/1/23

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APPENDIX 1

COVENTRY CITY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2023-26

1. EXECUTIVE SUMMARY

1.1 This Medium-Term Financial Strategy (MTFS) 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 Strategy is consistent with the forthcoming 2023/34 Budget Setting Report. The purpose of the MTFS is to describe the environment within which the Council operates and bring together resource and cost projections to explain how the Council plans to address its funding gap, whilst retaining focus on the strategic priorities.

1.2 An introduction and the policy framework provided by the existing draft One Coventry Plan is provided in **Section 2**. This sets out how the Council is focused on increasing the economic prosperity of the city and region, improving outcomes and tackling inequalities within Coventry communities and tackling the causes and consequences of climate change.

1.3 **Section 3** explains the national financial context and the medium-term uncertainty that exists around local government funding. Although recent Government announcements broadly consolidate the existing level and pattern of local government resources there is significant uncertainty over the future path of funding.

1.4 The key factors that the Council has identified as influencing current and future demand for Council services, are outlined in **Section 4**. These continue to include recurrent challenges such as sustained demand for social care as a result of the ageing population and increasing numbers of children with complex care needs. In addition, councils are faced with increasing demand for support from citizens driven by current national financial challenges, the greatest inflationary pressures witnessed in a generation and the consequent cost of living crisis.

1.5 **Section 5** outlines the Council's financial planning context and assumptions which draw on the information above and provide the foundations of the medium-term financial position. This includes the key spending forecasts, inflation expectations and planning assumptions in areas such as Council Tax.

1.6 The Council's response to the current financial gap is set out in **Section 6**. This sets out the Council's approach to how it will seek to balance its Budget in future, subject to future Budget decisions and other major policy approvals.

2. INTRODUCTION AND POLICY FRAMEWORK

2.1 The strategic direction for the Council is set by the One Coventry Council Plan (the One Coventry Plan or OCP). The existing plan is currently being refreshed and has been subject to a period of comprehensive engagement. It is anticipated that the updated plan, currently in draft, will be approved in first half of 2023.

2.2 The draft OCP sets out a vision for One Coventry of "working together to improve our city and the lives of those who live, work and study here".
The draft Plan describes outcomes for:

- a city with a strong and resilient economy, where inclusive growth is promoted and delivered, businesses are enabled to innovate and grow, and new local jobs are created.
- a city where our residents get the best possible start in life, experience good health and age well, in a city that embraces diversity, protects the most vulnerable and values its residents and communities.
- a city, that leads the way and invests in the green industrial revolution. Ensuring the future well-being of our residents by embedding environmentally friendly behaviours and exploring opportunities to lessen the pressures caused by climate change.

2.3 The OCP is clear that there are fundamental conditions that need to be in place in order to achieve these outcomes. These are that the Council has a strong and sustainable financial position, with resources and assets that are aligned with our priorities and that it plays a key role as a civic leader, working in genuine partnership with local residents, communities and partners. Central to the achievement of the aims set out in the OCP, a One Coventry approach will focus on the way in which the Council and its employees work, both within the organisation and collaboratively more widely, in order to improve services and make the biggest possible positive impact on people's lives.

2.4 The OCP clearly sets out the need for financial resilience in order to achieve its objectives. It is also necessary therefore, for the MTFS to reflect the principles, visions and priorities set out for the City within the OCP. The MTFS complements the Council Plan by defining the financial framework within which these priorities will be delivered. It should also ensure through appropriate resource allocation decisions that it supports the plan, alongside the fundamental aims of delivering a balanced budget and enabling the Council to fulfil its statutory duties.

2.5 The Council's resources will continue to be focused on activities which contribute most to improved outcomes for local people. In order to deliver the OCP, the Council is refreshing its approach incorporating a series of workstreams across its activities with a focus on partnership working. This work is at an early stage and 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.

2.6 The OCP sets out the Council's role as a partner, enabler and leader and the importance of partnership working to the delivery of the Plan. This approach is equally important to delivery of the MTFS and incorporates elements such as: responding to national and regional policy for local government; leading on innovative approaches to working differently; acting as a civic leader, in collaboration with local residents, communities and partners (public, private, and voluntary and community sectors); working with residents and communities to find solutions to challenges faced in local neighbourhoods; leading and co-ordinating Coventry's response on how the city tackles climate change and the necessary transition to a zero-carbon economy; and leading the delivery of aspirational investments through regional partnerships such as development of the Gigafactory in Coventry. These approaches are set out more fully within the OCP.

2.7 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 the Friargate regeneration district, the Very Light Rail project and the development of City Centre South. Further work continues to improve the attractiveness and desirability of the city as a venue. 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 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. A comprehensive range of factors is set out in full within the Council's Annual Plan Performance Report 2021/22.

3. FINANCIAL CONTEXT

3.1 Coventry City Council's revenue spending is funded from four main sources: Council Tax, Business Rates (net of Government tariff), specific grants and other income in the form of fees, charges, dividends and interest. Some councils also receive Revenue Support Grant but as part of the West Midlands Business Rates Pilot, Coventry does not receive Revenue Support grant and instead retains a greater share of the business rates income it collects. The following table summarises how the Council's 2022/23 revenue budget was funded.

Table 1: Funding of 2022/23 Gross Budget

	2022/23 £m	2022/23 £m
Council Tax Requirement	(153.4)	
Business Rates Income (net of tariff)	(84.0)	
Funding of Net Budget		**(237.4)**
Specific Grants	(402.7)	
All Other Income	(108.7)	
All Other Funding/Income		**(511.4)**
Total Funding of Gross Budget		**(748.8)**

Business Rates

3.2 The national system of retained Business Rates allows local government to retain 50% of business rates income with the remainder payable to central government for redistribution through government Revenue Support Grant. However, authorities that are part of Business Rates Pilot schemes retain a greater share of Rates. Along with the other 6 West Midlands authorities, Coventry is a member of the West Midlands Business Rates Pilot with all member councils retaining 99% of the business rates collected (with 1% going to the West Midlands Fire and Rescue Authority). The West Midlands Combined Authority receives a payment from each authority as a proxy for a share of the growth in business rates income.

3.3 For several years the government has discussed updating the assessment of needs and resources used to determine individual authority funding allocations via retained Business Rates and Revenue Support Grant. The current methodology and much of the data that feeds it is now significantly out of date and results in a perceived unfair distribution of resources. However, recent announcements have indicated further delay in reform of the system which means that this is not likely to be implemented until 2025/26 at the earliest. Until such reform is designed and published it is not possible to predict how it will affect individual authorities. Due to the significant growth experienced in Coventry and the demographic make-up of its population, the local expectation is that system reform should result in a greater share of resources for the city. The updated mechanism might also be expected to reflect the government's Levelling Up ambitions with relative needs and resources given more priority in the new distribution. It is hoped that the effect will be to shift resources towards councils such as Coventry which are considered to be relatively more deprived than many others. Given the current delay in system reform, it is reasonable to assume that Business Rates Pilots will continue for at least the next two financial years.

3.4 Since the introduction of business rates retention in April 2013, the government has made a number of policy announcements affecting the amount of business rates that local authorities can collect, such as increasing the amount of relief available to certain businesses and restricting the increase in the multiplier. In order to protect councils from the impact of these decisions, the government compensates local authorities for the resulting cumulative loss in income through specific non ring-fenced grants.

Council Tax

3.5 Council Tax remains the most significant source of Coventry's net income, funding 65% of the net revenue budget in 2022/23. The Council has experienced a sustained period of growth in the Council Tax base for some time and the MTFS assumes this will continue. The Provisional Settlement has confirmed that the referendum threshold for increases in core Council Tax will be 3% in 2023/24, with a further increase of up to 2% allowed in respect of the Adult Social Care precept. These increases are also expected to apply for 2024/25. After this an underlying expectation of 2% Council Tax rises and no precept will be assumed. The level of increase will be determined by full Council through the budget process. For illustrative purposes, an increase of 1% in Council Tax equates to c£1.5 million of income.

Specific Grants

3.6 The Council receives a very significant level of specific revenue grant funding (£403m budgeted in 2022/23) with further grants often announced through the year. The vast majority of these are provided by Government with most of this being allocated for specific and ring-fenced purposes. By value, the most significant elements relate to Dedicated Schools Grant and Pupil Premium (£180m), Housing Benefit Subsidy (£69m) and a combination of funding for Adult Social Care funding (£45m). Other major elements were budgeted for Business Rates (£25m), Public Health (£23m), Private Finance Initiative schemes (£9m) and Adult Education funding (£5m).

Fees and Charges

3.7 The Council budgeted to receive £109 million in fees, charges, dividends, and interest in 2022/23. Such income supports the expenditure of individual service areas. Increases in the fees and charges set for individual services vary depending on any statutory requirements, specific market considerations and also on the objectives a particular service may be trying to achieve. Overall, there is an expectation that traded services will seek to recover the full cost of services.

3.8 Income from fees and charges was severely affected by the restrictions imposed as a result of the coronavirus pandemic. Although many of these restrictions were lifted during 2021/22 some income streams have been slow to recover in areas such as car parks which may have suffered a potentially permanent structural reduction. Other areas affected include property rents. The impact of inflation, current national financial challenges and the impact on the cost of living for individuals, businesses and other organisations is likely to have an impact on the Council's ability to generate income from fees and charges over the short to medium term as well as the level of dividends generated by Council owned companies and the repayment of loan principal and interest from organisations to which the Council has made loans.

Financial Outlook

3.9 The Autumn Statement 2022 and the 2023/24 Provisional Local Government Financial Settlement have confirmed the existing level and pattern of local government resources for 2023/24 and provide an indicative picture for 2024/25. Other expected changes to previous assumptions have been set out in the Pre-Budget Report 2023/24 and all these changes will be confirmed in the final Budget Report. According to Government figures, although Coventry Core Spending Power per dwelling in 2023/24 will be 2.9% greater than 2010/11 this still represents a 24.1% real-terms reduction over this period.

3.10 The anticipated changes to how local government funding is allocated described above and the uncertainty over the future path of the Government's Levelling Up agenda make it difficult for the Council to determine medium-term financial plans. In addition, the local government sector has been affected by resource constraints imposed across the whole of the public sector whilst there are also limitations to the funding that local authorities can raise locally through Council Tax and fees and charges. Demographic pressures continue to increase with the legacy impact of Covid-19 and subsequent cost of living issues affecting individuals' experience and expectations of when local authorities and Government will intervene to protect them. All of this creates a very challenging environment in which councils need to manage limited resources and increasing expenditure pressures.

3.11 Whilst it is a reality that public sector finances are always faced with the need to balance budgets under resource constraints, it is the severity of these constraints that is 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 councils struggle to set balanced budgets with insufficient reserves to manage the transition to greater financial stability. It remains essential that Coventry continues to observe sound financial management principles, strict budgetary control practice, prudent budget setting and a level of reserve balances that provides adequate protection against financial risks.

3.12 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. As a result, the rules governing the Public Works Loans Board – the Government's main vehicle to provide long-term lending to local government – have changed in order to limit investment in commercial assets where this has the prime purpose of achieving a financial return or yield.

4. SERVICE DEMANDS AND DEVELOPMENTS

4.1 Local authorities have faced a series of financial and service pressures over recent years incorporating significant central government funding reductions, increasing service demand particularly across social care services, knock-on impacts from the UK's exit from the European Union, management of the local impacts of COVID-19 and more recent severe inflationary pressures across virtually all areas of its budget.

4.2 Inflation

4.2.1 Like all organisations and individuals, the Council has been affected by above normal inflationary pressures over the past year and is expecting this to continue for the remainder of 2023 at least. This has been caused by a range of over-lapping factors including but not limited to underlying increasing energy prices, some labour shortages in the UK jobs market, the Russian invasion of Ukraine, the effect of the UK's exit from the European Union (EU) on migration and trade with the EU and the international responses to these that have affected the global economy.

4.2.2 The Consumer Price Inflation rate rose as high as 11.1% in 2022 with this being reflected to different extents across a wide range of Council contracts including energy and high value social care contracts. The inflation rate was also instrumental in the agreement of a higher than planned pay award agreed for most local government employees which averaged c6% for 2022/23. Given that the Council's budget was put together in late 2021 (and agreed in February 2022), the full extent of these financial movements was not known at that time and not factored into the Council's 2022/23 budget. As a result, the budget process for 2023/24 has had to factor in a significantly higher base position, reflecting inflationary rises for both 2022/23 and 2023/24. The latest estimate is that this has added c£20m to the Council's cost base above previously budgeted amounts.

4.3 Adult Social Care

4.3.1 The financial cost of delivering Adult Social Care is driven by a number of factors and is heavily influenced by changes in Government policy and the numerous funding streams identified for Adult Social Care. In establishing the budget for Adult Social Care within the MTFS the following factors are taken into consideration.

4.3.2 In September 2021, the Government launched "Building Back Better: Our Plan for Health and Social Care" which outlined plans 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. Within the overall resourcing package, the Government identified £5.4bn over 3 years, to be invested in Adult Social Care to meet the costs of implementation. The additional cost pressure locally of the reforms was unknown whilst the Government continued to develop the guidance and expectations further.

