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Agenda

Finance and Corporate Services Scrutiny Board (1)

Time and Date
2.00 pm on Thursday, 21st September, 2023

Place
Diamond Rooms 1 and 2 - Council House

Public Business

1. **Apologies and Substitutions**

2. **Declarations of Interest**

3. **Minutes**

   (a) To agree the minutes of the meeting held on 6 July 2023 (Pages 3 - 6)

   (b) Matters Arising

4. **Coventry City Council Apprenticeship Update** (Pages 7 - 22)

   Briefing note of Chief People Officer

5. **Commercial Investments and Income Generation** (Pages 23 - 78)

   Briefing note of Chief Operating Officer (Section 151 Officer)

6. **Work Programme and Outstanding Issues** (Pages 79 - 82)

   Report of the Scrutiny Co-ordinator

7. **Any other items of Public Business**

   Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved

Private Business
Nil

Julie Newman, Chief Legal Officer, Council House, Coventry

Wednesday, 13 September 2023

Note: The person to contact about the agenda and documents for this meeting is Carolyn Sinclair, Governance Services, carolyn.sinclair@coventry.gov.uk

Membership: Councillors J Blundell, B Gittins, J Innes, R Lakha, J Lepoidevin, P Male, K Maton, J McNicholas and E Ruane (Chair)

By invitation: Councillors R Brown and P Hetherton

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Carolyn Sinclair
Governance Services, carolyn.sinclair@coventry.gov.uk

Coventry City Council
Minutes of the Meeting of Finance and Corporate Services Scrutiny Board (1) held at 2.00 pm on Thursday, 6 July 2023

Present:

Members:	Councillor E Ruane (Chair) Councillor J Blundell Councillor J Gardiner (Substitute for Councillor T Sawdon) Councillor J Innes Councillor R Lakha Councillor K Maton Councillor J McNicholas
Other Members:	Councillor R Brown, Cabinet Member for Strategic Finance and Resources

Employees:

Chief Operating Officer	B Hastie (Section 151 Officer)
Human Resources:	G Haynes, K Moir, J McGinley, J O'Neill and N Powell,
Law and Governance:	V Castree, C Sinclair

Apologies: Councillor B Gittins, J Lepoidevin and T Sawdon

Public Business

1. **Declarations of Interest**

There were no declarations of interest.

2. **Minutes**

The Minutes of the meeting held on 29 March 2023 were signed as a true record.

Matter arising:

Minute 37 (Responses to Finance and Corporate Services Scrutiny Board 1 Questions (City of Culture))
In respect of information outstanding on university contributions, the Chair asked that the question be emailed to the Warwick University for a response.

3. **Workforce Metrics**

The Board considered a briefing note and presentation which provided the current workforce analytics from numbers employed, turnover, starters, leavers, sickness absence, right through to agency workers. Where possible historical data had been included for comparative purposes. It was noted the data would include years impacted by Covid and this was reflected within the information provided.
The presentation and demonstration of the analytics programme enabled members to have an overview of the HR metrics and provided an understanding of the workforce metrics.

Currently the City Council as of the 19 June 2023 had 5180 employees or 4153 FTE and turnover was currently at 16.66%. The breakdown in the presentation provided the details of numbers within each service and types of contracts. HR were now able to provide workforce analytical information due to the development of the data warehouse which had been a shared development between HR and IT. The information was refreshed daily and was accessible to directors and managers on their desktops.

The data presentation provided a snapshot of the type of information now available and was flexible enough to be able to view at service level and by category.

The Board questioned Officers and received responses on a number of matters including:

- Consultancy and agency costs
- How establishment figures are calculated and budgets allocated
- Reasons for high turnover
- Retention packages
- Use of office buildings
- Management structure

Following consideration of the briefing note, presentation and discussion, the Board requested the following:

- That a dashboard summary report be brought back to the Board once the data was live.
- That 'agency and consultancy spending' and 'Leavers 22/23' be added to the work programme.
- Data on the duration of temporary staff contracts.
- In respect of retaining staff and exploring the range of reasons why staff leave, it was suggested that local faith groups should be approached with a view to providing an additional option to support staff who wished to avail of it.
- Information on who monitors the health and wellbeing of education staff

- To receive job descriptions for the role of Deputy Chief Executive and Chief Partnership Officer

RESOLVED that the Board:

1. **Note the content of the report and the workforce challenges post-Covid including skill shortages/recruitment challenges in some areas and the measures being taken to address the issues.**

2. **Acknowledge the work being undertaken to improve the range and access to data and the support work to improve areas of challenge - such as sickness absence and where this work is showing signs of improvement - for example in Street scene.**

4. **Corporate Learning and Development Report 2022 - 2023**

The Board considered a briefing note which set out the Council's Corporate Learning and Development activity between 1st April 2022 – 31st March 2023 and associated costs.

One of the key priorities within the People Plan 2023 – 2025 was to develop internal talent to enable us to meet strategic priorities and improve the retention of the workforce.

The Learning and Development team identified the varied development needs of the workforce, which were informed by the strategic objectives in the One Coventry Plan, through a number of ways; appraisal completions, evaluation reports, pulse surveys, HR case work, direct engagement with managers and employees, digital surveys, leavers feedback, Trade Unions, Employee Network engagement, and benchmarking against other Local Authorities. The team ensured we have relevant, diverse, and effective opportunities for all employees to improve their knowledge and skills which can then make a difference to the lives of the people in Coventry and support and improve outcomes for our communities.

Training was commissioned by following the Council's Procurement and Commissioning process to ensure the training is value for money, of excellent quality and that public money was spent in line with its wider community strategy around the economy, society, and the environment.
The briefing note included information on:

- The Corporate Learning and Development budget
- Learning and Development outcomes 2022-23
- Marketing and Promotion
- Ensuring access to training for all employees
- Learning at work week
- Learning and development online hub
- Learning and development outcomes from appraisals
- Talent programme
- Diversity and Inclusion: events and courses
- Online learning

- Leadership and Management
- Future Plans

The Board questioned Officers and received responses on a number of matters relating to the presentation including:

- Training for managers managing flexible workers
- Funding for leaning and development
- Shared services

RESOLVED that the Board supports the ongoing work and achievements to deliver the actions set out within the People Plan 2023 – 2025 by providing a comprehensive learning and development programme that continues to support employees across the organisation, to gain additional skills to deliver the One Coventry Plan and provide continuous professional development opportunities.

5. **Work Programme and Outstanding Issues**

The work programme was noted with the inclusion of the matters agreed in Minute 3 (Workforce Metrics) above for reports to future meetings on the following:

- Dashboard summary
- Agency and Consultancy spending
- Leavers 2022/23

There were no outstanding issues.

6. **Any other items of Public Business**

There were no other items of public business.

(Meeting closed at 4.45 pm)

Coventry City Council

Briefing note

To: Finance and Corporate Services Scrutiny Board (1)

Date: 21 September 2023

Subject: Coventry City Council Apprenticeship update

1 Purpose of the Note

1.1 To provide the Finance and Corporate Services Scrutiny Board (1) with an update on Coventry City Council's internal Apprenticeship programme.

2 Recommendations

2.1 The Finance and Corporate Services Scrutiny Board (1) is recommended to:

1) Continue to support the work and the achievement of the Apprenticeship and Early Careers Team within People & Culture in continuing to deliver a successful apprenticeship programme and outcomes for the Council's apprentices.

2) Make any recommendations to the relevant Cabinet Member.

3 Background

3.1 The Apprenticeship and Early Careers Team within People and Culture are responsible for managing the council's apprenticeship programme and apprenticeship levy account.

3.2 The team engages with managers and services across the Council to identify opportunities to create new apprenticeship roles (Traditional Apprentices) and to match appropriate apprenticeship standards to existing roles to upskill current staff (Employed Apprentices).

3.3 As part of this engagement, apprenticeships are mapped to career pathways to aid in areas of skills shortage and as part of workforce planning activities.

3.4 For further information on what apprenticeships are and the difference between Traditional and Employed Apprentices, please see appendix 1.

4 Traditional Apprentices

4.1 The Apprenticeship and Early Careers Team actively engages with service areas across the council to identify opportunities to recruit apprentices and develop career pathways. The team works with managers to undertake workforce planning activities to identify how the recruitment of an apprentice can help with their current and future needs, including addressing skills gaps and succession planning.

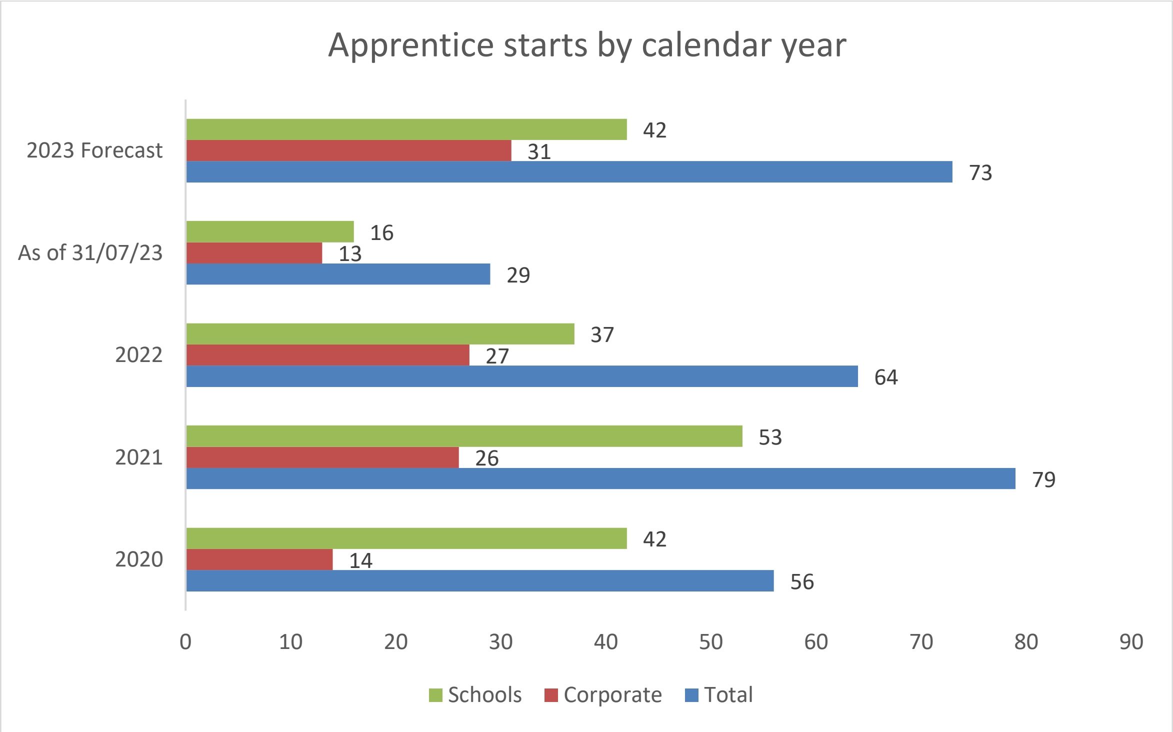
4.2 The team ensures the most appropriate apprenticeship standards are mapped to the apprenticeship role and support managers throughout the recruitment process.

4.3 Following recruitment, Apprenticeship and Career Pathways Advisors will work with the apprentice and manager throughout the apprenticeship lifecycle to ensure they receive the required support to get the most out of their apprenticeship and move into a positive destination on completion.

4.4 The team also provide advice and guidance to local authority maintained schools regarding best practice in the recruitment of apprentices.

4.5 As of the 31/07/23 there were 78 traditional apprentices in post (33 corporate and 45 maintained schools). For a further breakdown of this information, please see appendix 2.

4.6 The graph below shows the total number of Traditional Apprentice starts by calendar year:



4.7 Starts fell in 2020 due to the pandemic mirroring the national trend but recovered in 2021. Starts in 2021 were especially boosted by Government monetary incentives to recruit apprentices that were available at the time in response to the pandemic.

4.8 The number of corporate apprentices starting in 2022 remained consistent; the decrease in school starts for 2022 are explained by the fact that an unusually high number started the previous year as a result of available incentive payments.

4.9 The Apprenticeship and Early Careers Team had a target to recruit 60 corporate apprentices between 2020 and 2022. This target was exceeded with 68 apprentices recruited in this period.