4.3.3 Following progress of some aspects of the reforms during 2022/23, and concerns raised by local government, it was announced in the Autumn Statement 2022 the rollout of a large part of these reforms due in October 2023, would be delayed until October 2025. The funding identified has been switched to support significant inflationary pressures driven by a substantial increase to the National Living Wage in 2023/24, alongside high levels of inflation within other costs across Social Care provision.

4.3.4 Whilst capacity and market sustainability pressures are a long standing issue in Adult Social Care, these have been exacerbated by additional costs during and following the COVID pandemic and significant difficulties in recruitment and retention. With the large increases in inflation seen during the 2022/23 year which are expected to continue for the immediate future, this adds further pressure to a market already heavily under pressure.

4.3.5 Alongside the pressures outlined above, whilst Coventry is not yet seeing any significant increases in the number of referrals to Adult Social Care, the complexity of demand is increasing alongside unprecedented difficulties across the health sector particularly in relation to hospital discharge. The long-term impact on Adult Social Care following the pandemic and/or further future variants may not yet have been fully realised and is difficult to assess.

4.3.6 2022/23 saw the implementation of Integrated Care Systems and the Coventry and Warwickshire Integrated Care Board, which was a significant structural change to the operation of health services locally. As the new system develops this will impact on the delivery of Adult Social Care that supports the health system.

4.3.7 The Health and Care Act 2022 introduced a duty for the Care Quality Commission (CQC) to assess local authorities' delivery of social care services, empowering the Secretary of State for Health and Social Care to intervene where there is a risk of failure to meet social care duties. These inspections are expected to begin to take place from Autumn 2023.

4.4 <u>Children's Social Care</u>

4.4.1 The Council has experienced cost pressure over a number of years driven by high demand in social care services for children and young people. The need to safeguard vulnerable children and young people remains a fundamental priority for the Council and it has continued to make the necessary budgetary provision through this period.

4.4.2 The number of looked after children in the city rose from 648 in March 2018 to 756 children at the end of December 2022 (over 16% growth in less than 5 years), reflecting a steady increase in the volume of individuals being protected. In addition, there is an observed increase in the complexity of care needs leading to a consequent increase in the average cost of each individual placement. The availability of placements able to support these complex needs has come under increased pressure on a national basis throughout and since the Covid pandemic with a resulting impact on price. Unit costs continue to rise, from an average residential unit cost of £3,031 per week in 2017-18 to an average residential cost of £4,914 per week in 2022-23, an increase of 62% in the last 5 years. This pressure continues to escalate, with the average cost of new placements being made this year rising to over £8k per week. The cumulative annual commitment of the Council's 10 highest costs children's placements currently exceeds £5.3m.

4.4.3 The rise in the number of local children looked after has placed an increased burden on social work staffing capacity and case holding. Children's Services has experienced significant workforce pressures, with high staff turnover and a high level of vacancies, caused by a shortage of social workers to meet the increased demand for children's services, accentuated by difficulties in recruiting agency staff to cover those vacancies. The strategy to stabilise the workforce includes extending the Social Worker Academy, establishment growth to meet the case-holding demand levels and a clinical supervision programme. The workforce strategy also includes evaluating career pathways to promote staff development and retention as well as consideration of market supplements and job re-evaluations where the Council's rates are no longer competitive with comparable Local Authorities. This has resulted in a need to increase employee budget costs through the Council's Budget process.

4.4.4 Given the pattern of looked after children numbers and socio-economic trends in recent years it is difficult to predict when or if the rise in the number and cost of cases will level out. This will continue to be an area that is kept under close scrutiny both as an individual service and as part of wider strategies to increase the economic prosperity of the city and reduce the harmful effects of issues such as deprivation, poor education attainment and poor levels of public health in parts of the city.

4.5 Education Services and Special Educational Needs & Disability (SEND)

4.5.1 National policy changes such as reduced council school improvement duties and increased attendance duties, coupled with funding reductions for central education functions continues to put pressure on the Central Block of the DSG. The Council currently anticipates further reductions in central DSG funding over the next 5 years. These cuts will need to be managed through service reform/redesign as far as possible, although this may not be sufficient and may necessitate further decisions on the future of these services.

4.5.2 In line with national trends, the number of SEND pupils within Coventry continues to grow. This results in a continuing increase in the number of commissioned special school placements, and consequently more children and young people requiring specialist transportation to school, including transport to schools outside of the city due to local special school provision being full. Additionally, there have been increases in SEND transport demand due to more post-16/19 students remaining in education.

4.5.3 The High Needs Block of the Dedicated Schools Grant (DSG) continues to be an area of pressure. National SEND spending has increased significantly in recent years with a number of authorities across the country now having DSG deficits. The main factors underlying this position stem from the consequences of reform including the expanded offer, rising demand and shortage of specialist provision. Ordinarily, authorities would be responsible for meeting any deficit position from other council funding, but currently due the significance of the issues in this area the Treasury have enacted a national statutory override ringfencing the DSG position away from LAs until March 2026. Coventry currently has a DSG surplus but in-line with national trends it is continuing to experience increasing pressure on its SEND budget and is likely to see a slow-down in funding increases. It is therefore key that the Council monitors the position and manages resources effectively to ensure that it remains within funding allocations as far as is possible.

4.6 Other Services, Demographics and the Cost of Living

4.6.1 A combination of events including the legacy impact of the coronavirus pandemic, the impact of inflation on household incomes and effect of financial uncertainty on all sectors, has resulted in an increased demand for Council services. As well as the actual impact on the financial circumstances of individuals, businesses and third sector organisations, the Covid and post Covid period has changed some expectations on the timing and level of Council interventions in some service areas.

4.6.2 Compared with the national average, Coventry's population has increased at a faster rate over recent years and has a lower age profile. Such growth puts considerable pressure on transport, housing, education and public service infrastructure and there is a shortage of housing and affordable homes across the city. A range of demographic and socio-economic trends, in part linked to the city's steady population growth, has continued to cause increases in demand or expenditure pressures in areas such as waste collection and disposal and the costs of housing homeless individuals and families in addition to some of the social care and education related changes. These have required additional budget allocations which can be expected to continue in future years and have prompted policy responses in areas such as housing and recycling facilities to help manage costs going forward.

4.6.3 The Council's public health services are aimed at improving well-being and reducing health inequalities across the city and maximising the wider work of the Council to improve the health of its residents. This includes universal health, wellbeing and preventative services, such as health visiting and school nursing, and a range of more targeted services such as drug and alcohol services, domestic violence and sexual health plus statutory responsibilities around health protection. Funding for Public Health activity is primarily provided from within the ring-fenced Public Health Grant from Government and the Council's financial planning assumption is that this will continue going forward.

4.6.4 Through the Covid-19 pandemic, demand increased for services supporting communities directly and in partnership with the voluntary sector. The continued difficult economic circumstances for many resulting from trends including changes to the Government's welfare reforms and more recently the impact of energy price rises, and general inflationary pressures, have affected the number of people seeking to access local government and voluntary sector services. A greater degree of intervention by the Council and specific Government support in some areas over this period have probably changed perceptions and increased expectations about the timing, nature and level of support that may be available in times of economic hardship compared with those that existed previously.

4.6.5 The role of regeneration, economic support, skills and employment investment, remains paramount particularly in the light of the importance of business rates to the Council's resource base and current financial challenges facing local economies and citizens. The progress of national developments such as the Levelling Up Fund is critical in addressing these needs. This £4.8 billion government scheme is designed to invest in infrastructure that improves everyday life across the UK. Councils were invited previously to submit bids to fund town centre and high street regeneration, local transport projects, and cultural and heritage asset. However, the City Council's three bids submitted ahead of the January 2023 approval announcement were all turned down, with schemes from elsewhere across the country being favoured. This increases the focus on other steps being taken by the Council, 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.

4.6.6 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 an updated Climate Change Strategy which is currently under review.

4.6.7 The Council is obliged to work towards ensuring that its pension liabilities within the West Midlands Pension Fund are funded. The Council's currently reported funding level stands at 107% indicating that the Council has a valuation basis surplus. Its contributions to the pension fund are 22.9% as a proportion of the superannuable payroll in 2022/23 and may reduce marginally following the draft results of the recent triennial review. The Council will continue to work with the West Midlands Pension Fund to agree employer pension contributions that strike a balance between maintaining the funding level over the long-term and maintaining sustainability and affordability in relation to the Council's overall financial position.

5. FINANCIAL PLANNING CONTEXT AND ASSUMPTIONS

5.1 <u>Revenue Position</u>

5.1.1 The initial revenue position for the Council's MTFS is the forecast multi-year revenue programme carried forward from 2022/23 including all approved future years' budget decisions known at that time plus the provisional changes set out in the 2023/24 Pre-Budget Report in December 2022. The current planning process started with significant forecast deficits from 2022/23 although the latest position indicates that 2023/24 is now balanced.

Table 2: Draft Financial Position 2023/24 to 2025/26

	2023/24 £m	2024/25 £m	2025/26 £m
Position Carried Forward from 2022/23	16.9	21.2	27.9
Resources	(38.4)	(24.1)	(22.1)
Expenditure and Income Pressures	30.7	38.4	43.7
Directorate and Technical Savings	(9.2)	(5.2)	(7.3)
Budget Gap	**0.0**	**30.3**	**42.3**

5.1.2 The Pre-Budget Report, considered by Cabinet in December 2022, 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 3 the forecast outturn for 2022/23 was a net overspend of c£8m. Significant pressures exist across several areas including Waste Services, Children's Services and as a result of inflation.

5.1.3 Moving into the next phase of financial planning the initial position shows forecast gaps rising to £42m in 2025/26. This will be updated within the final Budget Report which will be presented to Cabinet and Council in February 2023. It is likely that the indicative information provided within the Provisional 2023/24 Local Government Financial Settlement will result in a more favourable position in future years than shown above although sizeable financial gaps are still expected. Coventry faces similar challenges and major policy choices to many other authorities and the size of the gap makes it inevitable that a range of approaches are needed in order to balance future years' gaps. These are considered in Section 6 below.

5.2 Reserves

5.2.1 The Council holds significant reserves which need to be maintained at a sufficient level to protect the Council against risk and to meet the needs of the organisation. The Council maintains a Working Balance of £10.3m which is held to cushion the impact of uneven cash flows or unexpected events. All of the remaining balances are held as specific reserves which are earmarked for a particular purpose.

5.2.2 The Council's specific reserves include **revenue reserve balances** of £130.2m (this excludes the Working Balance); £36.7m of **capital reserves** earmarked to fund major capital schemes; £31.0m of reserve balances belonging to or earmarked to support **schools**, and £18.6m 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 2022 was:

Table 3: Reserve Balances as at March 2022

	1st April 2021 £000	(Increase)/ Decrease £000	31st March 2022 £000
Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(13,331)	(14,955)	(28,287)
Covid 19 Government Funding	(7,558)	(3,423)	(10,981)
Private Finance Initiatives	(10,994)	1,368	(9,626)
Early Retirement and Voluntary Redundancy	(9,323)	0	(9,323)
Corporate Priorities (2020/21 Outturn Underspend)	(9,225)	527	(8,698)
Potential Loss of Business Rates Income	(7,735)	0	(7,735)
Innovation and Development Fund	(5,549)	50	(5,499)
Reset and Recovery	(5,467)	0	(5,467)
Air Quality Early Measures	(4,517)	284	(4,232)
City of Culture Commonwealth Games Readiness	(4,964)	1,060	(3,904)
Management of Capital	(4,028)	618	(3,410)
Commercial Developments	(3,750)	402	(3,348)
Public Health	(1,013)	(1,456)	(2,469)
Friargate Lifecycle	(1,378)	(217)	(1,594)
Insurance Fund	(2,049)	552	(1,497)
Corporate Property Management	(1,394)	25	(1,369)
Children's Social Care Family Valued Programme	(639)	(590)	(1,229)
Adult Education Income	(1,005)	(82)	(1,086)
Other Directorate	(10,790)	(3,827)	(14,617)
Other Corporate	(7,524)	1,681	(5,843)
Total Council Revenue Reserves	**(122,511)**	**(17,982)**	**(140,493)**
Extra-Ordinary Item - Covid Business Rates Relief	**(48,302)**	**29,667**	**(18,635)**
Council Capital Reserves		0	

Useable Capital Receipts Reserve	(24,736)	(6,451)	(31,187)
Capital Grant Unapplied Account	(1,828)	(3,641)	(5,469)
Total Council Capital Reserves	**(26,564)**	**(10,092)**	**(36,656)**
School Reserves			
Schools (specific to individual schools)	(22,315)	(2,750)	(25,065)
Schools (related to expenditure retained centrally)	(4,806)	(1,121)	(5,927)
Total Schools Reserves	**(27,121)**	**(3,870)**	**(30,991)**
Total Reserves	**(224,498)**	**(2,278)**	**(226,775)**

5.2.3 The Council will seek to optimise the use of its reserve balances in delivering priorities, making decisions on a corporate basis and observing opportunities to maintain an appropriate balance between short term expenditure and long-term investment.