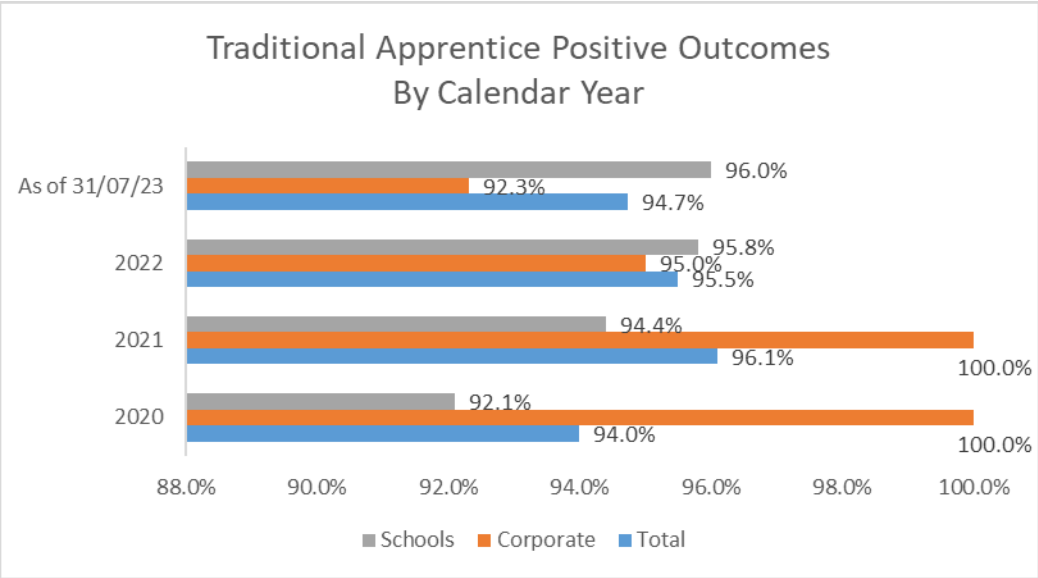
4.10 As part of the new People Plan the Apprenticeship and Early Careers Team has a target to recruit 30 corporate apprentices per year for 2023-25. As shown in the graph above, the team are forecast to meet the target for 2023.

4.11 <u>Outcomes</u>
Whilst it is important that we set targets and monitor the number of apprenticeship starts; equal, if not more emphasis should be placed on the destinations of our apprentices.

4.12 All apprentices are recruited on fixed-term contracts that mirror the length of their apprenticeship training. Whilst workforce planning and career pathways for apprentices are discussed when first working with recruiting corporate managers, it is rarely possible to guarantee a role for the apprentice to move into at the point of recruitment.

4.13 With the majority of corporate apprenticeships being 18 months and longer (some up to 6 years) there are many factors that can change in this period. The main difficulties faced are being able to accurately predict the required needs of the service at the point the apprentice finishes, as well as holding the budget for the post-apprenticeship position for this time.

4.14 Despite not having a guaranteed role in place, our apprentices have very high levels of positive outcomes* as shown in the graph below:



*Positive outcome defined as: Apprentice moving into either employment, further/higher education or the next level of apprenticeship upon completion.

4.15 The high level of positive outcomes is achieved by the support given to apprentices and their line managers throughout the apprenticeship by their Apprenticeship and Career Pathways Advisors.

4.16 Key points of contact have been mapped out throughout the apprenticeship lifecycle to ensure that the apprentice is getting the most out of their apprenticeship and to discuss their post-apprenticeship career ambitions.

4.17 At these points, Apprenticeship and Career Pathways Advisors will provide advice and guidance to the apprentice and their line manager on what actions can be taken to help meet the apprentice’s career goals. This can take various forms including: ensuring the apprentice is obtaining the relevant skills, knowledge, and experience to enable them to achieve their post-apprenticeship goals, 1:1 coaching sessions and support with job applications and interviews.

4.18 The apprentice's manager is also supported and encouraged to do all they can to explore the options available to them in keeping on the apprentice within their team upon completion.

4.19 Additional support
As well as the planned interventions throughout the apprenticeship lifecycle, Apprenticeship and Career Pathways Advisors also provide ad hoc guidance and pastoral care to corporate apprentices. The availability of this support and guidance has proved to be vital in enabling apprentices to complete their apprenticeship and move into positive destinations, especially for our apprentices with additional barriers or more complex needs.

4.20 Further development
In addition to development within their team, apprentices have the opportunity to be involved in a variety of other activities to enhance their learning and further enrich their apprenticeship experience.

4.21 We encourage all our apprentices to assist in the promotion of the council's apprenticeship programme; this can take a number of forms such as: writing case studies, attending careers fairs to talk to others about their experience as an apprentice and giving talks at school assemblies.

4.22 We also run quarterly apprenticeship forums. These forums have been designed to bring our corporate apprentices together to build a sense of community and to deliver additional learning opportunities.

4.23 Topics and activities at these forums have included: giving the Apprenticeship and Early Careers Team feedback on the support apprentices are receiving and how we can better improve their experience, talks with former apprentices still at the council on their time as an apprentice and how they got the most out of it, mental wellbeing sessions, talks from senior leaders on their career journeys and various other team building activities.

4.24 Pay increase
In December 2022 a briefing note was presented to the One Coventry Leadership Team (OCLT) outlining the current apprenticeship pay scale and a proposal to increase the apprentices' starting pay to aid with recruitment and retention, in addition to being the socially responsible course of action.

4.25 This proposal was agreed and saw all existing and new corporate apprentices move from being paid at least current apprentice minimum wage of £4.81 per hour to at least the 18-20 minimum wage of £7.49 per hour as of the 1st of April 2023. This rate of pay was arrived at following undertaking a benchmarking exercise with other local authorities.

4.26 This change was communicated to all maintained schools with the recommendation that they opt-in and nearly all have done so.

5 Higher Apprentices

5.1 In order to expand the types and level of apprenticeship available, a new type of Traditional Apprentice, 'Higher Apprentice' was introduced.

5.2 Prior to the creation of the Higher Apprentice, all Traditional Apprentice roles at the council were limited to undertaking level 2 and level 3 apprenticeships.

5.3 This left a gap when undertaking workforce planning and developing career pathways as there was no mechanism to recruit Traditional Apprentices on higher level (level 4 and above, including degree apprenticeships)

apprenticeships. This in turn restricted the ability to match the correct apprenticeship standard to meet the needs of the role.

5.4 Higher Apprentice roles have increased entry requirements compared to the level 2 and 3 apprenticeships to reflect the fact that they will be undertaking more challenging qualifications. These roles will still not expect a large amount of previous experience as they are apprenticeships; however, depending on the type of apprenticeship, candidates may require higher levels of existing qualifications such as A-levels. There will also be a need for greater soft skills given the additional responsibility required to undertake the higher levels of qualification.

5.5 Higher Apprentices require pay commensurate with the increased entry requirements to differentiate them from the apprentice roles at level 2 and 3. A short benchmarking exercise was undertaken, and it was decided to pay Higher Apprentices the national minimum wage for those aged 21-22 (currently £10.18 per hour/£19640 per year).

5.6 Work on the recruitment of Higher Apprentices has started in Environmental Protection and Legal Services with further expansion planned in the future.

6 Employed Apprentices

6.1 Since the introduction of the apprenticeship levy in April 2017 we have been able to use levy funding to upskill current employees using apprenticeships.

6.2 The Apprenticeship and Early Careers Team engages with managers to identify where apprenticeships can be utilised to meet both the current and future needs of colleagues and the service.

6.3 We work with managers to undertake workforce planning activities to identify how apprenticeships can help to address skills gaps, aid with succession planning and to develop career pathways to aid in increasing retention and meet current and future predicted skills gaps.

6.4 In addition to directly working with heads of service and managers to identify service/role-specific apprenticeships, appraisal data is also utilised to identify trends in corporate learning requirements.

6.5 As of the 31/07/23 there were 188 employed apprentices in post, undertaking 43 different apprenticeships. For a further breakdown of this information please see appendix 4.

6.6 Apprenticeships are effectively utilised as part of a workforce planning model across many services with pathways into hard to recruit roles mapped out.

7 Diversity and inclusion

7.1 The principles of diversity and inclusion are rooted in the ethos and values of the team. We are always working to engage with under-represented groups to widen participation, remove barriers and increase the diversity of our apprentices so that they are reflective of the communities we serve.

7.2 A breakdown of the diversity information of our Traditional Apprentices can be found in appendix 3.

7.3 Looked After Children/Care Leavers
We take our responsibility as a corporate parent very seriously and work closely with colleagues in Through Care and across Children's Services to promote our apprenticeships to Looked After Children and Care Leavers (LAC and CL).

7.4 In addition to the 4 LAC/CL in apprenticeships mentioned in appendix 3, a further 4 are starting in August and September.

7.5 These numbers are achieved by pro-active engagement by the Apprenticeship and Early Careers Team to promote apprenticeship vacancies and the support available to our LAC/CL.

7.6 The team attends the LAC/CL NEET panel to keep up to date with any LAC/CL that are looking for or may be suitable for apprenticeships and to bring partners up to date on forthcoming apprenticeship opportunities.

7.7 An apprenticeship referral process for LAC/CL is also in place and through this Apprenticeship and Career Pathways Advisors meet with LAC/CL and help them to apply for apprenticeships as well as giving 1:1 interview support.

7.8 <u>Holiday Activities & Food (HAF) programme</u>
HAF is a national programme for 5–16-year-olds who are eligible for free school meals. In addition to providing meals for the approximately 12,500 eligible children, the remit of the programme extends to providing skills and other enrichment activities. The Apprenticeship and Early Careers Team continues to engage with colleagues delivering the programme to identify opportunities to deliver apprenticeship information sessions to groups on the HAF to engage and build relationships with young people from disadvantaged and under-represented groups.

7.9 <u>Engaging with refugees and migrants</u>
The Apprenticeship and Early Careers Team works closely with colleagues in the Migration Team to promote apprenticeships to their clients. Following an initial session in 2021 two apprentices were taken on in the Migration Team and 2 more have started since.
As part of National Apprenticeship Week in February 2023 an apprenticeship information session was delivered to refugees and migrants in partnership with the Migration Team to raise awareness of apprenticeship opportunities at the council.

7.10 <u>Recruitment best practice</u>
We work closely with colleagues in the Recruitment Team and colleagues leading on diversity and inclusion within People and Culture to ensure that we are up to date with best practice in advertising and recruitment methods.

7.11 We have built an extensive mailing list of all organisations and partners across the city that work with young people, particularly those from under-represented groups that we e-mail each time we advertise apprenticeship vacancies.

7.12 Candidates that apply for our corporate apprenticeships also have an additional stage in the application process – the ‘pre-interview’. At this stage, shortlisted candidates are invited to attend a session prior to final interview where they are given an overview of what to expect from the interview as well as tools, tips, and advice on how to prepare for it to give them the best possible chance of success.

7.13 The pre-interview stage was added as it was noticed that not all applicants were aware of expectations of the interview process and those that did not receive support (such as from parents or carers) were not performing as well due to this.

8 Incentive payments

8.1 The team has taken a pro-active approach in ensuring Government incentives are maximised, resulting in an income of £46.5k for the financial year 2022/23. £38.5k of this was from Covid incentives, introduced over the pandemic and now no longer available, with £8k coming from ongoing incentive schemes.

8.2 The majority of this money has been used to fund a 2-year fixed-term contract for an Apprenticeship and Career Pathways Advisor within the team.

8.3 The team were also responsible for ensuring maintained schools that recruited apprentices maximised the Covid incentive payments, with over £150,000 of funding applied for on their behalf over the course of the programme.

8.4 Due to this approach Coventry City Council substantially outperformed comparator councils in incentive payments as per 2023 LGA figures:

Council type	Average incentive payments received per Council
County	£115,880
District	£2,802
London Borough	£35,129
Metropolitan	£68,729
Unitary	£43,328
Coventry City Council	£230,500

8.5 As mentioned above, the vast majority of the incentive payments claimed were related to the pandemic and are no longer available. Forecasts for future incentive payments are between £8-10k per year based on what is currently available.

9 Levy Transfer

9.1 Coventry City Council can transfer up to 25% of its yearly apprenticeship levy funding to non-levy paying employers. We work in partnership with colleagues in the Economic Development Service to receive referrals from Small and Medium Enterprises (SMEs) requiring funding.

9.2 To date we have pledged to transfer over £430k, supporting 26 businesses and 88 apprentices.

9.3 The original levy transfer process was designed in part by the Skills & Growth Manager in the Economic Development Service who also engaged with businesses to promote it. Following their departure at the end of 2022, the process was reviewed to ensure a more effective allocation of funding and that it aligns with the priorities in the new Skills Strategy.

9.4 2023 LGA stats for apprenticeships created by levy transfers for 2018-22 show Coventry City Council performing above average:

Apprenticeships created by Levy Transfers - 2018-22

Coventry City Council	86
Regional Average	80
Council Type Average	32
National Average	43

10 Levy spend

10.1 The council has paid circa £1million per year towards the apprenticeship levy since its inception in 2017. Unspent funds in the levy account expire after 24 months, and many large organisations have had expiring funds for several years now.

10.2 Due to our approach of effectively utilising apprenticeships across the organisation and supporting local SMEs with our levy transfer scheme we have not yet had any funds expire.

10.3 The Council isn't currently due to return any unspent levy funding until January 2024. This date moves on a regular basis as each month we add circa £85k to the account and apprentices are starting and finishing throughout the year.

10.4 Whilst we have not had any levy funding returned to the government to date, it is likely that this will start to happen in the coming months.