More specifically, the approach will be informed by:

- The need to maintain working balances to mitigate the key risks faced by the Council including those expressed in the Council's corporate risk register.
- The requirement to hold some earmarked reserves to protect against specific known or potential liabilities but kept to a minimum consistent with adequate coverage of those liabilities and reviewed annually as part of the budget process.
- A general assumption, to be applied flexibly subject to specific financial circumstances that one-off resources will not be used to support on-going expenditure.
- The awareness that there is an opportunity cost of holding reserves (in that these funds cannot then be spent on anything else) – it is therefore critical that reserves continue to be reviewed each year to confirm that they are still required and that the level is still appropriate.

5.2.4 There are no plans to use working balances over the period covered by this strategy and as a result the anticipated balance at the end of each year is expected to remain at c£10m throughout.

The Council also maintains capital reserves:

- The capital receipts reserve holds all receipts from the disposal of non-current assets, which can only be used to finance new capital investment or to repay debt.
- The capital grants unapplied reserve holds capital grants without conditions, or where conditions have been satisfied but the grant has yet to be used to finance capital expenditure.

Considering the risks outlined above, the current level of reserves is considered adequate in the view of the Chief Operating Officer (Section 151 Officer). However, the scope to use reserves within the boundaries of the MTFS framework is significantly restricted.

5.3 Capital

5.3.1 The current capital programme approved in February 2022 includes the following expenditure profile:

Table 4: Capital Expenditure Profile Per 2022/23 Budget Report

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Capital Programme Spend	**145**	**75**	**24**	**103**

This information will be updated within the forthcoming 2023/24 Budget Report.

5.3.2 The existing programme provides for several large investment schemes including the second phase (Building 2) of the Friargate Business District and the redevelopment of a large part of the City Centre through the City Centre South scheme and major investment in the city's highways, transportation, and public realm infrastructure. This includes the completion of the A46 Stoneleigh Junction as part of the Strategic Transport Investment Programme and the delivery of the A45 overbridge infrastructure at Eastern Green from the Housing Infrastructure Fund (HIF). A package of measures to ensure Air Quality compliance for the city includes delivering works within the Arches Spon End Pinchpoint scheme and at the Ring-Road Junction 7. Work continues delivering the Binley Cycleway from the City Centre to Walsgrave Hospital and there are a range of other projects that complement this package of measures by encouraging the uptake of zero emission vehicles and installation of electric vehicle charging points across the city. In addition, work continues to deliver the Education One Strategic Plan and investment in secondary school provision.

5.3.3 The West Midlands Combined Authority (WMCA) was formally established in June 2016 with the responsibilities of the Integrated Transport Authority and the aim of maximising investment to drive growth and more efficiently co-ordinate services across the sub-region. The Authority is responsible for helping to deliver a major programme of capital expenditure in partnership with its constituent members – the 7 West Midlands local authorities. Of the previously indicated in-principle £438m WMCA contribution to the Council’s Capital Programme, £245m has been secured at this stage including funding towards the Friargate regeneration district and City Centre South. Any future contributions will effectively be dependent on future WMCA resourcing decisions although there is significant doubt over the ability to secure these contributions and they have not been built into the Council’s Programme at this stage.

5.3.4 In addition, the West Midlands Combined Authority (WMCA) City Region Sustainable Transport Settlement (CRSTS) programme has been established by Government to provide a five-year capital funding settlement for Mayoral Combined Authorities for transport totalling £1.05bn, covering the period 2022-27. Coventry’s CRSTS programme of £110m includes allocations for delivery of the Very Light Rail City Centre Demonstrator route within Coventry, the Tile Hill Station Park and Ride improvement scheme, a package of transport improvements focussed on the Foleshill Road corridor and a package of transport improvements focussed on the London Road corridor supporting the Gigafactory and other developments planned for the Coventry Airport area and within the London Road corridor.

5.3.5 Funding for the non-WMCA funded capital programme consists primarily of a combination of specific capital grants, prudential borrowing, revenue funding and capital receipts from the sale of council assets. Delivery of the programme requires the effective prioritising and management of capital resources and investments, taking into account the level of funding both from government and future capital receipts and the identification of self-funded business cases that can justify the use of prudential borrowing to pay for schemes.

5.3.6 The Council will continue to seek to maximise the amount of funding identified in order to deliver its priorities. It will actively seek external grant funding opportunities both on a stand-alone basis and in partnership with other Councils and partners including the WMCA. It will seek to optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets. This will work within the limitations on its ability to purchase assets, and specifically not to do so purely for commercial return.

5.3.7 Where prudential borrowing is identified as a potential source of funding for capital projects, it is essential that funding is identified to pay the principal and interest costs of the borrowing. This can come either from new income generated from the project, service savings delivered as a result of the investment or an existing revenue budget which can be switched to this purpose as a result of the expenditure made. A clear business case must be provided which incorporates these elements and which will form part of any approving report.

5.3.8 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 will not be the case on a permanent basis. 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.

5.4 <u>Risk Management and Financial Resilience</u>

5.4.1 In setting the revenue and capital budgets, the Council takes full account of the known key financial risks that may affect its plans in setting its revenue and capital budgets. The corporate risk register is reviewed by the Strategic Leadership Team on a regular basis and is considered annually by the Audit and Procurement Committee. Where the risks contained within the register are considered to have a financial dimension this is reflected in the Council's Budget process.

5.4.2 Risks around children's and adults' social care continue to be the most significant ones reflected in changes to the budget in recent years and this will be true again for 2023/24. Other examples in recent years have included housing and homelessness provision and ICT and Digital Services.

5.4.3 The current register incorporates a fundamental financial risk that the Council will be unable to deliver a balanced budget in the medium term. The detailed risk is that the Council will not be able to achieve its priorities whilst at the same time balancing its budget because of a combination of increased pressure on all sources of funding, increased demand, and complexity in services, including in adults and children's social care and the recently heightened impact of inflationary pressures across many areas of the budget. This could result in difficult decisions having to be made by Members and senior officers about which services to support, with consequences for citizens and the city.

5.4.4 In order to mitigate the risks, the Council has in place a rigorous structure to oversee budgetary processes and continues to identify flexibility in existing budgets and undertake technical analysis to identify alternative options to alleviate budgetary pressure. Specific programmes are in place to identify commercial opportunities and optimum service delivery models to produce a medium-term programme of transformation and ensure future financial sustainability. The Council also continues to lobby Government through local government sector organisations whilst also assisting in the economic recovery of the local economy to try to safeguard local income flows. Some of these themes are revisited in the final section on the Council's MTFS approach.

5.4.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains an index of financial resilience for English councils which assesses each authority against a number of indicators, including levels of reserves, external debt and auditors' judgements, in order to illustrate each council's financial position relative to that of comparator authorities. The index was developed with the intention of highlighting areas of potential risk to councils' financial stability and informing the judgement of the chief finance officer on the robustness of budgets. CIPFA acknowledges that the index should not however be viewed in isolation and its interpretation will depend to a large degree on the local context specific to each authority. Coventry's previous results suggest that for the majority of the indicators used the authority does not fall into a higher risk category in relation to comparable authorities. However, Coventry's level of children's social care costs and its relatively low level of unallocated reserves were indicators of a higher perceived level of risk. The latest Index has been published very recently and its results are due to be reviewed very shortly.

5.5 MTFS Assumptions

5.5.1 The Council's prospective Budget plans for 2024/25 will continue to face financial pressure. It is likely that a one-year settlement will be published for that year and that any reform to local government finance and any prospect of multi-year settlements will not occur until the next parliament following a general election. Until this happens the Council's financial plans will necessarily be subject to forecasting uncertainty although there is some evidence to suggest that the funding trajectory for local government has stabilised.

5.5.2 The financial management framework that underpins the MTFS includes:

- 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 corporate planning and monitoring process that considers capital and revenue together,
- 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.

5.5.3 The Council's approach is to manage its reserves in a way that supports the MTFS and the Council's priorities. In particular, the this 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 other than in exceptional circumstances or 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.

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

- Stabilised Government funding from 2024/25 reflecting the indicative national funding position confirmed in the 2022 Autumn Statement. This has been set out by the provisional local government settlement although no authority level detail is available at this stage. The structure of the 2024/25 settlement will dictate the extent to which the headline represents any flexibility for councils or cash or real-terms reductions in funding,
- For strategic financial planning purposes Council Tax and Adult Social Care precept increases will be assumed to match the maximum level advised by Government. Current expectations are that this will be 3% for Council Tax and 2% for the precept in 2024/25 and then 2% and 1% respectively in following years. This will be subject to political debate and decision as well as any changes at a national level,
- Business Rate income (plus compensating Government grants) will be assumed to be inflated broadly in line with Government dictated Business Rates multiplier inflation levels assumed to be CPI following the 2023/24 provisional settlement. Income will be 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,
- Increases in pay budgets of 4% in 2023/24, 3% in 2024/25 then 2% per annum in subsequent years. This area will be kept under close review and it is expected that the Council will continue to reflect sector agreed pay awards and guideline National Living Wage levels,
- An intention to review the need to make provision for budgetary growth as a result of uncontrollable demographic or service demand subject to optimisation of service operation, review of alternative methods of service delivery, review of Council policy to ensure that it reflects current conditions and recognition of overall financial constraints,
- The budget for the Council's Asset Management Revenue Account (AMRA) will be managed in line with the Council's Treasury Management Strategy, updated annually as part of the Budget Report. The AMRA position will take into account any impact of changes in the size and composition of 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 CPIH inflation levels in line with practice adopted across a broad range of public sector areas. Specific contractual agreements on inflation will be honoured where these are in place. CPIH 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 Section 151 Officer. 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.

6. MEDIUM TERM FINANCIAL STRATEGY APPROACH

6.1 The MTFS supports the medium-term policy and financial planning process which is central to the setting of the Council's revenue and capital budgets. The MTFS approach is crucial to providing a stable financial base from which to deliver the Council's priorities as set out in the One Coventry Council Plan. As part of this the Council will seek to maintain a sustainable financial position over the course of the planning period, with detailed proposals for all years set out in the annual Budget Report.

6.2 In order to ensure that Council financial plans are robust in the medium term the Council's MTFS continues to cover a 3-year period. The starting point for the Council is that it faces large budget gaps across the planning period. The recent Pre-Budget Report to Cabinet showed a balanced position in 2023/24 followed by budget gaps rising to £42m by 2025/26, with a total cumulative gap of £73m over the 3-year period. From a resource perspective Coventry has faced significant reductions over the last decade with a reduction in Coventry's real-terms Core Spending Power since 2010/11 of 24.1%. 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. The remainder of this section sets out the separate strands of financial policy which together are designed to ensure that the Council continues to deliver a balanced revenue budget and sustainable and affordable capital programme.

6.3 The One Coventry Approach

6.3.1 The One Coventry Plan recognises that the Council may need to change the way that it works to meet the challenges of delivering services and maintaining a sustainable financial position. This will mean building on good practice where it exists but doing things differently elsewhere, building and sustaining genuine partnerships and city-wide collaboration, actively seeking creative opportunities, considering if the Council is working in the right way, investing resources with other public sector partners if appropriate and working flexibly across roles, services and organisations. This will involve reviewing some services to see if they need to be delivered differently or possibly not at all. This will work in different ways for different services but, for instance, may involve an approach of enabling independence with individuals and organisations being encouraged to do as much as possible for themselves.

6.3.2 Subject to the other component parts of the Budget process, the One Coventry approach is intended to offer the Council a means of identifying service savings to help balance its overall Budget. This could involve a wide range of different solutions including reducing service levels or ceasing services altogether, delivering services more efficiently or with fewer resources and delivering services in partnership, with partners doing more or levering in more external resources.

6.3.3 In addition, Council managers and budget holders will continue to be expected to manage their service areas in a way that pays due regard to delivering economy, efficiency, and effectiveness. Delivering services as cost effectively as possible enables the Council to maximise the impact that it can have within a finite level of resources and managers will continue to be held to account for the financial performance of their areas.

6.4 Commercialisation

6.4.1 The Council will seek to maximise income and pursue commercial opportunities where these are consistent with its role and legal powers as a local authority and subject to a responsibility to maintain a robust financial position. The Council's view is that by not acting in this manner, it leaves itself in a more financially vulnerable position and that to do nothing is not a viable option.

6.4.2 The Council will maintain a default position that fees and charges should increase annually in line with inflation and that income earning services should seek to at least cover their costs. Any movement away from these principles should be based on an understanding that such increases would be harmful to the overall trading position or sound policy led reasons for not increasing prices.

6.4.3 The Council will generate capital receipts where there is a clear business case for doing so by disposing of surplus and/or poor performing property and thereby providing funds for capital reinvestment in services, driving growth or making savings through the repayment of debt. Such an approach will be undertaken in compliance with the Prudential Code for capital finance, Statutory Government Investment Guidance and the borrowing requirements of the Public Works Loans Board.

6.4.4 The service dimension of commercial investments is important including in facilitating local regeneration, addressing market failure, accelerating the local response to the climate change agenda and supporting local organisations. These investments also provide financial returns which are crucial in underpinning the Council's budget. 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 this is 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.