10.5 For context, a 2022/23 LGA survey showed that 81% of all councils had seen funds expire.

11 Work experience

11.1 The arrangement and administration of work experience placements at Coventry City Council sits with the Apprenticeship and Early Careers Team.

11.2 Historically the team acted as the broker for work experience requests, receiving them on behalf of the council and contacting the relevant teams/departments to organise placements.

11.3 We've changed our approach and no longer offer work experience placements in response to requests; in part due to the capacity to deliver this and also as it is difficult to arrange meaningful hybrid work experience placements with the majority of the organisation no longer working from the office full-time.

11.4 The exception to the above is when we are approached by one of our Looked After Children/Care Leavers; in this case we will do all we can to arrange a placement for them.

11.5 However, where managers/teams receive requests directly and/or approach the Apprenticeship and Early Careers Team wanting to provide a placement then this can still go ahead.

11.6 As part of this change of approach, and in recognition of the value of promoting the council as an employer of choice for the next generation of talent, a new offer was created.

11.7 We are working with schools to run 'Employer insight days'. These days involve various sessions and talks about the council as an employer and provider of services, employability exercises, a round-robin chat with our current apprentices and tours of the Council House. We also have had guest speakers from the Job Shop, Children's Services, Electoral Services and the Transformation and Change Team who've given an overview on their services. Following a pilot with Eden Girls' School in 2022 we've recently welcomed students from Sidney Stringer, Grace Academy and Lyng Hall.

11.8 Feedback from students and teachers for these days has been excellent and have led to a lot of interest in applying for our apprenticeships and an increase in our social media following.

12 Best practice

12.1 The Apprenticeship and Early Careers Team participates in and works with a wide variety of networks and partners to share best practice and keep up to date with the latest developments. These include membership of the West Midlands Apprentice Ambassador Network (WMAAAN), Chairing the Coventry and Warwickshire Apprentice Ambassador Network (CWAAN), regular meetings with counterparts from Solihull, Warwickshire and Warwick Councils relating to joint procurement exercises and attendance at quarterly West Midlands Combined Authority apprenticeship meetings.

13 Future plans

13.1 The Apprenticeship and Early Careers Team will continue to adapt its work to the needs of the organisation, ensuring we align with the new People Plan and One Coventry Plan.

13.2 <u>Traditional Apprentices</u>
Following exceeding the recruitment target of 20 corporate apprentices per year as mentioned in section 4.9 we will be working towards a new target of 30 starts per year for 2023 onwards.

13.3 In addition to increasing the number of starts we will also be expanding the types of apprenticeship on offer to meet the ever-changing needs of the organisation.

13.4 We will continue to engage with our apprentices to monitor and evaluate their experiences to ensure they are receiving the required support and to increase the quality of apprenticeships across the board. This will include building on the success of our apprenticeship forums and identifying additional learning and development opportunities for apprentices.

13.5 We will continue to ensure that we monitor our recruitment and selection processes so that they are inclusive and attract a diverse range of candidates that reflect the city; targeting under-presented groups where required.

13.6 We will grow the number of Higher Apprentices across the organisation, identifying career pathways as part of a workforce planning approach.

13.7 <u>Employed Apprentices</u>
Through workforce planning meetings with heads of service we will identify new opportunities to utilise apprenticeships to upskill our workforce.

13.8 New apprenticeship standards are being developed regularly and we will continue to use them where there is a recognised need, building these into recognised career pathways and meeting future workforce skills needs.

13.9 Analysis will be undertaken on the learning and development needs recorded in colleagues' appraisals to ensure future apprenticeship availability is in line with demand.

13.10 Workforce Planning

Further work to consolidate an organisational approach to workforce planning and the utilisation of apprenticeships will take place. This activity will utilise both traditional and employed apprentices and will include: identifying workforce capability and availability which in turn will inform where work on succession planning is required; producing career pathways listing the required skills, knowledge, behaviours and qualifications for each role; mapping appropriate apprenticeship standards to each role; and the identification of bridging mechanisms between pathways. This work will start in Adult Services and then expand across the council as informed by need and priority. Initial conversations have also taken place with the Strategic Lead – Green Futures to build upon the current apprentices working in this area to aid in the delivery of Climate Change Strategy.

13.11 Work Experience

Further sessions with schools will be arranged for the 2023/24 academic year to continue to engage with Coventry students to promote the council and its apprenticeship programme. Our most recent session with students from Lyng Hall specifically targeted students with additional barriers and/or from under-represented groups and we will adopt this approach moving forwards.

13.12 Incentive payments

We will continue to ensure we maximise all available incentive payments and other opportunities to bring in an income. As mentioned in section 8, one of the two Apprenticeship and Career Pathways Advisors are on a two-year fixed term contract has been funded via government incentives during the pandemic that are no longer available.

13.13 At present, existing available incentives will not be anywhere near sufficient to cover this post after the 2-year contract which is due to finish in August 2024.

Andy Hyland
Workforce Planning & Early Careers Lead
People and Culture
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Scrutiny Board 1 21/09/23 - Apprenticeships Briefing Note – Appendices

1 What is an apprenticeship?

An apprenticeship combines hands-on work with the opportunity to train and obtain qualifications: ‘Earning whilst you learn’. Apprenticeships are paid positions of employment that must last a minimum of 12 months and a day and can be up to 6 and a half years.

At least 6 hours per week of an apprentice’s paid working time must be set aside for ‘off the job’ training. This is learning that can take a variety of forms such as classroom based or online learning, or work-based projects relevant to the apprenticeship.

There are over 600 apprenticeship standards are available, with new standards constantly in development. Apprenticeships are available across all industries and sectors with the level of learning ranging from level 2 (GCSE) to level 7 (master’s degree).

The definition of ‘apprentice’ has changed in recent years. The introduction of the apprenticeship levy in 2017 not only marked a shift in the way apprenticeships are funded, but it also changed the definition of who is an apprentice, creating two types of apprentice:

<u>Traditional Apprentices</u>
Are a continuation of the historic understanding of what an apprenticeship is; entry-level roles on fixed-term apprenticeship contracts commensurate with the length of their apprenticeship qualification, paid on the council’s apprenticeship pay scale. They are created and recruited to by teams with the support of Apprenticeship Advisors in the Apprenticeship Team. These apprentices (and their managers) receive support, advice, and guidance throughout the apprenticeship lifecycle from Apprenticeship Advisors. The recently introduced ‘Higher Apprenticeships’ fall under the category of Traditional Apprentices.

<u>Employed Apprentices</u>
Were introduced in 2017 following the introduction of the apprenticeship levy; they are current members of staff that are utilising the funding available through the levy to upskill by undertaking an apprenticeship. These apprentices and their managers are not formally supported by the Apprenticeship Team, but they do receive advice and guidance on an ad-hoc basis as required.

2 Breakdown of Traditional Apprentices in post on 31/07/23 by apprenticeship standard and level.

Apprenticeship Title and Level	Number
Accountancy Taxation Professional – Level 7	1
Associate Project Manager - Level 4	1
Business Administrator - Level 3	14
Customer Service Specialist - Level 3	1
Digital Support Technician - Level 3	2
Early Years Educator - Level 3	7
Early Years Practitioner - Level 2	1
Events Assistant – Level 3	1
Facilities Services Operative - Level 2	1
Heavy Vehicle Service and Maintenance Technician - Level 3	2
Highways Maintenance Skilled Operative - Level 2	2
Installation Electrician and Maintenance Electrician - Level 3	1
Junior Energy Manager - Level 3	2
Landscape/Horticulture Operative - Level 2	1
Payroll Administrator – Level 3	3
Plumbing and Domestic Heating Technician - Level 3	2
Solicitor - Level 7	7
Teaching Assistant - Level 3	26
Teaching Assistant and School Sports - Level 3	3

3 Diversity breakdown of Traditional Apprentices in post on 31/07/23.

	Corporate	Maintained Schools	Total
Age*			
16-18	10 (30.3%)	24 (53.3%)	34 (43.6%)
19-24	16 (48.5%)	13 (28.9%)	29 (37.2%)
25+	7 (21.2%)	8 (17.8%)	15 (19.2%)
Sex			
Female	18 (54.5%)	38 (84.4%)	56 (71.8%)
Male	15 (45.5%)	7 (15.6%)	22 (28.2%)
Ethnicity (Short)			
Minority Ethnic	8 (24.2%)	5 (11.9%)	13 (17.3%)
White/Majority Ethnic	24 (72.7%)	37 (88.1%)	61 (81.3%)
Prefer not to state	1 (3.0%)	0 (0.0%)	1 (1.3%)
Ethnicity (Long)			
Asian or Asian British – Chinese	0 (0.0%)	1 (2.4%)	1 (1.3%)
Asian or Asian British – Indian	5 (15.2%)	2 (4.8%)	7 (9.3%)
Asian or Asian British – Other	1 (3.0%)	0 (0.0%)	1 (1.3%)
Black or Black British – African	1 (3.0%)	0 (0.0%)	1 (1.3%)
Black or Black British – Caribbean	1 (3.0%)	0 (0.0%)	1 (1.3%)
Mixed – White & Black Caribbean	1 (3.0%)	0 (0.0%)	1 (1.3%)
Mixed – White and Asian	0 (0.0%)	2 (4.8%)	2 (2.7%)
White – British	23 (69.7%)	35	58 (77.3%)
White – Other	0 (0.0%)	2 (4.8%)	2 (2.7%)
Prefer not to state	1 (3.0%)	0 (0.0%)	1 (1.3%)
Disability status			
Yes**	0 (0.0%)	1 (2.8%)	1 (1.4%)
No	31 (93.9%)	34 (94.4%)	65 (94.2%)
Prefer not to state	2 (6.1%)	1 (2.8%)	3 (4.3%)

Looked After Child/Care Leaver			
Yes	3 (9.1%)	1 (2.2%)	4 (5.1%)
No	30 (90.9%)	44 (97.8%)	74 (94.9%)
Sexual Orientation			
Heterosexual	23 (69.7%)	24 (88.9%)	47 (78.3%)
LGBT+	7 (21.2%)	0 (0.0%)	7 (11.7%)
Prefer not to state	3 (9.1%)	3 (11.1%)	6 (10.0%)

* At start of employment
** The number of traditional apprentices declaring a disability to the Council is showing as zero based on our records. However, the Department for Education collects their own apprenticeship statistics based on data declared by the apprentices at their sign-up meetings which shows that for the period Aug 22 - June 23, 17.9% of all apprentices declared either a disability or a learning difficulty.

Please note data does not include unknown records. (School apprentices missing ethnicity records for 3 apprentices and disability records for 9 apprentices and sexual orientation records for 28 apprentices)

4 Breakdown of Employed Apprentices in post on 31/07/23 by apprenticeship standard and Level.

Apprenticeship Title and Level	Number
Social Worker (Degree) – Level 6	28
Associate Project Manager – Level 4	20
Operations / Departmental Manager (CMI) – Level 5	18
Children, Young People and Families Practitioner (Residential Pathway) - Level 4	16
Adult Care Worker – Level 2	12
Outdoor Learning Specialist - Level 5	11
Teacher – Level 6	10
Senior Leader (Master's) – Level 7	9
Lead Adult Care Worker - Level 3	7
HR Consultant / Partner (CIPD) – Level 5	5
Lead Practitioner in Adult Care - Level 4	5
32 other Apprenticeship Standards with less than 5 people on each	47
Total	188

5 Apprenticeship levy spend 2018/19-2022/23.

	Spend	Transferred	Total
2018/19	£528,923	£0	£528,923
2019/20	£720,450	£0	£720,450
2020/21	£924,328	£74,734	£999,062
2021/22	£927,307	£97,976	£1,025,283
2022/23	£956,760	£55,643	£1,012,403

6 Apprentices (employed and traditional) in post by services group as of 31/07/23.

Services group	Number of apprentices
Adult Services	4
Business Investment & Culture	7
Children's Services	54
Education & Skills	11
Finance & Corporate Services	5
Human Resources	20
Legal & Governance Services	9
Property Services & Development	11
Public Health & Insight	8
Streetscene	11
Transportation & Highways	7
Schools	80

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Coventry City Council

Briefing note

To: Finance and Corporate Services Scrutiny Board 1

Date: 21st September 2023

Subject: Commercial Investments and Income Generation

1 Purpose of the Note

1.1 This note sets out the Council's approach to making commercial investment decisions, the statutory framework that the Council needs to work within and how decisions are made, including the policy basis. The note examines the content of the Council's Commercial Investment Strategy including annual limits and details about the overall commercial portfolio and performance.

1.2 The 2022/23 Revenue and Capital Outturn Report is included as Appendix 2 to provide an understanding of the Council's current financial challenges and financial context for its overall strategy. The Strategic Energy Partner Report (scheduled for Cabinet on 29 August) is similarly attached at Appendix 3, providing a current example of the Council's approach to commercial investment. Further papers will be published in relation to the Council's Shareholder Committee with details of some of the Council' shareholdings after this Scrutiny Board's publication date, but prior to its meeting, and will be made available to Committee members separately. (The papers will be published on Monday 18 September on the Council's website: https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=773&MId=13020&Ver=4)

2 Recommendations

2.1 The Finance and Corporate Services Scrutiny Board (1) is recommended to:

1) Note the content of the report.