6.5 Council Tax and Business Rates

6.5.1 The Council will seek to maximise the income it generates from Business Rates and Council Tax. There is an expectation that the Council tax-base will continue to be buoyant as the Council seeks to facilitate the provision of local housing, including affordable housing, for its citizens. In addition, the Revenues and Benefits Service will seek to maximise the Council Tax collection rate (currently set at 97.9%) and take steps to ensure compliance with the applicability of discount and exemption policies.

6.5.2 The One Coventry Plan priority to ensure that Coventry is a city with a strong and resilient economy, where inclusive growth is promoted and delivered, businesses are enabled to innovate and grow, and new local jobs are created enshrines a parallel aim of ensuring that the Business Rates tax-base is resilient. The Revenues and Benefits Service will seek to maximise the Business Rates collection rate, taking steps to identify all relevant taxable properties and to ensure compliance with the applicability of discount and exemption policies.

6.6 **Treasury Management and Capital**

6.6.1 The Council's treasury management function seeks to ensure that cash is available when needed to meet the Council's obligations. The Council's Treasury Management Strategy is clear that the primary objectives of investing cash balances are to maintain the capital security of sums invested and to ensure adequate liquidity. After these, a third objective is to maximise return. The treasury role also extends to maximising revenue benefits by seeking the optimum balance between retaining external investments, repaying existing loans and avoiding new borrowing as appropriate given prevailing and forecast interest rates. Although the Council has an underlying need to borrow as a result of large Capital Programmes funded in part from borrowing, it has continued to avoid the need to undertake new long-term borrowing by utilising cash from reserve balances and grant funding received in advance of the need to spend. This approach seeks to optimise the financial benefit by avoiding unnecessary borrowing costs.

6.6.2 The Council will seek to maximise capital programme funding from external sources such as capital grants and Section 106 contributions in order to protect and sustain existing Council resources. Where appropriate the Council may use revenue funding of capital for on-going programmes of expenditure. In the absence of other funding and if the use of prudential borrowing is not appropriate, the Council will seek to utilise capital receipts to fund capital projects and will only commit capital receipts that have been achieved and are available on the Council's balance sheet.

6.6.3 Any remaining schemes that have a sustainable business case that justifies borrowing as a funding source will be resourced from prudential borrowing. In this manner, the Council will avoid putting any additional burden on Council taxpayers or seeking contributions from service budgets which reduce the net level of resources to fund services. When borrowing, the Council will look for the most cost-effective source of funding, either PWLB or alternative funders.

6.7 **Reserves**

6.7.1 The overwhelming majority of the Council's reserve balances are held to provide a one-off resource to meet service objectives and fund specific projects that have been identified and/or approved in advance. A small number but significant balance of other reserves is held to provide protection against risk. These resources are a one-off source of funding that are not available on an ongoing basis. It is not the intention that the Council's reserves should be used to balance its Budget position in normal circumstances.

6.7.2 Within this context it is also true however, that in exceptional circumstances the Council could divert resources from reserve balances in order to manage a difficult budgetary position. There is significant flexibility which could be applied through delaying projects or service proposals or by cancelling them altogether which could free up reserves to balance the budget. This is not a course of action that would be recommended by the Council's Section 151 Officer except in the most difficult of financial circumstances, but it is important to hold this as a measure of last resort to set against the other tools available as part of a medium-term strategy.

Coventry City Council

Public report
Cabinet

Cabinet 14th February 2023
Audit and Procurement Committee 20th March 2023

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

Director Approving Submission of the report:
Interim Chief Executive (Section 151 Officer)

Ward(s) affected:
City wide

Title:
2022/23 Third Quarter Financial Monitoring Report (to December 2022)

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 December 2022. The headline revenue forecast for 2022/23 is for net expenditure to be **£8.5m** over budget. At the same point in 2021/22 there was a projected overspend of £2.5m.

The Council continues to face budget pressures due to increased volumes and higher costs of placements within Children's Services and costs incurred due to the previous refuse drivers' industrial dispute within Streetscene and Regulatory Services. A range of other smaller but still significant overspends are also being reported in several other services including Business, Investment and Culture, Transportation and Highways and Finance.

As reported at Quarter 2, significant additional costs are also being faced due to inflationary pressures affecting the Council, with the approved local government pay award and costs affecting contracts for energy and social care amongst others. The in-year and ongoing impact of these inflationary pressures is a serious factor affecting the Council's ability to manage its budgetary position.

The Council's capital spending is projected to be £159.5m and includes major schemes progressing across the city. 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. There is limited evidence that inflationary pressures referenced above are affecting capital projects this year and the assumption is that stand-alone projects that are already in-progress will be delivered as planned. It is more likely that future projects

that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The Council's services have moved to a business-as-usual position with activity and impacts arising from the Covid pandemic having reduced significantly. Some pockets of service activity continue to be affected but this is not resulting in a large financial cost. The Council does not expect to receive any Government support linked to Covid within the 2022/23 financial year.

The emerging inflationary risks facing the Council and the wider local government sector have renewed the imperative to maintain financial discipline and prioritise the Council's medium-term financial position. This will be a key focus of the Council's activities over the remainder of the year and several key measures are set out in section 5 to help minimise the size of any budgetary overspend.

Recommendations:

The Cabinet is requested to:

1) Approve the Council's revenue monitoring position.

2) Approve the revised forecast capital outturn position for the year of £159.5m incorporating: £4.1m net increase in spending relating to approved/technical changes and £10.4m of net rescheduling of expenditure into future years.

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: Analysis of Rescheduling
Appendix 4 - 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, 20th March 2023

Will this report go to Council?

No

Report title:
2022/23 Third Quarter Financial Monitoring Report (to December 2022)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £237.4m on the 22nd February 2022 and a Directorate Capital Programme of £145.1m. This is the third quarterly monitoring report for 2022/23. 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 2022/23 revenue forecast is for expenditure to be £8.5m over budget. There is no proposal to apply any Covid related funding at this stage. The reported forecast at the same point in 2021/22 after adjusting for Covid-related funding was an overspend of £2.5m. Capital spend is projected to be £159.5m.

1.3 By historical standards this is a high reported overspend position at this relatively late stage in the financial year. Although historical trends suggest that the position may improve between now and the end of the year there is now a strong likelihood of a significant overspend being reported at year-end which represents a serious cause for concern for the Council. Section 5 of the report sets out the Council's proposed approach to managing the position although as a final backstop it should be noted that the Council maintains a strong balance sheet in-part to protect itself from circumstances such as this.

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.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Total Over/ (Under) Spend £m
Adult Services & Housing	99.6	98.9	(0.7)
Business Investment & Culture	5.7	7.8	2.1
Children & Young People's Services	86.6	90.6	4.0
Contingency & Central Budgets	(22.7)	(32.4)	(9.7)
Education and Skills	19.8	19.8	0.0
Finance & Corporate Services	6.9	8.7	1.8
Human Resources	1.9	1.4	(0.5)
Legal & Governance Services	4.8	5.6	0.8
People Directorate Management	1.2	1.2	0.0
Project Management & Property Services	(6.9)	(6.0)	1.0
Public Health	0.5	0.0	(0.5)
Streetscene & Regulatory Services	31.7	40.1	8.5
Transportation & Highways	8.3	9.9	1.6
Total	**237.4**	**245.9**	**8.5**

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

Services

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4m overspend, £2.2m is caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There are also significant concerns regarding staffing, accounting for a further £1.9m overspend caused by issues surrounding recruitment and retention as well as a shortage of agency social workers to fill roles needed to meet the growing demand in casework.

Within Streetscene & Regulatory Services, the vast majority of the overspend relates to the combined impact on Domestic and Commercial Refuse collection services of the HGV driver strike and strike mitigation costs. During the period of industrial action, significant additional costs of providing both waste drop sites and latterly the collection of kerbside waste through a third party provider (TWW) have been incurred. This together with lost contractual income within the commercial service has resulted in a net combined pressure of c£7.5m. The dispute has now been resolved such that strike mitigation pressures will not continue into 2023/24. However, the net contractual income lost within the commercial service will result in a more lasting financial impact as many clients have sought collection services from other providers.

Within Property, Transport and Highways, and Business Investment & Culture, there are significant inflation pressures reported for operational properties and street lighting energy totalling £2.2m, as costs have risen sharply from October 2022 reflecting national and global pressures. The energy market is currently very volatile and further increases may be seen which would also impact materially on 2023/24 and beyond. In addition, the running costs of the Collection Centre building being kept operational during the City of Culture year and until construction starts are resulting in a pressure of £1.4m, the vast majority of which relates to business rates.

The overall pressure of £1.8m in Finance includes: a significant increase in the number of individuals applying for welfare support from the Household Support Fund, resulting in a £0.5m pressure; an increase in demand, and reduced government funding on the discretionary hardship payments (DHP) scheme causing a £0.5m pressure; and a net Housing Benefit subsidy pressure of £0.3m caused by 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. Remaining pressures relate to the staffing cost of administering Revenues and Benefits service caseloads, largely relating to the energy rebate scheme and other economic climate factors.

Contingency and Central Budgets

An overall underspend of £9.7m incorporates favourable variances of £4.7m in the Asset Management Revenue Account (AMRA) and £4.9m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council plus higher than budgeted investment income which is due to a combination of larger short-term investment balances and higher interest rates. In addition to inflationary impacts reported within individual services, central budgets include the cost of the expected 2022/23 pay award which averages c6% for the Council and represents a cost c£6m above the original budget. This is offset in part by other contingency budgets. Favourable variations including a Business Rates Pool surplus (£2m) and lower than budgeted superannuation costs (£2.1m). These can be volatile and difficult to predict budgets and the quarter 3 forecasts are towards the favourable end of the reasonable range of outcomes meaning that any further flexibility later in the year within these areas will be relatively limited.

2.3 **Capital**

The quarter 3 2022/23 capital outturn forecast is £159.5m compared with the second quarterly outturn of £165.8m. Table 3 below updates the budget at quarter 3 to take account of £4.1m of new approved/technical changes and £10.4m of rescheduled spend now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2022/23. It shows 75% of the programme is funded by external grant monies, whilst 13.4% is funded from borrowing. The programme also includes funding from capital receipts of £11.2m (7%).

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2022-23 MOVEMENT	Qtr 3 Reporting £m
Quarter 2 Estimate Outturn	165.8
Approved / Technical Changes (see Appendix 2)	4.1
“Net” Rescheduling into future years (See Appendix 3)	(10.4)
Revised Estimated Outturn 2022-23	159.5

RESOURCES AVAILABLE:	Qtr 3 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	21.4
Grants and Contributions	119.7
Capital Receipts	11.2
Revenue Contributions and Capital Reserve	7.2
Total Resources Available	159.5

The inflationary pressures affecting the Council’s revenue budget are also present within capital schemes although the pattern with which this takes affect can be different due to the way in which expenditure is incurred. It is likely that most stand-alone projects that are already in-progress will be delivered within existing agreed contractual sums. However, some future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets. In addition, where budgets have established to deliver programmes of expenditure, it is likely that these programmes may need to be reduced in size over time reflecting higher prices.

2.4 Treasury Management

Interest Rates

The Monetary Policy Committee (MPC) continues to raise interest rates in a bid to combat growing inflation. The invasion of Ukraine continues to exacerbate global inflation trends, particularly around food and energy. The rise in energy and fuel prices has been a significant factor behind the UK Consumer Price Index (CPI) rate exceeding 10%. Base Interest Rate increased to 3.50% at the MPC December 2022 meeting. The current market forecast is for the base rate to continue to rise to 4.25% this year after which it should flatten out.

Long Term (Capital) Borrowing
The net long-term borrowing requirement for the 2022/23 Capital Programme is £7.0m, taking into account borrowing set out in Section 2.3 above (total £21.4m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.4m). The Council has no immediate need to take any further new long-term borrowing although this will continue to be kept under review.

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have risen in recent times as government gilt yields have increased. Between 1st September and 31st December 2022 PWLB rates have varied within the following ranges:

PWLB Loan Duration (maturity loan)	**Minimum 2022/23 Q3**	**Maximum 2022/23 Q3**	**As at the End of Q3**
5 year	3.85%	5.64%	4.68%
50 year	3.76%	5.71%	4.69%

The PWLB 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 City Council’s day-to-day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. There has not been any short-term borrowing over the last twelve months.

Returns provided by the Council’s short-term investments ranged from 2% at the beginning of Q3 to 3.3% at the end. This rate of return reflects low risk investments for short to medium durations with H.M Treasury, UK banks, Money Market Funds and other Local Authorities. Returns have slowly begun to increase as interest rates rise. Dependent on daily levels of cash available this will lead to an increase in income for the Council

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 snapshot at the reporting stages were: -

	As at 31st March 2022 £m	As at 30th June 2022 £m	As at 30th Sept 2022 £m	As at 31st Dec 2022 £m
Banks and Building Societies	0.0	0.0	1.5	0.0
Local Authorities	0.0	15.0	0.0	0.0
Money Market Funds	18.3	41.85	35.6	56.55
Corporate Bonds	0.0	0.0	0.0	0.0
HM Treasury	19.0	0.0	16.8	0.0
Total	**37.3**	**56.85**	**53.9**	**56.55**

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; some are fairly liquid, as cash can be withdrawn within two to four days; and have a short average duration. These investments include Certificates of Deposit, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits 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 4.10% over the last 12 months. As at 31st December 2022 the funds were valued at £27.4m (£28.7m at 30 September 2022), against an original investment of £30m. Of the seven pooled funds, only the CCLA Property Fund is in surplus (£0.06m), which leaves six funds currently showing a deficit in value (ranging from £0.1m to £1m). Financial markets continue to be volatile at the moment so capital values are particularly variable. These investments continue to provide a good rate of return, but capital values will be monitored closely There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss and this is likely to be the case until at least March 2025.