2) Make any recommendations for the relevant Cabinet Member.

3 Background and Information

Policy and Regulatory Background

3.1 The One Coventry Plan provides the broad policy basis for the Council's service delivery including its approach to commercial activity. The Plan's three delivery priorities are: increasing the economic prosperity of the city and region; improving outcomes and tackling inequalities within our communities and; tackling the causes and consequences of climate change. Fundamental to this note is that one of the two enabling priorities identified within the Plan is the continued financial sustainability of the Council.

3.2 Like many local authorities across the country the Council's medium term financial position forecasts revenue funding gaps. The 2023/24 Budget Report (February 2023) identified gaps of £20m and £30m for 2024/25 and 2025/26 whilst the most recent monitoring report to Cabinet (August 2023) has highlighted further budgetary pressure which indicates a worsening position both for the Council and the wider sector.

3.3 The ongoing need to balance budgets has, for many years, led councils to adopt commercial approaches to improve their financial positions and deliver better services. This activity can take many forms including the following, listed notionally in the order of perceived risk:

- charging for local services to citizens and service users,
- providing and charging for traded services as an extension to in-house provision,
- acting as a landlord for a commercial property portfolio,
- providing loan finance to local organisations,
- establishing/acquiring external companies to complement the delivery of strategic objectives and,
- commercialisation through more speculative capital investment outside of municipal boundaries or on a disproportionately large scale to deliver financial returns.

The Council undertakes all these activities to a greater or lesser degree with the exception of the final one. Charges to local citizens and service users and for traded services is not covered in detail in this report but a list of income categories in relation to these activities is included at Appendix 1.

3.4 Recent years have witnessed increased activity of a more speculative nature (most but not all related to the final bullet above) and a small but not insignificant number of financial failures as a result. Councils such as Thurrock, Slough and Woking amongst others have suffered very large financial losses which have led to the issuing of a Section 114 Notice. A S114 Notice is an indication that the expenditure of an authority is likely to exceed the resources for the year and means that no new expenditure is permitted, with the exception of that funding statutory services.

3.5 There is already a significant regulatory and advisory framework around council financial activity in areas such as borrowing (the Prudential Code), treasury management and investments, Minimum Revenue Provision, the Public Works Loans Board (PWLB) and capital strategies. In response to the sector failures referred to above, the Government has moved to increase intervention and regulation change aimed at preventing future such occurrences. This has led to the introduction of commercial investment strategies, revisions to the Prudential Code (requiring a proportionate to risk) and new rules for borrowing from the PWLB (preventing investing primarily for yield).

The Council's Approach

3.6 Whilst it is difficult to definitively benchmark it is likely that the Council sits somewhere "within the pack" in relation to the income it generates from charging for services and traded services. These are activities that occur mostly as a result of 'business as usual' activity.

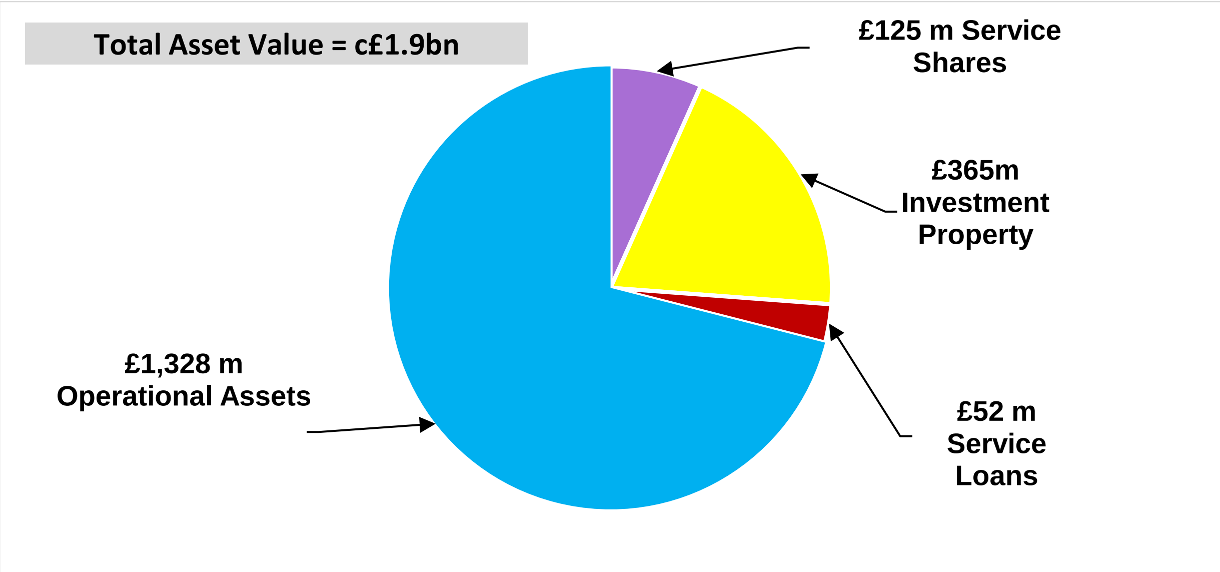
3.7 Data collected previously suggested that Coventry holds a relatively large property portfolio compared with other councils whilst the Council has been increasingly active in terms of providing external loan finance in recent years and has a significant number of company shareholdings compared with many similar authorities. It is these types of activity that have a higher risk profile and have prompted the interest of regulators in recent years.

3.8 Like other councils, the Council's approach has been informed by the need for it to generate additional income streams to support its budgetary position. However, at a local level, each commercial intervention made by the Council has had strong policy, service and/or risk mitigation justifications. These activites have a direct impact on the Council's balance sheet and are therefore measured periodically. This measurement is helpful in establishing whether the activity is proportionate in comparison to the Council's overall asset base and the scale of overall risk of each activity type. This is explored in the following section.

The Council's Commercial Activity

3.9 The following chart shows the latest estimate of the key categories of long-term assets on the Council's balance sheet. 71% of the value is held in the form of operational assets, essentially the land, buildings and infrastructure owned by the Council from which services are delivered. A further 19% is represented by investment property which generates an on-going commercial rent and whose valuation is essentially driven by that rent. The remaining 10% is held in the form of long-term loans owed and shares in external companies.

Figure 1: Long-Term Assets at 31 March 2023



3.10 Three of the categories above also represent a source of revenue income to the Council on an ongoing basis. The latest financial returns for 2022/23 are shown in the table below and represent an overall 4.2% rate of return on asset value.

Table 1: Commercial Income 2022/23 (per Commercial Investment Indicators)

Investment Category	**2022/23 Income £000**
Service Loans (i)	(1,554)
Service Shares (ii)	(8,200)
Investment Property (iii)	(13,044)
Total Commercial Assets	**(22,798)**

(i) Interest received and accrued

(ii) Dividends

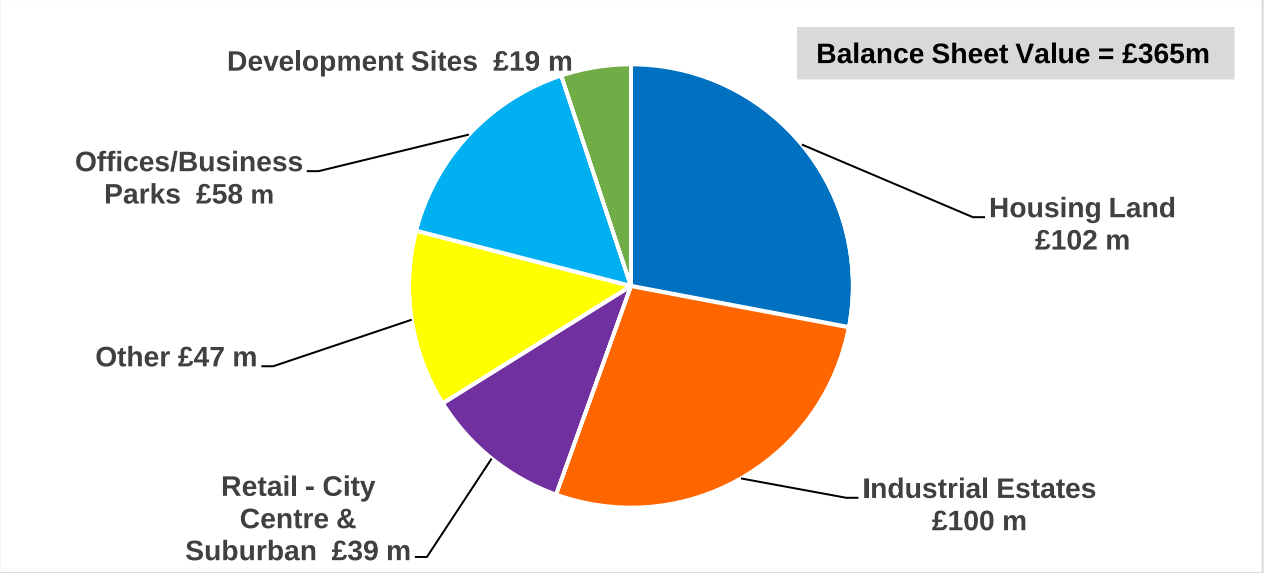
(iii) Rental income net of service charge, voids & other direct costs

3.11 It is important to recognise some of the risks that are involved in owning these types of assets. One set of risks can be categorised as capital or price risks. An organisation to which the council has provided a loan might not pay the Council the full amount owed or the value of an investment, whether shares or property could fall in certain circumstances. This was witnessed during the Covid pandemic but can apply equally during other periods of financial downturn or in relation to specific circumstances such as the individual trading performance of a company in which shares are held. As a result of any of these or other events there may be a possible need to write-off or impair amounts to revenue. Depending on the specific asset type such an impairment may have a real monetary impact on the revenue bottom line or may result in a notional (non-monetary) transaction.

3.12 A further set of risks can be categorised as revenue or income risks. The respective assets might return less income in the form of interest (loans), dividends (shares) or rents (property). If any of these asset classes have been purchased by borrowing then a double risk might arise because the Council will need to continue to repay its borrowing despite any falls in income received. For an organisation like the Council, there can be reputational due to their position I the public eye and the fact that transactions involve public money – the bar set for publicly funded organisations is often much higher that for private organisations in this respect.

3.13 The following sections look at some of the asset categories in more detail.

Figure 2: Investment Property at 31 March 2023



3.14 The Council's investment property represents the largest share of its commercial assets (£365m of the £542m in the long-term assets table above). The values are subject to revaluation each year. The balance sheet value and the £13m revenue income stream achieved in 2022/23 identify it as the single largest area of risk for the Council's commercial assets.

3.15 There are good reasons why this is not regarded as a significant financial risk to the Council. The vast majority of the assets are ones that have been owned by the Council for many years and/or have been purchased by means other than borrowing. Therefore, the Council is not faced with the need to meet a repayment cost for the assets. The overall value of the investments, whilst substantial, is not disproportionate to the overall size of the Council's balance sheet and reflects ownership plus organic growth over many years rather than as a result of an extra-ordinary recent intervention. The assets are spread across a range of classes with the largest class representing less than one-third of the overall value. This means that a financial shock which had a disproportionate impact on a particular class might have a limited impact elsewhere within the portfolio. In addition, over the medium to long-term, historical patterns show that property is a reliable investment with a strong likelihood of values increasing.

Service Loans

3.16 Table 2 sets out the loans that the Council has made with the large majority of these approved over the past 6 years.

Table 2: External Loans (Resources Invested or Committed) 2023/24

Major Loans	Actual Q1 £m	Commitments £m	Total £m
Coombe	8.2	1.9	10.1
Friargate	6.2	0.0	6.2
Friargate - Hotel	2.1	0.3	2.4
UKBIC	13.8	0.0	13.8
CWRT	2.7	1.0	3.7
MRF - Domestic	12.0	0.3	12.3
MRF – Commercial*	0.5	22.2	22.7
Kickstart	2.5	0.0	2.5
Other	4.5	1.0	5.5
Total	**52.5**	**26.6**	**79.1**

The latest indication is that the Materials Recycling Facility commercial loan (commitment) is not now required.

3.17 These loans are all constructed to deliver a commercial return and the Council is bound by Subsidy Control regulations which demand that loans have a market rate of interest. Table 1 above shows that whilst the Council is currently receiving income in the form of interest payments (£1.5m in 2022/23) this is trivial in comparison to the Council's overall budget and would not be considered a primary motivation for making such loans. Instead, it is of paramount importance that loans are aligned to the Council's existing policy priorities and delivery of service objectives and any decision by the Council to approve such loans is driven by this as the primary motivation.

3.18 These loans are of course at risk of non-repayment and ultimately of write off. Each formal decision to make a loan is subject to consideration of these risks and the mitigations in place to control them. In totality the overall level of loans is significant, but each individual loan is modest in proportion to the overall size of the Council and the more significant ones are backed by physical assets which are used as security against the risk of default.

Company Shares

3.19 The Council's company shareholdings are valued at c£125m per the latest set of valuations undertaken as at 31st March 2023. This reflects the market (fair) value which is calculated broadly in relation to the financial activity and performance of each company. The component parts of the Coventry Municipal Holdings Ltd Group have been disaggregated for the purpose of this report.

Table 3: Company Shareholding Values

Shares	Resource Invested £m
Birmingham Airport Holdings Ltd	11.6
The Coventry and Solihull Waste Disposal Company Ltd	0.0
Tom White Waste Ltd	14.6
Coventry Municipal Holdings Ltd	0.0
Coventry Regeneration Ltd	0.0
Coventry Technical Resources Ltd	0.0
Coombe Abbey Park Ltd	9.1
Friargate Joint Venture Project Limited	10.5
UK Battery Industrialisation Centre Ltd	5.5
Sherbourne Recycling Ltd	0.2
Total	**51.5**

Revaluation Balance	**73.5**
Balance Sheet Value	**125.0**

*Accounting rules dictate that £5.5m of the Council's £18m loan to UKBIC at nil interest should be treated as an investment in a subsidiary company as shown above. In reality the whole of the £18 represents a loan rather than reflecting part-loan, part-investment.

3.20 The table also shows the initial amount invested by the Council. The difference between this and the Balance Sheet Value is the result of market revaluations undertaken on a regular basis which can increase or decrease the assessed value of individual companies and is not linked to the initial acquisition price. An initial amount invested of £10m for the Coventry and Warwickshire Waste Disposal Company (CSWDC) is not reflected. This was in the form of preference shares issued as part of the initial investment in CSWDC which were later redeemed as part of a company re-structure.

3.21 All of the 2022/23 dividend income shown in Table 1 came from CSWDC. Dividends have been received previously from Tom White Waste Ltd, Coombe Abbey Park Ltd (CAPL) and Birmingham Airport, all of which were affected significantly by the covid pandemic. From a purely financial perspective, the diversity of shareholdings is designed to protect the Council from a concentration of dividends from one source although the degree of financial shock from Covid was clearly not one that could have been easily anticipated. Strong indications have been given that some of the other companies will return to profitability in the near future starting with Birmingham Airport and SRL in the first instance.

3.22 It is important to note that the Council's acquisition or establishment of each company will be strongly aligned to its policy and service objectives. Between them CSWDC and SRL provide strong synergies with the Council's existing waste collection, management and recycling responsibilities, protect the Council from some of the volatility in waste markets, provide the opportunity to rationalise some of the costs of waste management and enable the production of a local source of green energy from waste. CAPL provides strong synergies with the existing country park facilities at Coombe and protect existing rental income streams. The Friargate Joint Venture Project enables the Council to manage a long-term regeneration plan within the Friargate District.

3.23 Notwithstanding that some of these companies have lost value compared with the resources initially invested, the Council's shareholdings should be viewed as long-term assets. The Council would only seek to dispose of such assets and realise their value if this was seen to be advantageous from both a financial and policy perspective. In this sense the current balance sheet valuations are not a significant factor in terms of the Council's day-to-day financial position.

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Appendix 1: 2023/24 Fees and Charges

	2023/24 Budget £m
Fees - Social Care	(20.2)
Fees - Waste	(10.1)
Fees - Corporate Services	(6.6)
Fees - Planning & Regulatory Services	(5.3)
Fees - Bereavement Services	(4.8)
Fees - Education	(4.5)
Fees - Car Parks	(4.2)
Fees - Parking Enforcement	(3.7)
Fees - Transportation & Highways	(2.5)
Misc. Sales income	(1.6)
Fees - Other External	(1.3)
Income - Miscellaneous	(1.3)
Fees - Housing	(1.1)
Revenues and Benefits	(1.0)
Fees - Facilities & Property Services	(0.9)
Fees - Register Office	(0.9)
Godiva Festival Income	(0.7)
Outdoor Education Centre income (non schools)	(0.6)
Outdoor Education Service – In City Offer	(0.5)
Fees - Fleet Services	(0.5)
Fees - Leisure Activities	(0.4)
Fees - Streetpride & Parks	(0.4)
Fees - Pest Control & Animal Welfare	(0.4)
Fees - Training	(0.4)
Commercialisation - Sponsorship Activities	(0.3)
Procurement Rebates	(0.3)
Fees - Land Search	(0.3)
Fees - Adult Education	(0.2)
Fees - Environmental Services	(0.2)
Fees - Legal	(0.1)
Fees - Post	(0.1)
Fees - Libraries, Advice, Health & Information Services	(0.1)
Fees - Building Sustainable Communities	(0.1)
Licensing - Commercial	(0.1)
Fees - Major Projects Development & Transformation	(0.1)
Salary Deductions	(0.1)
Total	(75.9)

Excludes rents and dividends and £12.3m derived from Business Rates and Council Tax Collection Fund surpluses.

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APPENDIX 2

Coventry City Council

Public report
Cabinet

Cabinet	11th July 2023
Council	18th July 2023
Audit and Procurement Committee	24th July 2023

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

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

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2022/23

Is this a key decision?
Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position

Executive Summary:

This report outlines the final revenue and capital outturn position for 2022/23 and reviews treasury management activity and 2022/23 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- An overspend of **£6.7m**, balanced by a contribution from legacy COVID reserves.
- Capital Programme expenditure of **£146.9m**
- A reduction in the level of available Council revenue reserves from £140m to **£123m**

Further detail includes:
- An overspend of £9.4m within Streetscene and Regulatory Services includes the combined impact of the refuse drivers' strike, strike mitigation costs and the loss of commercial refuse service income as a result of the strike.
- An overspend of £4.1m within Childrens' Services reflecting high placement costs and social worker recruitment and retention pressures.
- An overspend of £2.7m in Adults' Social Care reflecting an increased number of high-cost complex cases.
- An overspend of £2.7m on Business & Investment Culture which represents significant energy inflationary pressure, as well as running costs and business rates for the Collection Centre in advance of construction start dates.

- A net underspend of £13.5m within central budgets including lower superannuation costs, interest income from loans and higher than budgeted investment income, and a surplus from the Coventry and Warwickshire Business Rates Pool.

The underlying revenue position has improved by £1.8m since Quarter 3 when an overspend of £8.5m was forecast. In particular the improved position relates to improvements within Contingency and Central budgets which are set out in the report.

The prudent management of the Councils financial position throughout the Covid crisis enabled the Council to retain some resources to manage any legacy issues. £6.7m of this has been used to balance the position at the end of 2022/23. Although the Covid crisis is no longer a significant threat to the Councils service delivery and financial position, the cost-of-living crisis and growing levels of inflation have had tangible impacts on demand for both Childrens and Adults services. The complexity of need, support required and sufficiency of the external market to provide for this has directly impacted the Councils financial outturn reported up to 31st March 2023 and will be an ongoing financial challenge in 2023/24.

Recommendations:

Cabinet is recommended to approve:

1. The final balanced revenue outturn position after a contribution of £6.7m from reserves.
2. The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £146.9m against a final budget of £160.9m; £14m expenditure rescheduled into 2023/24.
3. The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Cabinet is requested to recommend that Council: -

4. Approves the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report

Council is recommended

5. Approve the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.

Audit and Procurement Committee is recommended to:

1. Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

Appendix 1	Detailed breakdown of Directorate Revenue Variations
Appendix 2	Capital Programme Changes and Analysis of Rescheduling
Appendix 3	Prudential Indicators

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee 24th July 2023

Will this report go to Council?

Yes – 18th July 2023

Report title: Revenue and Capital Outturn 2022/23

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position for 2022/23 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £237.4m and has a revised Capital Programme of £160.9m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position for each division and the required contribution from reserves to achieve a balanced position for the Council.

Table 1 Summary Outturn Position

Quarter 3 Forecast Variance		Revised Budget	Final Outturn	**Outturn Variance** Overspend/ (underspend)	Movement from Q3 worse/ (better)
£m		£m	£m	£m	£m
(0.7)	Adult Services & Housing	99.6	102.3	**2.7**	3.4
2.1	Business, Investment & Culture	5.7	8.3	**2.7**	0.6
4.0	Children & Young People's Services	84.9	89.0	**4.1**	0.1
(9.7)	Contingency & Central Budgets	(22.5)	(36.0)	**(13.5)**	(3.8)
0.0	Education & Skills	19.8	19.5	**(0.4)**	(0.4)
1.8	Finance & Corporate Services	6.9	7.6	**0.8**	(1.0)
(0.5)	Human Resources	1.9	0.9	**(1.0)**	(0.5)
0.8	Legal & Governance Services	4.8	5.5	**0.7**	(0.1)
0.0	People Directorate Management	1.2	1.1	**0.0**	0.0
1.0	Project Management & Property Services	(7.1)	(6.0)	**1.1**	0.1
(0.5)	Public Health	2.2	0.7	**(1.6)**	(1.1)
8.5	Streetscene & Regulatory Services	31.6	41.0	**9.4**	0.9
1.6	Transport & Highways	8.3	10.0	**1.7**	0.1
8.5	**SUBTOTAL**	**237.3**	**243.9**	**6.7**	**(1.8)**
-	Contribution from reserves	-	-	**(6.7)**	(6.7)
8.5	**TOTAL**	**237.3**	**243.9**	**0.0**	**(8.5)**

The quarter 3 position reflected an overspend of £8.5m with the key variations between quarter 3 and Outturn occurring within Contingency and Central Budgets which improved by £3.8m and Adults Services worsening by £3.4m. The reasons for these variations are included in the explanations of overall budgetary variations below.

Explanation of Variations

Movement from Quarter 3

The most significant unfavourable movement since Quarter 3 has been within **Adult Services & Housing** which has worsened by £3.4m. This was driven by a larger than normal number of high complex social care cases being transferred retrospectively from Health to Adult Services which was further exacerbated by a revision to one element of the income forecast.

Other significant unfavourable movements have occurred in both **Streetscene** and **Business Investment & Culture,** primarily relating to less income from commercial waste customers than forecast as a legacy impact of the driver strike, together with a higher cost of maintaining interim arrangements for domestic waste collections, and less planning application income reflecting a worse trend in the development industry than had been expected.

A £3.8m favourable movement in **Corporate and Contingency** budgets incorporates an improved Asset Management Revenue Account position (£1.1m), a windfall distribution of Business Rates Levy Account Surplus by the Government (£0.7m), service commercial income in excess of budget (£0.5m), reserves not required for their original purpose contributed to the bottom line (£0.5m), increased Business Rates Pool income (£0.4m) and lower superannuation costs (£0.2m).

Most other remaining services have improved or maintained their quarter 3 position.

Final Outturn Position

Contingency and Central (£13.5m Underspend)

The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £6.0m in the Asset Management Revenue Account (AMRA) and £7.5m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. 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 by other contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).

Council Services (£20.2m Overspend)

Adult Social Care & Housing

The £2.7m overspend in Adult Social Care is multi-faceted. There has been an increasing number of high-cost complex cases although this has been partially mitigated by reductions in some lower complexity cases. However, a larger than normal number of cases has been transferred retrospectively from Health to Adult Social Care in the final quarter causing a worsened financial position.

Children and Young People

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4.1m overspend, £1.9m is caused by the insufficiency of the children's external placement market to meet demand, which is impacting on the average unit cost of those placements. There are also still significant concerns regarding staffing, accounting for a further £2.2m 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.

Streetscene & Regulatory Services

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 (Tom White Waste) have been incurred. This together with lost contractual income within the commercial service and planning development income pressures have resulted in a net combined pressure of c£9.4m. 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.

Inflation and Other

Within Property, Transport and Highways, and Business Investment & Culture, significant inflation pressures have been reported for operational properties and street lighting energy totalling £2.4m, 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 £1.2m, the vast majority of which relates to business rates which will ultimately credit the fund.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2022/23 is £123m compared with £140m at the end of 2021/22. Resources set aside to support the Better Care Fund (delivered jointly with the health sector), Homes for Ukraine and to support capital projects have increased. These increases have been more than offset by use of resources to balance the year-end position (Covid funding) and the 2023/24 Budget (Business Rates reserve), and to deliver corporate projects such as the Very Light Rail scheme and City Readiness for the City of Culture and Commonwealth Games.

2.2.2 Balances generated from capital receipts and capital grants to fund future capital projects have increased from £37m to £40m and reserve balances belonging to or earmarked to support schools have increased from £31m to £33m. The total reserve movement in 2022/23 is summarised in the table below.