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 31 December 2022 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2022/23. 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 31 December 2022 the value is -£128.5m (minus) compared to +£94.9m 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 31 December 2022 the value is £253.0m compared to £474.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

2.5 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit against which there are forecast commitments of £139.3m is: -

	Limit	Actual 31st March 2022	2022/23 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.0	0.0	52.0	(3.0)
Loans	91.0	41.9	45.4	87.3	(3.7)
	146.0	**93.9**	**45.4**	**139.3**	**(6.7)**

The committed or planned total of £45.4m includes some loan facilities to lend c£30m, which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

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 Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer

5.1 Financial implications

Revenue
The Quarter 3 position reflects a serious position for the Council although this has improved from the £11.3m revenue overspend forecast at Quarter 2. External factors, in particular inflationary pressures, represent a large part of the position presented and will have an impact on the Council beyond the current financial year. There are other intractable on-going issues including those relating to children's social care which are common to many councils across the country whilst the Council is also managing local time-limited pressures in the current year. There is now a strong possibility that the Council will not be able to balance its revenue position by year-end.

The timing of the surge in inflation meant that it was not anticipated in the Council's 2022/23 Budget process. Although the Council budgets prudently for inflationary costs the acceleration in rising prices and pay award assumptions which together represent a cost of c£16m, exceed the budgetary provision available by c£8m. The pay assumptions reflect the recently agreed pay offer. The rise in energy prices can be observed in terms of the cost to the Council's property estate and costs within the city's street lighting energy bills. These problems will continue into 2023/24 and could represent a worsening threat depending on the future trajectory of inflation.

Despite further increases to Children's Services' budgets for 2022/23, the demand and overall cases in Childrens Services continues to rise in the city leading to continued high agency social worker levels and high external placement costs. The refuse drivers' dispute has led to costs being incurred well into the second quarter of the year although the ending of the dispute should ensure that no further budgetary overspends are incurred on this issue. However, a wide range of other challenges continue to be reported in Appendix 1 which, together with the issues reported above, provide a difficult financial picture despite the flexibility identified with corporate and central budgets.

The position reported does not highlight specific costs or income loss attributable to Covid. Any such residual impacts such as higher levels of looked after children, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts. As a result, no funding has been assumed from the relevant reserves at this stage.

Although this is the most difficult in-year position that it has faced for some years, the Council is well placed to manage the short term impact and has taken appropriate action to minimise any in-year budgetary variation: controls have been put in place to limit recruitment to vacant posts based on specific criteria (for instance, where posts are needed to meet statutory requirements, provide direct care or are social work related, meet health and safety requirements or where posts are funded from external monies or specific income or revenue streams); services have been instructed to avoid/delay expenditure decisions and to alleviate budgetary pressures or deliver positive variances through management of controllable expenditure.

If the Council's budgetary position reflects usual trends there should be some natural improvement to the overall bottom line over the remainder of the year. It remains possible that further limited flexibility may become available within Corporate budgets and the Council has maintained some flexibility in the form of previous grant funding and reserve balances which it can consider using to manage within specific service areas. In overall terms the Council has taken steps to ensure that it has a strong balance sheet position, including robust reserve balances, which as a measure of last resort provides protection against unexpected adverse budget variations.

The action outlined above and the further provision in place gives sufficient assurance that the Council can manage the financial position outlined. However, the underlying position for future years will be very challenging and any one-off resources required to balance 2022/23 will weaken the Council's flexibility ahead of future Budget processes. On this basis it remains a strong imperative to move towards a balanced 2022/23 position to maximise the flexibility available to the Council to be able to manage its medium-term financial position which is likely to come under severe pressure without further support from Government.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. 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, the Air Quality programme, the Housing Infrastructure Fund works, City Centre South and support to the Friargate Hotel development.

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. A recent reassessment indicates that the Council now faces an increased level of risk in this area. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. It is vital that Council officers and members are aware of the current financial challenge and the measures planned for the remainder of the year to address this. This in turn will dictate the extent to which the bottom line can move closer towards a balanced position.

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.

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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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
Adult Services & Housing	99.6	98.9	-1.3	0.6	-0.7
Business Investment & Culture	5.7	7.8	0.4	1.7	2.1
Children & Young People's Services	86.6	90.6	-1.3	5.3	4.0
Contingency & Central Budgets	-22.7	-32.4	0.0	-9.7	-9.7
Education and Skills	19.8	19.8	-0.9	0.9	0.0
Finance & Corporate Services	6.9	8.7	-0.3	2.2	1.8
Human Resources	1.9	1.4	0.2	-0.7	-0.5
Legal & Governance Services	4.8	5.6	-0.5	1.3	0.8
People Directorate Management	1.2	1.2	-0.1	0.2	0.0
Project Management & Property Services	-6.9	-6.0	0.3	0.7	1.0
Public Health	0.5	0.0	-0.1	-0.4	-0.5
Streetscene & Regulatory Services	31.7	40.1	-0.6	9.1	8.5
Transportation & Highways	8.3	9.9	-0.4	2.0	1.6
Total	**237.4**	**245.9**	**-4.6**	**13.1**	**8.5**

<u>Budget Holder Forecasts</u>

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	The transport variance is attributable to an increase in out of City placements, coupled with higher value bid awards through the e-auction process as a consequence of reduced market competition.	0.4
Education and Skills	Education Entitlement	The underspend is largely a result of a reduced cost on school bus passes. The number of pupils eligible for bus passes is based on statutory criteria and policy. A new online system introduced by the bus companies now means that where passes are not used charges are not incurred. New passes have and continue to be issued for the 2022/23 academic year and we will continue to monitor the position.	(0.2)
Education and Skills	Education Improvement & Standards	The forecast includes a £250k pressure relating to dedicated school transport, which is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes. Work has already taken place to reduce this pressure in 22/23, and budget has been identified for the 23/24 financial year.	0.1

		There is also an overspend on school trade union facility time. The overspend is partly offset by underspends on historic pension liability and Governor Support.	
Education and Skills	Employment & Adult Education	Employment are forecasting a reduction in expenditure of £0.4m against centralised salaries due to high level of vacancies. The service is also forecasting an increase in non-salary related expenditure of £0.2m, due to additional Kickstart grant, giving a budget holder variance of £0.2m. At service level this leaves a net underspend of £0.2m, which is being contributed to reserves, increasing the final budget holder variance from £0.2m to £0.4m.	0.4
Education and Inclusion	Other Variances Less than 100K		0.2
Education and Skills			**0.9**
Children and Young People's Services	Children's Services Management Team	There is a budgetary pressure in the Social Worker Academy linked to staffing a second team to increase the amount of Newly Qualified Social Workers we can recruit into the service. This cost is being offset by a planned underspend on financial strategy.	(0.7)
Children and Young People's Services	Commissioning, QA and Performance	Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £53k has not been met. Additionally, agency spend on Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers is £290k overspent due to pressures caused by vacancies and increasing caseloads.	0.4
Children and Young People's Services	Help & Protection	There is a budgetary pressure of £1.9m in the Area Teams linked to staff costs, with high levels of cases across the service and the need to use agency staff, including a specialised project team. There is a further budgetary pressure of £0.3m in LAC legal costs linked to high levels of demand. These are currently being partly offset by additional Supporting Family Grants in the hubs and Youth Offending Service Grants, which will support new activity once the plan is signed off.	2.6
Children and Young People's Services	LAC & Care Leavers	There is a forecast overspend on looked after childrens (LAC) placements of £2.2m. This is being caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There is a further budget pressure of £0.4 million due to the staffing challenges within LAC permanency service and the need of a task force to ensure that care proceedings continue to be progressed. This is an improving position as measures taken are now starting to have a positive impact. LAC transport has a forecast overspend of £0.15 million and this is as a result of placement	2.9

		arrangements where transport needs to be provided for child to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure. There is a overspend of £0.2 million on Adoption Central England this relates to an increase in Interagency fees and pay increases. Further working is being undertaken to address this. There is a further budgetary pressure of £0.6m within the Children's disability service. This overspend relates to increased costs for short breaks & direct payments, DFG shortfalls and intensive support for some children to enable them to remain living at home, as an alternative to living in residential care. These overspends are offset by an increase in income from central government for unaccompanied asylum seeking children, as well as current forecast underspends on Supported Accommodation.	
Children and Young People's Services			**5.3**
Adult Social Care & Housing	Strategic Commissioning (Adults)	£0.2m underspend relates to transport as a result of continued reduced demand for day opportunities. £0.6m underspend relates to New Homes for Old PFI due to additional client fee income.	(0.9)
Adult Social Care & Housing	Adult Social Care Director	The underspend represents an increase in the amount of iBCF and other resources that are drawn down to contribute to the overall budget position. This does mean there is less flexibility and therefore increased risk of overspends in subsequent years. This has been offset by forecast increases in bad debt provision (£0.5m).	(1.9)
Adult Social Care & Housing	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have partly been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care & Housing	Localities and Social Care Operational	Overspends relating to additional agency costs have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care & Housing	Community Purchasing Mental Health	Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need.	2.0
Adult Social Care & Housing	Community Purchasing Other	See above - Community purchasing spend is managed at an overall level and the explanation above covers both Community Purchasing Mental Health and Community Purchasing Other. In addition, costs relating to Hospital Discharge that were grant funded last year were not funded for the first 6 months of the year. A Hospital Discharge grant has now been received for the latter stage of the year.	0.9
Adult Social Care & Housing	Mental Health Operational	There remain significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care & Housing	Housing and Homelessness	Although the number of families in TA has continued to increase this hasn't been at the rate previously forecast and with the number of singles continuing to decrease. The forecast has been amended to reflect this. In addition, a further £0.2m homelessness prevention grant has been available by the DLUHC	(0.5)

		during 2022/23 offsetting the cost of temporary accommodation.	
Adult Social Care & Housing	Other Variances Less than 100K		0.2
Adult Social Care & Housing			**0.6**
Legal & Governance Services	Legal Services	There is a significant pressure within legal services due to the cost of agency and external staff. The pressure relates to both recruitment and retention difficulties, and extra caseload primarily in children's social care as an ongoing impact of COVID-19. There is an action plan in place to address these issues but the full benefit will not materialise immediately.	1.0
Legal & Governance Services	Coroner & Register Office	There is an underlying pressure within the coroner's service as a result of cost increases over a number of years. This has been exacerbated by COVID-19 which is continuing to increase the costs of particular external services e.g. pathology	0.2
Legal & Governance Services	Democratic Services	Additional resource required to manage subject access requests whilst a permanent solution is investigated to manage and process the significant number of complex and large cases.	0.1
Legal & Governance Services			**1.3**
Finance & Corporate Services	Revenues and Benefits	There is a gross £0.5m pressure within the discretionary hardship payments (DHP) scheme due to a 30% reduction in government grant funding combined with an increase in demand for services. There is also a net Housing Benefit subsidy pressure of £0.3m caused by 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. In addition, there is a Housing Benefit subsidy pressure of £0.5m, relating to audit testing of the 2020-21 claim. These are offset by a contribution from reserves of £0.2m. There are also increased temporary staffing costs (circa £0.5m) as the service deals with the residual work from the Test and Trace payment scheme, the resultant build up of work in the back office and increased underlying work levels in council tax, including the ongoing administration of the energy rebate scheme.	1.7
Finance & Corporate Services		The pressure is a result of a significant increase in the number of individuals applying for welfare support from the Household Support Fund. This will result in expenditure exceeding the grant allocation for the Oct-22 to Mar-23 period.	0.5
Finance & Corporate Services			**2.2**
Human Resources	ICT & Digital	The Budget Holder variance comprises some one-off underspends (reductions of £473K as a result of a	(0.8)

		negotiated one off reduction in first year cost of the contract, £170K on laptops due to timing of refresh programme, £75K Out of Hours allowances, £74K reduction on cross Council MFD usage plus identification of £288K income which has been subject to negotiation over the past few years but an agreement reached within the last quarter) partially offset by some on-going pressures (shortfall of schools income £230K plus pressures on cross Council software £86K). This overall improved position is as a result of clarification of our position regarding income alongside slowing on spend and changing approach, in particular regarding printing and laptop refresh	
Human Resources	Other Variances Less than 100K		0.2
Human Resources			**(0.6)**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	This pressure is a combination of factors, primarily £1.4m of unfunded running costs in respect of the corporate "Cultural Gateway" project, the majority of which is business rates. In addition, £0.3m in respect of the Wave heatline (energy) costs, and £0.1m deficit forecast in the first year of the new St Mary's catering facility due to a delayed opening whilst capital works were completed, staff recruited etc.	1.6
Business Investment and Culture	Other Variances Less than 100K		0.1
Business Investment and Culture			**1.7**
Transportation & Highways	Highways	An under recovery of income for highways (DLO) operational staff of £0.3m due to sickness and strike action, together with the delayed achievement of some MTFS savings targets of £0.3m	0.6
Transportation & Highways	Traffic	The pressure relates primarily to an anticipated significant increase in street lighting energy costs from October 2022, resulting in unfunded contract costs of £0.8m. In addition, there is a pressure relating to the increased volume and cost of highway asset repairs of £0.2m, which is largely due to unrecoverable costs of traffic accidents	1.0
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways	Transport and Innovation	This reflects the recruitment of additional Highways Development Management agency staff resources, brought in to support major planning applications and to provide cover for vacancies due to the inability to recruit.	0.3
Transportation & Highways			**2.0**
Streetscene & Regulatory Services	Planning Services	As a result of the downturn in the economy, income is expected to be below budget by £482k. This reflects a national trend.	0.5
Streetscene & Regulatory Services	Regulatory Services	Shortall in income in the building control function as a result of the downturn in the economy.	0.1

Streetscene & Regulatory Services	Streetpride & Parks	Income targets are not being achieved (Funeral Services £160k, WMP Car Park c£68k, Coombe Park c£97k and WMP c£92k) along with Fleet Pressures c£206k and staff costs 102k. In addition, unbudgeted works at a cost of £146k are being carried out at 3 parks to prevent traveller incursions. These are offset by salary savings due to vacant posts	0.9
Streetscene & Regulatory Services	Waste & Fleet Services	Waste Disposal Costs are down by £560k due to a combination of reduced CA Site fees (c£130k), reduced Waste Collection costs (£203k) and increased tonnage/gate fees c£970k which are more than offset by additional income (c£1,295k) which includes c£336k recycling rebate. Domestic Waste is forecasting an overspend of c£6.6k. This is predominantly due to mitigating action taken during the industrial dispute c£3.8m (net of salary savings due to strike action), costs relating to maintaining a waste collection service c£1,040k, £926k related to the hire of vehicles & fuel, £664k related to Temp Staff, Agency, Sickness & Overtime. Settlement costs have included £376k Xmas Buy-out (funded from reserves) and c£86k additional increments. Pop-up sites have been arranged for the post xmas period at a cost of £75k. Commercial Waste are forecasting a deficit of c£871k. This includes an estimated loss of income c£1.2m as a result of the strike. This is being offset by cost reductions (Staff, Vehicles & Waste Disposal costs) in the services that will continue to be provided.	7.3
Streetscene & Regulatory Services	Environmental Services	Pest Control is forecasting a shortfall in income of c34k, there are also overspends on Overtime and Other pay c£178k whilst vacancies are being recruited to (offset by savings on centralised salaries). There is also a savings target c£58k which is not being achieved and miscellaneous variations (incl fuel) of c£5k	0.3
Streetscene & Regulatory Services			**9.1**
Project Management and Property Services	Project Management	This pressure has arisen as a result of abortive time and corporate work which is not chargeable. This will be addressed in 23/24.	0.1
Project Management and Property Services	Facilities & Property Services	This pressure is primarily as a result of a £1.1m energy pressure for operational buildings caused by the rise in energy costs from October 2022. In addition, a £0.3m pressure for Fairfax street unfunded holding costs, which has been partially offset by an expected trading surplus in the R&M function of £0.15m.	0.8
Project Management and Property Services	PMPS Management & Support	This reflects accelerated achievement of corporate MTFS savings for the strategic property review	(0.3)
Project Management and Property Services			**0.6**
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.3)

Public Health	Other Variances Less than 100K		(0.1)
Public Health			**(0.4)**
Ringfenced Funding	SEND & Specialist Services	DSG Variance: The projected costs of FE provision is clarified in the Autumn Term when students take up placement offers and the actual unit cost is established. Pathway choice has extended within the City with a stronger focus on employment and training. Alongside, Coventry College has continued to grow their specialist offer, reducing our reliance on external provisions, consequently there has been a reduction in average student costs and an increase in the number of young people moving on to training programmes. The forecast position for placement in out of city independent schools, which took into account the impact of the closure of a specialist independent school has been adjusted to recognise increased success in placing students in LA maintained provisions and programmes. Contingencies have therefore been removed.	(0.5)
Ringfenced Funding	Schools	DSG Variance: £0.2m underspend relating to the cash adjustment for the 21/22 Early years allocation where our allocation has increased. £2.7m underspend relates to the remaining resource from the high needs block held to fund future demands. £0.2m underspend due to an underspend on Early Years provision.	(3.1)
Ringfenced Funding	Education Entitlement	DSG Variance: The underspend is a result of staffing vacancies, which are being recruited to. There is also a further head of service vacancy that is subject to review as part of the wider budget setting process.	(0.2)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	3.6
Ringfenced Funding	Employment & Adult Education	Adult Education Variance: This is due firstly to increases in salary costs due to pay awards (pension, NI & other costs). Secondly WMCA now confirmed clawback of funds due to reduced enrolment & participation caused by covid legacy.	0.2
Ringfenced Funding			**0.0**
Corporate & Contingency	Corporate Finance	This incorporates favourable variances of £4.7m in the Asset Management Revenue Account (AMRA) and £4.9m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council plus higher than budgeted investment income which is due to a combination of larger short-term investment balances and higher interest rates. For other contingency budgets, the cost of the 2022/23 pay award averages c6% for the Council and represents a cost c£6m above the original budget, offset in part by other non-pay contingency budgets and a contribution from reserves established to manage inflation volatility. Favourable variations	(9.7)

		including a Business Rates Pool surplus (£2m) and lower than budgeted superannuation costs (£2.1m).	
Corporate & Contingency			**(9.7)**
Total Controllable Variances			**13.1**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Onstreet Residential Charge point Scheme phase 6	The Office for Zero Emission Vehicles (OZEV) have awarded Coventry City Council, a grant with a maximum value of £681,280 to deliver phase 6 of the onstreet residential charge point scheme.	0.7
City Centre South	Additional funding approved in November 2022, to support the delivery of the scheme	0.4
Disabled Facility Grant/ Children with Disability	Additional funding virement from the Disabled Facility grant, to avoid Prudential Borrowing	(1.4)
Provision of Temporary Accommodation for Families	New funding agreed by Cabinet Report March 2022	4.0
Culture Capital Investment Fund	Additional funding for Charterhouse project approved in 2022/23 budget setting report	0.5
FEL - Purchase of Containers - Commercial Waste	This is due to the industrial action from January to August. There was a reduced service during this period, some customers cancelled their contracts and there were very few new customers. Since the dispute ended, the service has ceased to provide a Skips service.	(0.5)
Green Homes Grant Phase 2	Underspend to be repaid to Nottingham Council who are the administrators of the project as we will not be spending all of the grant	0.3
Other below £250k		0.1
TOTAL APPROVED / TECHNICAL CHANGES		**4.1**

Appendix 3

Capital Programme Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
Coventry South Package - WMCA Investment Programme	There is a need for a study scope to include implications of SWLP Review and wider master planning of the Coventry South / Kenilworth / Balsall Common areas. A cross- boundary project team has been established involving CCC, WCC and SMBC. This will result in the remaining funding for the initial design work to slip into next financial year.	(0.4)
Coventry North Package - WMCA Investment Programme	On behalf of the Project Team, CCC will now draft a brief for detailed design work for the preferred option, and continency scheme(s), with the aim of having appointed a consultancy partner before the end of March to undertake this work. Therefore, some of the remaining spend will now slip into 2023-24.	(0.2)
Clean Bus Technology Fund	Reschedule of remaining funding into next year to determine remaining demand for clean bus technology.	(0.6)
Air Quality	The scheme is progressing well with Coundon cycleway now open, Junction 7 and Spon End moving at pace. Due to a number of programme challenges experienced the latest programme indicates completion next financial year, hence the slippage of spend into 2023-24.	(5.0)
Friargate Future Buildings - hotel loan	Delay in drawn down of the loan facility	(1.4)
Disabled Facilities Grants	The rescheduling is due to the project at Logan Road not going ahead	0.4
Albany Theatre	Works to date have been dependent on the installation of a new electricity main, which is required as a result of the wider project and to accommodate the increased power demand. This, unfortunately, has taken considerably longer than initially anticipated and so the programme is in delay (please see below for the latest key dates). Works to install the electricity began in August and the statutory undertaker has been less than proactive in discharging their duties to complete the work. These works are now complete. Works were undertaken on site pre-Christmas where possible in readiness for the main works to commence early January. Project due for completion in November 2023, revised cashflow reflects the changes.	(1.1)
Mixed Recycling Facility - Loan	Adjustment to Loan facility	(0.3)
Children with Disability New Build	Approved in January 2022 the project has evolved from a refurbishment project to a new build project as the business case for the refurbishment was too expensive. The rescheduling addresses the time in 'start from scratch' to build a business case for a new build and secure land.	(1.4)
Other below £250k		(0.4)

TOTAL RESCHEDULING		**(10.4)**

Appendix 4

<u>Prudential Indicators</u>

Indicator	per Treasury Management Strategy 2022/23	As at 31 December 2022
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.	15.09%	14.59%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2022 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 £518.0m	£321.8m 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.	£538.0m	£321.8m 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.	£518.0m	£321.8m 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.	£474.4m	£253.m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£94.9m	-£128.5m
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% 1% 19% 5% 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

Public report
Cabinet

Cabinet	14th February 2023
Council	21st March 2023

Name of Cabinet Member:
Cabinet Member for City Services- Councillor P Hetherton
Cabinet Members for Jobs, Regeneration and Climate Change - Councillor J O'Boyle

Director approving submission of the report:
Director of Transportation and Highways

Ward(s) affected:
All (City wide)

Title:
Electric Vehicle Charging Infrastructure - Procurement

Is this a key decision?
Yes - the proposals within the report have financial implications in excess of £1m and significantly impacts on all wards in the city

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Executive summary:

This report seeks approval to make bid submissions to the Office for Zero Emission Vehicles (OZEV) for up to £5m from the funding portfolio set aside to facilitate rollout of electric vehicle charging units and associated infrastructure.

This investment will enable the Council to further enhance charging facilities in Coventry and maintain our position as the best city in the UK in which to own an electric vehicle. The Council has already secured £2.8 million funding from OZEV between 2019 and 2022 under the Electric Vehicle Charging Infrastructure funding initiative ("EVCI"), leading to a network of 568 chargers, with a further 157 being operational by January 2023, taking the total to 721 chargers capable of charging 959 electric vehicles at any one time. This represents the largest network of any city outside London.

To deliver this network, Coventry City Council has so far entered into two Contracts to provide, install, maintain, and operate charge points under the EVCI scheme. However, we have now reached the maximum expenditure permitted under the current contracts, meaning it is necessary to procure another electric vehicle charge point supplier.

The Council published a tender on 22 November 2022 to procure a charge point operator to deliver further residential charge points across the city via a concession contract to ensure readiness where the Council is successful in securing further funding from OZEV.

Recommendations:

Cabinet is requested to recommend that Council:

1) Delegate authority to the Director of Transportation and Highways, following consultation with the Cabinet Member for City Services and the Cabinet Member for Jobs, Regeneration and Climate Change, to submit bids to OZEV for up to £5m EVCI funding and, if successful, to finalise the terms of, and enter into, the relevant legal agreements (including the procured concession agreement) as well as any associated documents deemed necessary.

2) Delegate authority to the Director of Transportation and Highways, following consultation with the Ward Members and Cabinet Member for City Services and the Cabinet Member for Jobs, Regeneration and Climate Change, to approve charging point locations across the City.

3) Agree to add any successful funding bids up to £5million to the Council's capital programme.

Council is asked to:

1) Delegate authority to the Director of Transportation and Highways, following consultation with the Cabinet Member for City Services and the Cabinet Member for Jobs, Regeneration and Climate Change, to submit bids to OZEV for up to £5m EVCI funding and if successful to finalise the terms of, and enter into, the relevant legal agreements (including the procured concession agreement) as well as any associated documents deemed necessary.

2) Delegate authority to the Director of Transportation and Highways, following consultation with the Cabinet Member for City Services and the Cabinet Member for Jobs, Regeneration and Climate Change, to approve charging point locations across the City.

3) Agree to add any successful funding bids up to £5million to the Council's capital programme.

List of Appendices included:

N/A

Background papers:

None

Other useful documents

Taking charge: the electric vehicle infrastructure strategy - Click Here
Coventry Transport Strategy
Equality Impact Assessment 1

Has it or will it be considered by scrutiny?

No

Has it or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

Yes – 21st March 2023

Report title: Electric Vehicle Charging Infrastructure - Procurement

1. Context (or background)

1.1. The Office for Zero Emission Vehicles (OZEV) have confirmed another round of On-street Residential Charging Scheme (ORCS) funding of £20M as part of the Electric Vehicle Charging Infrastructure (EVCI) programme presenting the Council with an opportunity to submit new applications for the supply, installation, and maintenance of on-street residential charge points in Coventry.