Table 3 Summary of Reserve Movements in 2022/23

	1st Apr 2022 £000	(Increase)/ Decrease £000	31st Mar 2023 £000
Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(28,287)	(2,961)	(31,248)

Private Finance Initiatives	(9,626)	1,518	(8,109)
Early Retirement and Voluntary Redundancy	(9,323)	2,082	(7,242)
Management of Capital	(3,410)	(2,913)	(6,324)
Innovation and Development Fund	(5,499)	431	(5,068)
Reset and Recovery	(5,467)	0	(5,467)
Covid 19 Funding	(10,981)	6,721	(4,260)
Air Quality Early Measures	(4,232)	312	(3,920)
Public Health	(2,469)	(1,280)	(3,749)
Potential Loss of Business Rates Income	(7,735)	4,302	(3,433)
Corporate Priorities (2020/21 Outturn Underspend)	(8,698)	5,705	(2,993)
Commercial Developments	(3,348)	666	(2,682)
Homes for Ukraine	0	(2,530)	(2,530)
Friargate Lifecycle	(1,594)	0	(1,594)
City of Culture & Commonwealth Games Legacy	(3,983)	2,582	(1,401)
Adult Education Income	(1,086)	(5)	(1,091)
Insurance Fund	(1,497)	433	(1,064)
Corporate Property Management	(1,369)	550	(819)
Children's Social Care Family Valued Programme	(1,229)	585	(644)
Other Directorate	(14,538)	(613)	(15,151)
Other Corporate	(5,843)	2,383	(3,460)
Total Council Revenue Reserves	**(140,493)**	**17,967**	**(122,527)**
Extra-Ordinary Item - Covid Business Rates Relief	**(18,635)**	**18,635**	**0**
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(31,187)	(3,292)	(34,479)
Capital Grant Unapplied Account	(5,469)	(276)	(5,745)
Total Council Capital Reserves	**(36,656)**	**(3,567)**	**(40,224)**
<u>School Reserves</u>			
Schools (specific to individual schools)	(25,065)	2,108	(22,956)
Schools (related to expenditure retained centrally)	(5,927)	(4,310)	(10,237)
Total Schools Reserves	**(30,991)**	**(2,202)**	**(33,193)**
Total Reserves	**(226,776)**	**30,833**	**(195,943)**

2.2.3 It should be noted that the Council’s reserve balances included an extra-ordinary balance of £19m at the end of 2021/22. Government Covid Business Rates reliefs announced previously had the effect of reducing the amount of Business Rates payable in 2021/22 causing a deficit within the Business Rates Collection Fund. Accounting rules meant that the corresponding grant (from Government) could not be applied to the Collection Fund until 2022/23. This grant has been fully used during 2022/23.

2.2.4 Adult Social Care resources represent the largest area of balances. These are overwhelmingly funded through ring-fenced grant and health sector resources for the delivery of jointly managed pooled budget arrangements with Health. In addition to these, the revenue reserve balances include £13m set aside as Funding for the Future approved previously, £8m set aside as part of the Council's three long-term Private Finance Initiative models and £7m set aside to fund costs arising from early retirement and redundancy decisions.

2.2.5 In line with recent practice, analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2023/24 and going forward.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2022/23 is shown in summary below and in greater detail in Appendix 2:

Table 4: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under-spends £m	Total Variance £m
160.9	146.9	(14.0)	(0.0)	(14.0)

The quarter 3 monitoring report to Cabinet on 14th February 2023 approved a revised capital budget of £159.5m for 2022/23. Since then, there has been a net programme increase of c£1.4m giving a final budget for the year of £160.9m. Since February, a total of £14m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2, a summary of key schemes is in the table below.

Table 5: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
City Centre South	(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions (Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure
Friargate (Building 2 and Hotel)	(5.3)	£3.3m of the slippage is related to construction which has slipped from April to July 23, the remainder relates to the public realm works being paid in instalments and the Hotel Loan being deferred to 2023/24
Transportation S106 Programme	(1.2)	There have been a number of S106 funded schemes that have been forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive

		schemes. This has resulted in designs/programmed works slipping into 2023/24
Binley Road Cycleway	(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting	(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Schools Basic Need Programme	3.0	Spend against forecasts works have progressed quicker than expected on secondary expansion. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway	(1.9)	The Albany Theatre Project is progressing well but has been subject to c£1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works.
Other	(2.6)	Smaller schemes
TOTAL	**(14.0)**	

2.3.2 The 2022/23 programme continued to maintain a significant investment in the city's transport and public infrastructure, including schemes demonstrating an increasing engagement with environmental initiatives and a range of other projects showing the Council's desire to make Coventry an attractive place to live, work and do business:

- £35.4m has been spent on transport and highways infrastructure across a range of both major and minor schemes. These included works to deliver the A46 Stoneleigh Junction due for completion in Summer 2023, further research and development investment in Very Light Rail, the overbridge installation on the A45 Eastern Green to unlock development land and schemes to improve and maintain the city's highways via the City Region Sustainable Transport Settlement (CRSTS) for Highways Maintenance and our Local Network Improvement Plan.

- A further £5.0m has been spent on City Centre South, this has predominantly been on the acquisition of land and promoting the CPO Process.

- Further programme spend of £27.2m has been made in 2022/23 on the completion of Friargate Building 2 and commencement of the hotel within Friargate Business District. The new hotel facilities are due to complete in October.

- Air quality and Binley Cycleway works amounting to c£15.3m have continued with the majority of the works completed by summer 2023.

- There have been works totalling £21.3m across the school's property estate as part of the One Coventry Strategic Plan. There is an increasing focus now on providing additional capacity in secondary schools across the city to meet the growing numbers amongst the secondary intake.

- City of Culture capital programme spend of £3.7m has continued this year on a range of Coventry's cultural capital assets, building a legacy for the city following the City of Culture year.

- External grants have been used to allow c£1.7m across a range of greener travel options including the cycle schemes, clean bus and electric vehicle technology and charging points.

- £5m of grant funding for the investment in Climate Change related project has been invested in 22/23 covering activities around solar, green home grant and decarbonisation project, the investment continues into 2023/24.

- Material Recycling Facility investment this year of £6m, the majority of which is a loan facility to Sherbourne Recycling Limited towards the Council's contribution to the creation of the facility.

- A range of smaller scale but not insignificant schemes have advanced including the purchase of more homes to provide homelessness provision, improved facilities at Lenton's Lane Cemetery and continued investment in Disabled Facilities Grants.

2.3.3 The funding in respect of this capital expenditure of £146.9m is summarised in Table 7 below Approximately 77% of the programme has been resourced from capital grants.

Table 7: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	18.9	18.9	0
Grants and Other Contributions	112.9	133.1	(20.2)
Revenue Contributions	4.6	4.6	0
Capital Receipts	9.7	44.2	(34.5)
Management of Capital Reserve	0.6	6.9	(6.3)
Private Finance Initiative (PFI)	0.2	0.2	0
Total Resourcing	**146.9**	**207.9**	**(61.0)**

2.4 Treasury Management Activity

2.4.1 The key policy to combat inflation still seems to be to raise interest rates. At the beginning of the year the Bank of England interest rate was 0.75% and by the end of the year it was 4.25%. The current market forecasts predict the base rate will continue to rise to 5% if not higher. The UK is not alone in this situation as inflation and rising interest rates is at the forefront of most of the world's economies.

Long Term (Capital) Borrowing

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 twelve 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 2021/22 approved by Cabinet on 23 February 2021 it was agreed the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loan Board (PWLB) for 2022/23 have varied within the following ranges:

Table 8: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2022/23	Maximum in 2022/2023	Average in 2022/23
5-year	2.41	5.63	3.82
20-year	2.75	6.08	4.29
50-year	2.44	5.70	3.98

It has been more cost effective in the short-term to either use internal resources (cash balances) or to use short-term borrowing. By doing so, the Council has reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.

2.4.2 At outturn, the Capital Financing Requirement (CFR), which indicates the Council's underlying need to borrow for capital purposes, has reduced by £0.3m: -

Table 9: 2022/23 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2022	513.3
Borrowing required to finance 2022/23 Capital Programme	18.9
PFI & Finance Leases liabilities	(3.0)
Provision to Repay Debt (Minimum Revenue Provision)	(14.4)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.8)
Reduction of Provision and other restatements	0.0
Capital Financing Requirement at 1st April 2023	**513.0**

Within 2022/23, the movements in long-term borrowing and other liabilities were (stated at nominal value, excluding soft loan adjustments): -

Table 10: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2022 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2023 £m
PWLB	190.4	(5.4)	0	185.0
LOBO's	38.0	0	0	38.0

Stock Issue	12.0	0	0	12.0
West Midlands Combined Authority	18.0	0	0	18.0
Other	0.4	0	0	0.4
subtotal ~ long term borrowing	**258.8**	**(5.4)**	**0**	**253.4**
Other Local Authority Debt	8.4	(1.8)	0	6.6
PFI & Finance Leasing Liabilities	59.9	(3.0)	0	56.9
Total	**327.1**	**(10.2)**	**0.0**	**316.9**

This long-term borrowing is repayable over the following periods: -

Table 11: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	**Long Term Borrowing £m**
Under 12 Months	17.2
1 – 2 years	31.0
2 – 5 years	16.5
5 – 10 years	64.9
Over 10 years	123.7
Total	**253.4**

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals.

Short-Term Borrowing and Investments

2.4.3 The Treasury Management Team acts daily 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. During the year, the Council held short-term investments, as set out in Table 12. The average short-term investment rate in 2022/23 was 2.6%. There was £10m of short-term borrowing in February 2023 to cover a forecasted shortfall in cash at the year-end

Table 12: In House Investments at 31st March 2023

	At 30th June 2022 £m	**At 30th Sept 2022 £m**	**At 31st Dec 2022 £m**	**At 31st Mar 2023 £m**
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	15.0	0.0	0.0	0.0
Money Market Funds	41.85	35.65	56.55	42.96

Corporate Bonds	0.0	0.0	0.0	0.0
HM Treasury	0.0	16.8	0.0	0.0
Total	**56.85**	**52.45**	**56.55**	**42.96**

Pooled Investments

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" are used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out.

In order to manage credit risk these investments are spread across a number of funds as highlighted in the table below:

Table 13: External, Pooled Investments as at 31st March 2023

	Date Invested	Cost £m	Value £m	Annualised Return from Investment %
CCLA LAMIT Property Fund	Nov 2013	12.0	11.82	3.62%
M&G Optimal Income Fund	Aug 2018	1.5	1.34	4.27%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	2.59	3.59%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.69	4.78%
Ninety One (Investec) Diversified Income Fund	Aug 2018	4.5	3.99	4.01%
Schroder Income Maximiser	Aug 2018	4.5	3.59	6.96%
Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.36	3.26%
Total		**30.0**	**27.38**	**4.20%**

Credit risk remains central to local authority investment management and the Council's risk is managed in line with the Treasury Management Strategy, approved by Cabinet as part of the budget setting report at the meeting of 21 February 2023. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose.

Pooled funds provided an income return of £1.3m over the year although as at 31st March 2023 the accumulated deficit on their capital value was £2.62m (£0.92m surplus at the end of 2021/22). All seven funds show a deficit in capital value which is reflective of the current property and financial markets. There remains an expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. These investments will continue to be monitored closely.

Summary Prudential Indicators

2.4.4 The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable, and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with explanatory notes and the relevant figures are included in **Appendix 3.** This highlights that the 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 31st March 2023 the value is -£79.4m (minus) compared to +£94.9m within the Treasury Management Strategy, reflecting the fact that the Council has more significantly 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 31st March 2023 the value is £328.0m 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.

Commercial Investment Strategy

2.4.5 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.

In order to manage risk, the Council has limits for investing in shares and service loans, with total limit of £146m in 2022/23.

As at the end of 2022/23, the council had cumulatively invested £106.3m in shares and service loans with this rising to £134.6m when commitments to make potential payments of £28.3m are taken into account.

	As at 31st March 2023				
	Limit	Actual	Committed	Total	Variation
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	(2.9)

Loans	91.0	54.2	28.3	82.5	(8.5)
	146.0	**106.3**	**28.3**	**134.6**	**(11.4)**

The total of £134.6m is within the limit of £146m set for the 2022/23.

The Council's investment in commercial assets is proportionate:

- with commercial income totalling approximately £22.8m in 2022/23 (£23.4m in 2021/22) equivalent to c3.6% of the Council's budgeted net service expenditure of £640.1m in 2022/23.
- With commercial assets valued at £452m (25% of the Councils total asset base of c£1,779m). This is not the amount invested by the Council, for example through past capital programmes, as it includes revaluations over time. In addition, many assets classified by the Council as commercial have significant service dimensions, including economic development aspects, thereby contributing more broadly to the provision of services.
- with a Capital Financing Requirement of £513m representing the Council's underlying need to borrow, at 29% of the Council's total asset base.

3. Results of consultation undertaken
None.

4. Timetable for implementing this decision
There is no implementation timetable as this is a financial monitoring report.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Director of Law and Governance

5.1 Financial implications

The final revenue outturn picture for 2022/23 is balanced only after a year-end contribution of £6.7m from legacy COVID reserve balances. The need to draw down from reserves to balance the budget in-year reflects a serious position for the Council although this has improved from the £8.5m revenue overspend forecast at Quarter 3.

External factors, in particular inflationary pressures, contribute largely to the position presented and will have an impact on the Council beyond 2022/23. 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 also managed local time-limited pressures in the year.