1.2. At present the Office for Zero Emission Vehicles have two funding sources to deliver electric vehicle charging infrastructure; ORCS and LEVI (Local Electric Vehicle Infrastructure), as part of the EVCI strategy, published in March 2022.

1.3. The Council has been successful in previous applications to OZEV. The Council's success in bidding for funding for on street charge points has meant that the Council have spent up to the limit permitted under the current Contracts with two charging point operators. This has led to 721 residential charge points successfully being installed under the two Contracts using £2.8m of external funding.

1.4. The Council fully intends to make multiple bids for the new OZEV announced funding to build upon the successful programme completed to date. The first of the Council bids will be to facilitate an additional 450 charge points installed in residential streets where off-street parking is not available. The Council therefore needs to procure a charge point operator to enable the delivery of such charge points (if the Council is successful with its funding bids) with such concession contract also containing flexibility to allow for future charge point installations (if the Council is successful with its further funding bids).

1.5. Electric car charging infrastructure can also help support future development opportunities in Coventry. This could include provision of charging points at park and ride sites to provide a more convenient way of travelling into the city centre and to key employment sites, allowing drivers to park their vehicle on charge and finish their journey by foot, cycle, bus, or potentially in the future Very Light Rail. Electric charging points are also required to be installed in at least 5% of all new car parking spaces in Coventry, as set out in the Local Plan.

1.6. This work will also form an important element of the City Council's desire to improve air quality in the city. Coventry City Council is preparing bids to OZEV for EVCI projects.

2. Options considered and recommended proposal

2.1 In terms of bidding, the options considered are:

a) to do nothing
b) submit applications to OZEV for further funding to increase the On-street Residential Chargepoint Schemes network in the city.

2.2 The recommended option is to bid for the maximum amount available in order to Coventry's status as the best city in which to own an electric car. This is important to ensure we tackle the causes of climate change as well as improving air quality in Coventry and supporting local manufacturers and innovators.

2.3 The proposals will see chargepoints installed on the public highway and on Council land.

2.4 It is expected that the private sector (the successful supplier) will invest 40 percent of the project costs. Therefore, the Contract would be with a single supplier whom the client could build a relationship with, which would allow the supplier to build a greater understanding of the Council and City. Through this delivery, the supplier would have the opportunity to give a greater input into potential future on-street residential chargepoint design initiatives. It could also support the Council's funding bid by having a procured supplier and Contract in place, giving confidence in the Council's ability to deliver its bids.

2.5 As the funding is part funded by the supplier, the size of the project from the expenditure will require a larger commitment from the suppliers in term of investment, increasing the need for a longer term to allow for the return of the investment and a reasonable return to justify the supplier's significant investment. Therefore, it is proposed that the Contract length is 15+3+2 years (a core Contract length of 15 years, with potential for two extensions of 3 and 2 years). After the expiry of this contract, the ownership of these assets will transfer to the city council, at which point, the Council will either operate these charge points or procure an independent operator.

3. Results of consultation undertaken

3.1. It is proposed to carry out consultation with external stakeholders in the coming months

4. Timetable for implementing this decision

4.1. The proposal is to submit applications in 2022/2023 financial year, and if the funding is still available and the city's needs are still valid, then submit applications in 2023/2024 financial year.

4.1.1. The proposal is to deliver the ORCS project in 2023/2024 financial year

5. Comments from Interim Chief Executive (Section 151 Officer) and Chief Legal Officer

5.1. Financial Implications

5.1.1. Up to three bids are proposed for submission to OZEV over a three-year period to a maximum value of £5m from the current funding stream announced by OZEV. If the bids are successful, they will be added to the 5-year capital programme and delivered over the next 3 to 4 years using external funding (grant plus private sector funding), with no match funding required from Coventry City Council.

5.1.2. For charge points installed on the highway there are one-off costs to the Council related to advertising any Traffic Regulation Orders, any additional signs plus road markings and undertaking consultation with city constituents. It is proposed that these costs are funded from existing CRSTS Local Network Improvement Plan grant budgets (formerly known as the Integrated Transport Programme).

5.1.3. The EVCI projects has no cost implications to the City Council including any on-going operating costs of the assets as the costs are covered by OZEV and the supplier. The supplier will be responsible for the running costs of the assets within the contract, which will include EV charge points.

5.1.4. There is potential for some revenue to be generated through the schemes, by entering into revenue-sharing agreements with the successful suppliers. It is intended that any resulting net benefit that the Council receives from revenue shares will be reinvested in EV charging schemes.

5.2. Legal Implications

5.2.1. Law and Governance will be fully involved at every stage of the tender submission, will be responsible for the drafting and approving of the charge point operators' terms and conditions and will be on hand and available to assist and advise on any legal issues that may arise.

5.2.2. Furthermore, the procurement referred to in this report will be carried out pursuant to the Council's Contract Procedure Rules and the relevant requirements of the Concession Contract Regulations 2016.

5.2.3. Any funding agreement/s issued by OZEV (following any successful funding bid) will be reviewed and approved by legal services and legal services will ensure the charge point operator is contractually bound by the terms of the OZEV funding.

5.2.4. Any funding received will be compliant with applicable subsidy law including the UK-EU Trade and Cooperation Agreement and the Subsidy Control Act 2022.

5.2.3 On the adopted highway, Traffic Regulation Orders (TRO) will be required for the parking spaces for EV rapid chargers to make them enforceable. Once the locations have been finalised, a TRO will be advertised in relation to these spaces. This will trigger a statutory 21-day objection period. If objections are received, they will be subject to a further report to the Cabinet Member for City Services for consideration and decision in regard to the way forward (whether to implement or not).

6. Other implications

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

It is considered that the proposals support the Council Plan objective to create an attractive, greener city by making it easier for people to use electric vehicles within the city, thereby reducing vehicle emissions, improving the environment, and tackling climate change, and supporting the delivery of the Local Air Quality Action Plan for Coventry.

6.2. How is risk being managed?

Risk is being managed through the project governance.

6.3. What is the impact on the organisation?

None.

6.4. Equalities / EIA?

Equality Impact Assessment has been carried out to assess the impact of change of services on Coventry residents. By undertaking the Equality Impact Assessment, Coventry City Council has ensured that the new service does not discriminate against any protected group, where possible and promotes quality of opportunity.

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

The intention of implementing these chargepoints is that once they are installed and operational, residents will have improved confidence to purchase or lease electric cars as they will be able to charge the vehicle at or near their homes even if they don't have a private driveway or parking. As electric vehicle uptake increases, the (anticipated) reduced levels of CO_2 and NO_2 emissions should result in improvements to local air quality. This would support the Coventry Local Air Quality Plan which was approved by the Council's Cabinet in July 2020.

6.6. **Implications for partner organisations?**

None

Report author:
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Transportation and Highways

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Contributor/approver name	**Title**	**Service**	**Date doc sent out**	**Date response received or approved**
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John Seddon	Head of Transport and Innovation	Transportation and Highways	25.11.22	25.11.22
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Michael Duffy	Category Manager, Procurement	Law and Governance	21.11.22	21.11.22
Names of approvers for submission: (officers and members)				
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Rachel Goodyer	Head of Traffic, Traffic and Network Management	Transportation and Highways	25.11.22	01.12.22
Colin Knight	Director of Transportation and Highways	-	25.11.22	25.11.22
Mamta Kumar	Equalities and Diversity Assistant, Public Health Insight Team, Public Health Services	Public Health and Wellbeing	25.11.22	02.12.22
Councillor J O'Boyle	Cabinet Member for Job, Regeneration and Climate Change	-	20.01.23	20.01.23
Councillor P Hetherton	Cabinet Member for City Services	-	20.01.23	23.01.23

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

Coventry City Council

Public report
Cabinet and Council

Cabinet 14 February 2023
Council 21st March 2023

Name of Cabinet Member:
Cabinet Member for Jobs, Regeneration and Climate Change - Councillor J O'Boyle
Cabinet Member for Education and Skills - Councillor Dr K Sandhu

Director approving submission of the report:
Director of Business, Investment and Culture

Ward(s) affected:
All

Title:

Coventry UK Shared Prosperity Fund 2023-2025

Is this a key decision?
Yes - the proposals involve financial implications in excess of £1m per annum.

Executive summary:

In April 2022, the UK Government launched its new UK Shared Prosperity Fund (UKSPF). A total of £2.6bn in funding is available until March 2025, and the allocation for the West Midlands is £88.4m. UKSPF will fund vital activities across three themes:

- People & Skills
- Communities & Place
- Local Business

UKSPF is intended to be the successor to the European Structural Funds which are currently used to fund Coventry's business support, employment and skills activities. These EU funded schemes will come to a close during the second half of 2023, and it is therefore crucial for the city to get the right deal from UKSPF. The West Midlands Combined Authority (WMCA) is the accountable body for USKPF and has agreed high level priorities for the way in which the money will be used in the region, which the Council has been consulted on. Coventry's indicative allocation for funding is £11.3m, and this report seeks authority to accept WMCA's UKSPF allocation for Coventry.

Using funding from the first two themes, Coventry is requesting UKSPF funding to establish a hub and spoke model to provide employment support across the city, with a particular focus on key areas of deprivation with target groups including those who are 50+ and unemployed, economically inactive and low paid women, ethnic minorities, those with disabilities and health conditions, those with multiple complex needs and young people who are NEET (not in employment, education or training).

Support will be delivered through the Job Shop and in partnership with voluntary and community sector (VCS) organisations.

Under the Local Business theme, funding will be requested for a network of business advisors, who will work with small and medium enterprises (SMEs), people starting new businesses and with social enterprises. These advisors will help business start, expand, take on new staff, develop new products or expand into new premises etc. This work will link to a pot of SME competitiveness grants which will provide funding for new building and equipment or for specialist advice to support growth and innovation. Funding will also be requested to build on the success of the Coventry and Warwickshire Green Business programme by providing specialist decarbonisation advice to business including energy audits, again support by a pot of grant funding. For businesses seeking private funding in the form of debt or equity, Investor Readiness training will be provided, likely as part of a West-Midlands wide programme.

The report requests authority to accept WMCA's allocation to Coventry up to £11.3m of UKSPF money for these activities, and for delegated authority to enter into funding agreements. Delegated authority is also sought to contract with delivery partners where necessary in order to complete this work.

Recommendations:

Cabinet is recommended to:

1) Approve the acceptance of WMCA's UK Shared Prosperity Funding allocation to Coventry up to £2.5m

2) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer, following consultation with the relevant Cabinet Member(s), to undertake all necessary due diligence in relation to the funding allocation including the authority to enter into funding agreements with the WMCA.

3) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer, following consultation with the relevant Cabinet Member(s), to enter into back-to-back contracts with delivery partners as deemed necessary.

Cabinet is asked to recommend that Council:

1) Approve the acceptance of WMCA's Shared Prosperity Funding allocation to Coventry up to a further £8.8m, bringing the total to £11.3m

2) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer, following consultation with the relevant Cabinet Member(s), to undertake all necessary due diligence in relation to the funding allocation including the authority to enter into funding agreements with the WMCA.

3) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer in consultation with the relevant Cabinet Member(s), to enter into back-to-back contracts with delivery partners as deemed necessary.

4) Authorise use of the UK Shared Prosperity Funding 4% administration allocation to support the productive delivery and administration of the fund

Council is recommended to:

1) Approve the acceptance of WMCA's UK Shared Prosperity Funding allocation to Coventry up to a further £8.8m, bringing the total to £11.3m

2) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer, following consultation with the relevant Cabinet Member(s), to undertake all necessary due diligence in relation to the funding allocation including the authority to enter into funding agreements with the WMCA.

3) Grant delegated authority to the Director for Business, Investment and Culture, following consultation with the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer, following consultation with the relevant Cabinet Member(s) to enter into back-to-back contracts with delivery partners as deemed necessary.

4) Authorise use of the UK Shared Prosperity Funding 4% administration allocation to support the productive delivery and administration of the fund

List of Appendices included:

None

Background papers:

None

Other useful documents

None

Has it or will it be considered by scrutiny?

No

Has it or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

Yes - 21 March 2023

Report title: Coventry UK Shared Prosperity Fund 2023-2025

1. Context (or background)

1.1. In April 2022, the UK Government Launched its new Shared Prosperity Fund (UKSPF). The objectives of the fund are:

- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging
- Spread opportunities and improve public services, especially in those places where they are weakest
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost
- Empower local leaders and communities, especially in those places lacking local agency

1.2. The total value of the fund is £2.6bn, with funding being available until March 2025. Coventry's allocation within the fund is £11.3m. The fund is intended to be a successor to the EU Structural Funds such as the European Regional Development Fund (ERDF) and the European Social Fund (ESF). It is important to note that the total value of UKSPF available to Coventry will be considerably less than what was previously available through ERDF and ESF. For the 2014-2020 ERDF and ESF programmes, Coventry & Warwickshire was allocated £118m over 7 years or £16.86m per year – whilst the 6 Coventry & Warwickshire Local Authority areas have been allocated a total of £27.46m in UKSPF covering 3 financial years at an average of £9.15m a year. In most cases EU Structural Fund projects will draw to a close by the end of 2023, with many closing at the end of June 2023.

1.3. Management of UKSPF in the West Midlands is the responsibility of WMCA. A total of £88.4m has been allocated for the 7 Council areas that make up the Combined Authority, and Coventry's indicative allocation is £11.3m. Detailed negotiations have been underway for several months about the how this funding can best be used in a way that maintains existing provision that works well in each area, whilst forming part of a consistent approach across the West Midlands.

1.4. UKSPF is intended to be more flexible and less bureaucratic than the European funds which it replaces. The objectives of the fund will be met by activities across three themes: People & Skills, Communities and Place, and Local Business.

1.5. WMCA's UKSPF Investment Plan was approved by government in November 2022. This is a high-level document which sets out the overall aims for the fund in the West Midlands, and local areas will have the chance to decide how the funding will be used in order to achieve these aims. Coventry and the other councils that make up the WMCA were consulted on and contributed to the development of the plan.

1.6. In Coventry, the allocation of the funding between the three UKSP priorities as follows:

UKSPF Priority	Funding Allocation
People & Skills Communities & Place	£5.4m (in total, for both priorities)
Local Business	£5.4m

*Note that the remaining 4% will be retained for programme management, and it is expected that some of this funding will be made available to individual local authorities.

1.7. Because People and Skills money does not become available until 24/25, Coventry City Council Employment and Skills Service (CCC ESS) successfully negotiated with WMCA flexibility to move money between People and Skills and the Communities and Place priority. This will allow crucial work to assist people furthest away from the job market to begin as soon as European funded projects close and avoid a gap in provision. Of the total budget for Coventry, 50% will be made available for these two priorities.

1.8. Communities & Place and People & Skills UKSPF funding has been 'delegated' to LA's. As a result of our successful negotiations, WMCA have agreed that CCC ESS can determine local priorities for Coventry within these two funding strands and take the lead role in designing the programme of support. Working together with WMCA we have agreed a new 'hub and spoke' delivery model which will deliver on Coventry's employment and skills priorities. However, as Lead Accountable Body, WMCA can require us to make changes and will hold the Council to account in meeting their criteria, which means current plans may be adapted later in the UKSPF programme.

1.9. Under the People & Skills and Communities & Place strand CCC ESS will deliver a 'hub and spoke' mode, providing person centred, holistic employment support across the city. Support will target key areas of deprivation with target groups including those who are 50+ and unemployed, economically inactive and low paid women, ethnic minorities, those with disabilities and health conditions, those with multiple, complex needs and young people who are NEET (not in employment, education or training). Support will be delivered through the Job Shop and in partnership with voluntary and community sector (VCS) organisations.

1.10. The remaining 50% will be directed towards business support activity, which will principally include locally delivered business advice and grants to support business competitiveness and growth. The specific types of activities proposed under the Local Business theme include:

1.11. **SME Growth Advisors.** Each area will receive UKSPF funding for support to Small and Medium Enterprises, entrepreneurs and social enterprise. In Coventry it is anticipated that this funding will be used to continue the work of our highly successful business support partnership, where advisors from the Council, the Growth Hub, the Chamber of Commerce and other partners provide advice and support to local businesses to grow, establish new products and create jobs by taking on new staff. Support to help start a new business will also be provided as part of this activity.

1.12. **SME Competitiveness Grants.** A pot of grant funding will be available to link to the work of the SME Growth Advisors. Businesses with a plan to buy new equipment, take on new staff, establish new premises etc. will be able to apply for a grant ranging from £5,000 to £100,000. Revenue grants for specialist external expertise to support growth and innovation will also be available. The grants will be matched 50/50 with the funding provided by the applicant business. This will build on the work of our very successful Investment Fund and Innovation Grants programmes which are currently funded through ERDF. The indicative value of this pot is £1.15m over two years.

1.13. **Decarbonisation Advice and Grants.** Building on the established Coventry and Warwickshire Green Business Programme, we are aiming to secure UKSPF funding to help Coventry businesses play their part in meeting the UK's target of net zero emissions whilst at the same time enhancing their competitiveness and sustainability. The new programme will offer one-to-one and one-to-many information and advice, including peer networks thereby helping businesses to understand how they can work towards becoming net zero, and understand how new regulations will affect them. This funding will also provide energy audits that will allow businesses to quantify and benchmark their emissions by examining the energy used by their building and equipment and identify cost-effective energy saving measures supported by grant funding.

1.14. **Investor Readiness.** In addition to direct grant funding, support will also be provided to strengthen the SME sector's ability to access external, private finance. These activities focus on equity finance (raising capital in exchange for an ownership share) or debt finance (applying for bank loans) and will be aimed at SMEs with the highest growth potential. Ensuring that Coventry's SMEs are able to access private finance is essential to supporting their growth, and this offer will be key to achieving that. This activity is likely to be delivered by a WM-wide programme, and the Council's likely role here will be to ensure that the offer is promoted to and tailored correctly for Coventry's businesses to gain the full benefit of the available funding.

1.15. Coventry City Councill will act as lead partner for business support activities in the Coventry area initially, and there may be opportunities to deliver these activities in other parts of the region. Currently, business support programmes are delivered in Coventry and Warwickshire; as Warwickshire is not a constituent member of the WMCA, the area's UKSPF allocation is not part of the overall West Midlands pot. However, Coventry City Council will bid or tender for UKSPF work in Warwickshire if the opportunity arises, and it is the right approach both for Coventry and neighbouring Warwickshire authorities. Other West Midlands authorities may choose to request that Coventry delivers some of the business support themes in their areas, and should this be the case, this will be considered as long as the Council can secure additional UKPSF from that area's allocation in order to cover the costs of this additional delivery.

2. Options considered and recommended proposal

2.1. The Council could have chosen to decline the opportunity to act as the lead delivery body for UKSPF activity in Coventry. With WMCA having overall responsibility for the funding and accountability to government, the Council could have chosen to undertake a purely strategic role, working with WMCA to define the activities that would make the biggest difference in the city, and leaving them to commission the activity from third party providers. This approach has been discounted because the Council has an excellent track record of using EU and UK Government funding to run successful projects in both business support and employment & skills activities. The Council is the lead partner in both sets of activities, and if it did not take on this role there is a risk that the overall offer for business and residents would be much poorer, and partner organisations that deliver essential services would struggle to secure funding.

2.2. The recommended option is for Coventry City Council to act as the lead body for UKSPF in both business support and skills & employment activities covering Coventry. This will allow the Council to continue to act as lead partner in these activities, providing its own high quality in-house delivery where appropriate, and working with external partners and the voluntary sector to ensure that specialist provision is available where that is required. The Council currently takes this approach in both European Social Fund (ESF) and European Regional Development activities and successfully leads highly effective partnerships to make the most of both funding sources. The preferred option is that Coventry City Council continues to act in this role with the new UKSPF funded work.

3. Results of consultation undertaken

3.1. Securing UKSPF will support the aims of the Council's Economic Development Strategy and Skills Strategy, both of which were approved the Cabinet in October 2022. In preparation of these strategies consultation was undertaken with the public, as part of the overall One Coventry Plan consultation process.

The Council is also consulting with its partner organisations in order to decide on the priorities for UKSPF in Coventry. This includes Coventry and Warwickshire Growth Hub, Coventry and Warwickshire Chamber of Commerce, Coventry University, University of Warwick and the majority of Voluntary and Community Sector organisations. This consultation will continue during the development of bids / tenders and into the delivery phase. A stakeholder engagement event for VCS organisations working on employment and skills activities has been arranged for 23 January.

4. Timetable for implementing this decision

4.1. The current UKSPF programme makes funding available during the financial years 2022/23, 2023/24 and 2024/25. With ERDF closing in June 2023, and ESF programmes closing in December 2023, the aim is to establish the Coventry UKSPF funded activity in time to allow continuity of provision post EU funding.

5. Comments from Interim Chief Executive (Section 151 Officer) and Chief Legal Officer

5.1. **Financial Implications**

The report seeks authority to accept an allocation of up to £11.3m of external UKSPF grant for the purposes set out in section 1 of the report. This is the indicative allocation for Coventry from a wider WMCA allocation for the region of £88.4m

It is not expected that match funding is required, however where this may be the case, this will be achieved using existing operational budgets in the Economic Development and Employment and Skills services. No new commitments of match funding will therefore be required as a result of the decisions recommended in this report.

The vast majority of the grant monies awarded will be directed at the services set out in the report, a small contribution of c4% will however be retained to cover local management costs of the EDS and ESS teams, whose budgets are set up to require funding from the grant regimes they deliver

The WMCA is the nominated Accountable body for the UKSPF, however they will in awarding monies to the City Council pass delivery risk to the City Council through formal legal Grant Aid Agreements. See section 6.2 of the report which outlines the approach to risk management.

5.2. **Legal Implications**

All the activities carried out with UKSPF funding will need to comply with Subsidy Control Legislation that has now come into force. Under the new regime, public authorities will be required to self-assess whether the financial assistance they grant is consistent with key principles and will be required to publish information about subsidies. A Subsidy Advice Unit will be established within the Competition and Markets Authority, which will have oversight of the new regime and will be responsible for advising public authorities on more complex subsidy measures.

CCC Legal will work with the delivery teams to ensure that any support provided to businesses or delivery partners is compliant with the new rules.

The rules governing Public Procurement will also need to be complied with. To demonstrate value for money, procurement to deliver the range of projects if funding is secured, will be considered per project in accordance the grant, the Councils Contract Procedure Rules and the Public Contract Regulations 2015.

6. Other implications

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

Securing UKSPF will make a very important contribution to the achievement of the Council's core aims. The activities through the Local Business Priority are expected to help to deliver the One Coventry Plan's objective of Improving the Economic Prosperity of the City and Region by helping businesses to grow, take on new staff, expand into new premises and also provide access to employees with the appropriate skills through the employment and skills activity that is proposed here. Work funded through UKSPF will also raise the profile of Coventry, as more local businesses are helped to export their products internationally, providing trade links with other countries. The Decarbonisation activities will also be expected help to "Tackle the Causes and Consequences of Climate Change". The People & Skills and Communities & Place activities will also support this objective through enabling local residents to have the skills to support business growth.

The funding, particularly through the People & Skills and Communities & Place Priorities, will also help to address the objective of "Improving Outcomes and Tackling Inequalities Within Our Communities", by helping local people find jobs, and also helping people to continue to develop their skills once they are in work.

Finally, securing the UKSPF funding and acting as lead partner for delivering of business and employment and skills activities will contribute to the Council's aim to act as leader and enabler for the city, ensuring that through our relationship with WMCA and with our delivery partners, the very best outcomes are achieved for our residents and businesses.

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

Coventry City Council has a long track record of delivering externally funded skills and business support projects, and the risks associated with this type of work are well understood. For example, there are financial risks such as the failure to deliver output or financial targets, and the risk that this could lead to funding clawback. Risks of this kind are mitigated by ensuring that sufficient programme management resource is available to enforce adherence to the funder's rules, and to work closely with delivery partners to ensure they are producing eligible outputs on time and on budget. There is sufficient experience in the delivery teams in the Economic Development Service and the Employment Skills and Adult Education Service to manage these risks appropriately at service or division level and an entry on the corporate risk register will not be necessary for this

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

The principal impact on the organisation will be securing funding for staff directly employed by the Council working on our business support or employment and skills activities. Successfully bidding for UKSPF funding for these programmes will provide funding crucial to retaining highly skilled staff currently working on projects which are due to come an end later this year. There are no impacts on ICT, accommodation, assets etc.

6.4. **Equalities / EIA?**

A detailed Equalities Impact Assessment of the new business support programmes and employment and skills activities which will be funded by UKSPF will be completed in time to allow findings to be taken into account before the new programmes open later in 2023. Due to the reduction of funds from ESF to UKSPF there will be less funding directed at communities than previously. We will use UKSPF effectively to ensure maximum community impact, but this can still only partially mitigate for the loss of funds. The Equalities Impact Assessment will consider this impact for our communities. We also need to consider the barriers to accessing business support; for example whether people from different ethnic groups are less likely to benefit from the support we provide or whether some areas of the city are more difficult for projects to reach. Equalities impact work has also been completed for the Economic Development Strategy and Skills Strategy, which will inform the approach to this work.

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

If our bids are successful, UKSPF will be used to secure funding to continue the work of the Coventry and Warwickshire Green Business Programme which has had a positive impact on the environment by helping to reduce carbon emissions from local businesses. If this work can continue the decisions recommended in this report will have a positive impact on climate change and the environment. Our Skills Strategy sets out a clear priority to ensure our skills provision has a strong focus on green skills. Our UKSPF employment support programmes will support this through ensuring residents are able to access available 'green skills' provision, are given good quality 'green skills' careers advice, connected to employers offering jobs.

6.6. **Implications for partner organisations?**

A proportion of the Coventry UKSPF will be used to fund the Council's partner organisations in business support, employment and skills programmes. Because the funding available will be considerably less than in previous programmes there is likely to be some impact on partner organisations, particularly VCS organisations involved in employment and skills delivery. The Council will continue to offer the same proportion of the available funding to VCS organisations as it did under previous funding programmes. A stakeholder engagement event has been organised with key VCS organisations, which will be followed by a bidding process in February and March. Successful VCS applicants will then be in a position to begin delivery from April.

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