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 represented a cost of c£16m, exceeded the budgetary provision available by c£8m. The pay costs reflected the agreed local government pay award. 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. The Council's 2023/24 Budget anticipates further high levels of inflation although early signs are that a continuing high inflation environment will continue to put renewed pressure on the 2023/24 budgetary position.

Despite further increases to Children's Services' budgets for 2022/23, the demand and overall cases in Childrens Services continued to rise in the city leading to high agency social worker levels as well as the sufficiency issues in the external placement market driving costs up disproportionately against already high inflation. The refuse drivers' dispute led to costs being incurred well into the second quarter of the year. A wide range of other challenges are reported in Appendix 1 which, together with the issues reported above, reflect the 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 growing demand on statutory intervention from Children's Services, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts.

Although the Council has faced its most challenging in-year budgetary position for some years, the overall level of overspend has reduced somewhat towards the year end. The Council has taken steps previously to maintain a strong balance sheet position, including robust reserve balances, which have enabled it to manage the adverse budget variations encountered. It will be vital for the Council to continue to ensure that it maintains a prudent approach going forward.

The underlying position for future years continues to be very challenging and the Council needs to identify how it will be able to manage its medium-term financial position which is likely to come under severe pressure without further support from Government. The Council's strong financial planning approach has taken account of the risk of volatility across a range of budgets such as those in Children's Services, Adult Services, and inflationary pressures. In 2022/23, the level of demand and the increase in costs for this area have continued to exceed the Council's budgetary provision. Further funding has been provided by the Council as part of its 2023/24 budget although it remains to be seen whether this will be sufficient, especially given the economic and social realties currently being experienced across the country.

Several areas within corporate budgets including dividends, investment interest, superannuation and the Coventry and Warwickshire Business Rates Pool yield can be subject to volatility and were budgeted for on a prudent basis in 2022/23. The outturn position on these items was favourable against the range of reasonable expected outcomes and this has enabled the Council to partly absorb overspent budgets elsewhere within the bottom line and minimise the overall overspend. Several of these favourable financial outturns have occurred in areas that have been subject to affirmative Council decisions in recent years such as dividends and investment income.

The local government sector has witnessed risks materialise in the form of some high-profile financial failures often linked to ambitious local plans with scope to deliver financial returns. The Council is itself involved in a range of commercial ventures, company structures and external loan financing arrangements and is committed to ensuring that it maintains a high degree of self-awareness of its position. High standards of due diligence, good governance and monitoring arrangements and the maintenance of a broad mix of activities to guard against a concentration of risk are all vital factors to protect the Council's financial position. The Council continues to be bold with its aspirations for the city and maintains a measured appetite for risk to achieve this. It is important for the Council to maintain contingency balances to protect against the risk of financial failure in one or more key areas.

With the exception of the Council's General Fund balance all reserves have been set aside to deliver specific projects or risks. Given the size of the Council's ambitions defined by its Capital Programme, its transformation programme and its financial involvements that extend beyond traditional local authority service provision it is entirely appropriate for the Council to support this in the form of balances to pump prime such areas and provide some financial risk mitigation. Nevertheless, the Council remains firmly within a 'mid-table' position with the most recent CIPFA Resilience Index in relation to the level of its reserve balances. This has enabled the Council to place itself in a strong financial position as well as providing the best basis for the Council to improve services for residents and invest in the city and its communities.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. Although the Programme has, not surprisingly, dipped below the very high levels experienced previously it is nevertheless still high in a historical context and has been 77% funded from external grant. The programme's coverage of projects affecting the city centre skyline, enhancing transport infrastructure, improving the profile of the city, and providing support to local economic development, a range of projects dealing with the issues of Air Quality and helping to deliver the Council's climate change agenda.

Although the Council has undertaken some borrowing in-year this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget.

A report to the Council's Finance and Corporate Services Scrutiny Board 1 (29th March 2023) provided a detailed update on the background to the Council's decision to make a £1m loan to the Coventry City of Culture Trust during 2022/23. The Trust entered into administration during the year leaving the loan unpaid and also owing the Council c£0.6m for other services provided during the City of Culture programme. The Council has made it clear that it does not expect the large majority of this overall debt to be settled and a decision has been taken to write the whole sum off within the Council's accounts. This does not preclude the Council from seeking repayment from any resources available within the administration process although this is not considered a likely prospect. The debt write-off has been funded from c£1m set aside previously to fund legacy City of Culture activity and c£0.6m of City Readiness money approved previously to support initiatives and preparations aligned to the city's hosting of the City of Culture year and legacy programmes. This has enabled the debt to be written off without creating further budgetary pressure within the Council's revenue position.

5.2 Legal implications

The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

This report provides an account of the overall financial performance of the Council compared with its original Budget. The Council also monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry Plan.

6.2 How is risk being managed?

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

6.3 **What is the impact on the organisation?**
The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be important in the light of the current inflationary risks and the continued uncertainty with regard to the level of funding available to local government.

6.4 **Equalities / EIA**
No specific impact.

6.5 **Implications for (or impact on) Climate Change and the Environment**
None.

6.6 **Implications for partner organisations?**
None.

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Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

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

	Revised Budget	Actual Spend	Centralised Variance	Budget Holder Variance	Total Over/ (Under) Spend
	£m	£m	£m	£m	£m
Adult Social Care & Housing	99.6	102.3	(1.2)	4.0	**2.7**
Business Investment & Culture	5.7	8.3	0.5	2.1	**2.7**
Children & Young People's Services	84.9	89.0	(1.3)	5.4	**4.1**
Contingency & Central Budgets	(22.5)	(36.0)	0.0	(13.5)	**(13.5)**
Education and Skills	19.8	19.5	(0.9)	0.6	**(0.4)**
Finance & Corporate Services	6.9	7.6	(0.3)	1.1	**0.8**
Human Resources	1.9	0.9	0.0	(1.1)	**(1.0)**
Legal & Governance Services	4.8	5.5	(0.5)	1.2	**0.7**
People Directorate Management	1.2	1.1	(0.1)	0.1	**(0.0)**
Project Management & Property Services	(7.1)	(6.0)	0.2	0.9	**1.1**
Public Health	2.2	0.7	(0.0)	(1.5)	**(1.6)**
Streetscene & Regulatory Services	31.6	41.0	(0.6)	10.0	**9.4**
Transportation & Highways	8.3	10.0	(0.4)	2.1	**1.7**
Total	**237.4**	**244.1**	**(4.6)**	**11.3**	**6.7**

n.b. The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

Centralised Variance Explanation	**£m**
These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services. Turnover has remained consistent across the Council, however areas such as Adults & Childrens Services remain high, due to the national and regional Social Worker retention issues. Some of these vacancies will be covered by agency and overtime to ensure services can be maintained. These costs are included within the service positions described below.	(4.6)
Total Centralised Variance	**(4.6)**

Budget Holder Variance

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Insight	The underspend is due to maximising the utilisation of COMF (Contain Outbreak Management Fund) grant funding	(0.4)
Public Health	Public Health – Inequalities	The underspend is due to maximising the utilisation of Domestic Abuse Safe Accommodation grant funding	(0.2)
Public Health	Public Health - Health Protection	The underspend is due to maximising the utilisation of COMF grant funding	(0.1)
Public Health	Public Health - Health Protection	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.8)
Public Health			**(1.5)**
Education and Skills	Customer and Business Services	The Budget Holder underspend is mainly the result of short-term grant income from the Household Support Fund	(0.1)
Education and Skills	SEND & Specialist Services	The overall SEN Transport variance is predominately attributable to an increase in Out of City placements, coupled with higher value bid awards through the e-auction process and the requirement to expand Post 16 routes in response to a higher number of learners accessing Further Education (FE). Occasionally there has also been a need to commission additional taxis to compensate for unavoidable service disruption.	0.3
Education and Skills	Education Entitlement	A significant proportion of the underspend is as a result of reduced expenditure 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 at the end of last financial year means that where passes are not used charges are not incurred. New passes will be issued for the 2023/24 academic year and the position will continue to be monitored. There was also an underspend on the interpreter service as a result of cost review and increased efficiencies. Work is underway to ensure this is reflected in the charging model for the 2023/24 financial year.	(0.3)
Education and Skills	Employment & Adult Education	The yearend overall position for Employment is net nil with the majority of Budget Holder "overspend" is reserve contribution of £0.38m from underspend against centralised salaries due to high level of vacancies. Overspend in non-salary cost is £0.17m with £0.12m of that relates to delivery of extra programme funded by additional income, remaining of £0.05m non-pay overspend is made up of various minor operational spending.	0.4
Education and Skills	Other Variances Less that 100K		0.3
Education and Skills			**0.6**
Children and Young People's Services	Children's Services Management Team	Budgetary pressure in the Social Worker Academy was linked to staffing a second team to increase the amount of Newly Qualified Social Workers that could be recruited into the service. This cost was offset by an underspend on Financial Strategy.	(0.5)
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. The remaining overspend is agency spend for Independent Reviewing Officers', Child Protection	0.3

		Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads	
Children and Young People's Services	Help & Protection	There is an overall budgetary pressure in Help and Protection, which includes the following: £1.6m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff. £0.3m pressure in LAC legal costs linked to ongoing high levels of demand. Development work regarding pre proceedings work is envisaged to reduce this pressure once new procedures are implemented. £0.4m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation. There is an additional £0.1m pressure in NRPF (No recourse to public funds). This is unavoidable due to statutory responsibilities to financially support children and families who reside in Coventry without legal status to access benefits. There are short term savings which are currently offsetting the budget pressures from additional Grants and vacant posts across Early Help.	2.3
Children and Young People's Services	LAC & Care Leavers	There is a £1.9m overspend on looked after children's (LAC) placements. This is mainly linked to increasing unit costs for placements due to a lack of sufficiency in the market to meet the needs of young people in care. There is a further budget pressure of £500k due to staffing challenges within LAC permanency service and the need for agency staff 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 an overspend of £340k and this is as a result of placement arrangements where transport needs to be provided for children to continue in their 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 £132k on Adoption Central England, this relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this. There is a further budgetary pressure of £0.3m 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.	3.3
Children and Young People's Services			**5.4**

Adult Social Care	Strategic Commissioning (Adults)	£0.6m underspend relates to New Homes for Old PFI due to additional client fee income. A further underspend relates to lower than anticipated transport costs to day opportunities.	(0.8)
Adult Social Care	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 partly offset by increases in bad debt provision (£0.5m).	(1.8)
Adult Social Care	Internally Provided Services	Overspends relating to additional hours, agency and overtime costs have been offset by centralised underspends due to staff vacancies.	0.1
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have partly been offset by centralised underspends due to staff vacancies.	0.2
Adult Social Care	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	Community Purchasing Mental Health	Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need.	2.4
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and increased complexity of demand is being seen across all areas alongside increases to package costs driven by high levels of inflation. Activity throughout the year has also increased. In addition, costs relating to Hospital Discharge that were grant funded in the previous year were not funded for the first 6 months of the year. A hospital discharge grant was received covering the latter stage of the year.	3.9
Adult Social Care	Enablement & Therapy Services	Overspends on equipment purchases due to high inflation which have been offset by centralised underspends in salaries due to vacancies.	0.2
Adult Social Care	Housing and Homelessness	The number of households in temporary accommodation has continued to increase, particularly during Jan – April 2023 although the increase was not at the rate forecast. In addition, a further £0.2m homelessness prevention grant has been available by the DLUHC during 2022/23 offsetting the cost of temporary accommodation.	(0.7)
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care			**4.0**
Business Investment & Culture	Sports, Culture, Destination & Bus Relationships	BH overspend of £2m mainly due to £1.22m Cultural services unfunded running costs in respect of the corporate Cultural Gateway project, the majority of which is business rates), £0.46m in respect of the Wave heatline (energy) costs and contribution to lifecycle costs, £0.33m deficit / income not achieved 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.	2.3
Business Investment & Culture	Economic Development service (EDS)	Overspend of £0.15m mainly due to overspend Growth Hub unfunded £0.13m, various other net overspend £0.02m. e.g. MIPIM project deficit.	0.3

Business Investment & Culture			**2.6**
Human Resources	ICT & Digital	The Budget Holder variance comprises the some one-off underspends (reductions of £473K as a result of a negotiated one off reduction in first year cost of the contract; underspends on EA licence consumption charges, Network related hardware and Out of Hours allowances, 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 the on-going shortfall of schools income £189K.	(1.2)
Human Resources	Occupational Health, Safety and Wellbeing Services	Continued successful marketing and careful managing of staffing resources has resulted in higher income from external contracts. This continues to support the budget for the Council's core internal service. In 2023/24 most of this additional income will be required to fund continuation of temporary posts.	(0.1)
Human Resources	Other Variances Less that 100K		0.2
Human Resources			**(1.1)**
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 and by one-off new burdens grant funding for COVID business support and energy rebate administration.	0.8
Finance & Corporate Services	Financial Mgt	The pressure is a result of a significant increase in the number of individuals applying for welfare support from the Household Support Fund resulting in expenditure exceeding the grant allocation for the Oct-22 to Mar-23 period. This is offset by several small cost reductions across the service.	0.4
Finance & Corporate Services	Other Variances Less that 100K		(0.2)
Finance & Corporate Services			**1.0**
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.	1.1
Legal & Governance Services	Procurement	There was an improved income performance from the early payment scheme in 2022-23 (partially one-off).	(0.1)
Legal & Governance Services	Other Variances Less that 100K		0.1

Legal & Governance Services			**1.2**
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	1.1
Transportation & Highways	Highways	An under recovery of income for highways (DLO) operational staff (£0.4m) due to sickness, vacancies, and strike action, together with the delayed achievement of some MTFS savings targets (£0.2m) and greater than anticipated reactive repairs costs (£0.1m).	0.7
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways	Transport Policy	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.	0.2
Transportation & Highways			**2.1**
Streetscene & Regulatory Services	Planning Services	As a result of the downturn in the economy, income has been much lower than expected. This reflects a national trend.	0.8
Streetscene & Regulatory Services	Streetpride & Parks	Income targets are not being achieved (Funeral Services £160k, WMP Car Park £64k, Coombe Play £100k and Activities/Concessions across all parks £90k). Vacancies are being held across Streetpride pending the outcome of the review, so posts are being covered by agency/overtime c£100k. There are also Fleet pressures £200k and costs associated with Traveller Incursions of £193k	0.9
Streetscene & Regulatory Services	Waste & Fleet Services	Domestic Waste has overspent by c£7.1m which is predominantly due to mitigating action taken to maintain a waste collection service both during and after the HGV driver strike including the use of an alternative operator, temporary staff and vehicle hire. Additionally, Commercial Waste have overspent by £1.3m as a direct consequence of the dispute. These pressures are slightly offset by a reduction in Waste Disposal costs of (£650k) There were also pressures in Passenger Transport Service of £230k as a result of the higher than expected pay award (not passed on to internal customers) & additional staff required to cover high sickness levels.	8.0
Streetscene & Regulatory Services	Environmental Services	This variation is predominantly due to reduced income as a result of the number of vacancies across the area affecting the opportunity to generate new business, particularly Pest Control.	0.2
Streetscene & Regulatory Services	Other Variances Less that 100K		0.1
Streetscene & Regulatory Services			**10.0**
Project Management and Property Services	Commercial Property and Development	(0.1m) underspend in CPM is mainly due to: (£0.26m) landfill site provision released, which is offsetting Property Development overspend of £0.1m and Major City development £0.07m mainly on professional costs.	(0.1)

Project Management and Property Services	Facilities & Property Services	This pressure of £1.3m 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 around (£0.17m) in the R&M function.	1.3
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			**(0.9)**
Contingency & Central Budgets	Corporate Finance	The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £5.8m in the Asset Management Revenue Account (AMRA) and £7.2m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. 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 by other inflation contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).	(13.5)
Total Budget Holder Forecast Variances -Contingency & Central Budgets			**11.5**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING) / ACCELERATED SPEND £m	EXPLANATION
Coventry South and North Package - WMCA Investment Programme		(0.5)	Spend on the M6 J3 design has been deferred to 2023/24 following National Highways funding being secured in 2022/23 to undertake an initial Options Appraisal. A46 Link Road spend was re-profiled to align the next phase of Options Appraisal with the programme for the South Warwickshire Local Plan Review.
City Centre South		(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions (Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure.
Friargate (Building 2 and Hotel)		(5.3)	It was anticipated that Two Friargate would complete at the end of April 2023, however, the anticipated completion date has moved to July 2023. This change is caused by delays to the provision of utilities (power) on site and resultant impacts on the final commissioning works for the building. As a result, a larger element of spend has slipped into 2023/24.
Transportation Key Route Network (KRN)		(0.4)	The remainder of this work is scheduled for Quarter 1 2023/24.
Transportation S106 Programme		(1.2)	There have been a number of S106 funded schemes that have been either forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive schemes. This has resulted in designs/programmed works to slip into next financial year. However, the strategic approach to the S106 programme has allowed a successful bid for additional funding, i.e. Sustrans £1.4m grant award to deliver Lynchgate but has also secured additional development packages in areas such as Keresley that will bring forward additional S106 contributions and greater housing numbers.
Active Travel Neighbourhood - Earlsdon & Lower Coundon		(0.9)	Engagement work has commenced for the Earlsdon scheme, but implementation has been deferred to 2023/24 to allow time for full consideration of consultation feedback. The Lower Coundon scheme has not yet commenced engagement due to a need to co-ordinate this with the change control request for the Local Air Quality Action Plan.
CRSTS Foleshill Transport Package		0.3	The delivery of cycle works at Junction 9 of the Ring Road were more than initially estimated due to the impact of inflation on construction prices. This cost

			pressure will be managed within the overall funding envelope.
Housing Infrastructure Fund - Eastern Green		0.9	The £15.6m Homes England grant has now been fully drawn down and passported to the contractor. As part of Homes England conditions, it was a requirement that CCC is the accountable body for scheme delivery. Therefore, the remainder of the scheme value will be included within CCC accounts. Invoices will be raised to receive income from the land developer prior to passporting this over to the contractor, this ensures CCC avoid exposure to any financial risk.
Binley Road Cycleway		(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting		(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Growing Places		(0.4)	The Duplex Investment Fund had a lower than expected take up of grants due to economic uncertainty in 2022/23. There is a growing pipeline of businesses who are interested in Duplex Fund and further drawdown of Capital Funds is expected in 2023/24.
Vehicle and Plant Replacement	0.4		The change to the programme was due to a group of minibuses that were due on order in April, arrived unexpectedly in late March 2023.
Schools Basic Need Programme		3.0	Spend against forecast works have progressed quicker than expected on secondary expansion. Some of this is due to rescheduling last year and needing to mitigate against this on programmes. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts.
Housing Venture		(0.3)	Problems with obtaining Planning Permission have stopped the majority of the projects being carried out this year.
Whitley Depot		(0.3)	Delay in commencement of demolition works due to relocation of ICT connectivity equipment and commissioning.
Disabled Facilities Grant		0.7	Accelerated spend arising from better than expected progress since Q3 in completing DFG adaptations relating to ramps, lifts and minor adaptations.
Green Homes Grant		(0.4)	Planned to spend all the grant funding by the end March in line with the grant conditions. However, BEIS subsequently extended the schemes beyond March so HUG1 is due for complete by end of this month and LAD3 is due for completion by end Sep 2023.
Tom White Waste Commercial Loan	0.5		Approved at Cabinet on 11th October 2022 this is facility A loan for material Recycling Facility, towards TWW business growth. It forms part of a £22.7m agreement.

Battery Plant & Equipment		(0.7)	Remaining funding for UKBIC project retained due to outstanding negotiations with one of the project's major contractors. It is likely that a settlement payment will be required in order to close down the contract and avoid adjudication, as well as funding for associated legal and technical advice required to resolve the matter.
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway		(1.9)	The Albany Project is progressing well but has been subject some to £1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. This has meant that the team have had to redesign the drainage system to accommodate these and are working on the fit-out programme to mitigate delays to programme. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works, particularly to floors 5&6.
Cycle to Rail		(0.4)	Design work has been undertaken and implementation is being co-ordinated with the adjoining Liveable Neighbourhoods project. Works will be completed in 2023/24.
Interest Capitalisation	0.2		This is in respect to the accounting policy referring to the prudential borrowing costs associated with the new Collection Centre scheme. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Individual schemes less than £250k threshold	0.3	(0.2)	Individual schemes less than £250k threshold
TOTAL CHANGES	**1.4**	**(14.0)**	

Appendix 3

	Summary Prudential Indicators	Per Treasury Management Strategy	Actual
	Feb 22 Cabinet Report Appx 6a	22/23	22/23
	Other Sources	£000's	£000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	35,814	33,313
	(b) General Fund net revenue stream	237,379	237,379
	General Fund Percentage	15.09%	14.03%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	366,048	328,429
	Capital Financing Requirement (forecast end of 23/24)	518,023	513,024
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	366,048	328,429
	less investments	-55,000	-79,837
	less transferred debt reimbursed by others	-8,497	-6,666
	Net Debt	302,551	241,926
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	145,143	146,856
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	518,023	513,024
	Capital Financing Requirement excluding transferred debt	529,540	506,358
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	474,362	474,362
	+ authorised limit for other long term liabilities	63,662	63,662
	= authorised limit for debt	538,023	538,023
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	454,362	454,362
	+ Operational boundary for other long term liabilities	63,662	63,662
	= Operational boundary for external debt	518,023	518,023
7	**Actual external debt**		
	actual borrowing at 31 March 2023		264,777
	+ PFI & Finance Leasing liabilities at 31 March 2023		56,986
	+ transferred debt liabilities at 31 March 2023		6,666
	= actual gross external debt at 31 March 2023		328,429
8	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	474,362	328,029
	Variable Rate		
	Upper Limit for Variable Rate Exposures	94,872	-79,437
9	**Maturity structure of borrowing - limits**	**Upper Limit**	
	under 12 months	50%	11%
	12 months to within 24 months	20%	12%
	24 months to within 5 years	30%	7%
	5 years to within 10 years	30%	24%
	10 years & above	100%	46%
10	**Investments longer than 364 days: upper limit**	30,000	0

Prudential Indicators

The CIPFA Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will ‘have regard’ when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

The Prudential Indicators required by the CIPFA Code are designed to support and record local decision making and not as comparative performance indicators.

There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

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.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the next three financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. it is borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council’s future capital expenditure levels, and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) are assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council’s underlying need to borrow for capital purposes.

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.

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.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the CIPFA Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted the CIPFA's *Treasury Management in the Public Services: Code of Practice.*

Interest Rate Exposures for Borrowing (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.

Maturity Structure of Borrowing – 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.

Investments Longer than 364 days: Upper Limit (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.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.

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Coventry City Council

Public report
Cabinet

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet	29th August 2023
Council	5th September 2023

Name of Cabinet Member:
Cabinet Member for Jobs, Regeneration and Climate Change

Directors approving submission of the report:
Director of Business, Investment, and Culture
Director of Transport, Highways, and Sustainability

Ward(s) affected:
All

Title: Coventry Strategic Energy Partnership

Is this a key decision?
Yes - it has the potential to significantly affect residents or businesses in all wards of the City

Executive summary:

‘Tackling the causes and consequences of Climate Change’ is one of the Council’s top three priorities for the city in the One Coventry Plan. The Council’s Draft Climate Change Strategy and accompanying Net Zero Routemap, published earlier this year, sets out an ambitious vision for the city’s journey to net zero to create a more sustainable and prosperous future for local people. To achieve this, major long-term planning and investment is required to decarbonise our city through a wide range of environmental and social projects.

The Council has a critical role to play as a leader, asset owner and source of local knowledge, but doesn’t have sufficient capital, resource, or expertise to deliver net zero in isolation. Therefore, an industry Strategic Energy Partner (SEP) is to be procured to work with the Council to initiate, develop and deliver an extensive programme of projects that will generate significant environmental, social, and economic benefits to the city and help deliver our net zero goal.

Partnering with a world class private industry partner to deliver on our net zero goals will deliver huge benefits for the city's communities and businesses. The partnership will bring up to £2 billion investment to Coventry, helping to create local jobs, tackle the green skills gap through working with the local supply chain, businesses and educational institutions and deliver projects that will generate and supply energy, tackle fuel poverty, deliver energy security, create cleaner air and promote health and well-being.

The fifteen-year strategic partnership will see the Council working with the industry partner to initiate, develop and deliver innovative strategies, business models and plans that will drive the city towards net zero. By having a single strategic partner, projects and initiatives can be considered on a longer term, holistic basis such that the Council and its partner achieves a truly joined up approach to energy management and decarbonisation across the city. The use of five-year strategic plans complemented by annual specific action and budget business plans will ensure alignment and pace of decarbonisation progress.

The strategic partner is expected to have both internal resources and access to capital investment, but also the experience and capabilities to leverage third party funding to support projects. The successful strategic energy partner will be obligated to develop five anchor projects and progress the development of at least three further decarbonisation projects each year for the fifteen years.

Procurement is due to conclude in August 2023 with contracts entered in September 2023. Coventry will be only the second city in the UK to secure a SEP (behind Bristol which has a very different model) and the opportunities it will offer are significant, with up to £2billion investment and delivery of key anchor projects such as a 30MW solar farm, solar into schools, decarbonisation of our fleet, depots and estate and provision of energy security across the city to make the city more resilient. This ambitious partnership will further cement Coventry's aspirations to lead the UK's green industrial revolution.

Creation of social value is a key aspect of the partnership – demonstrating best practice within projects, and also broadening the scope of social value beyond the partnership is a critical success factor. The partnership is designed and contracted to incentivise such positive outcomes in our community with allocation of both resource and funding from the partners and the Council.

To facilitate the SEP, the Council are required to provide 2.5 FTEs to manage the SEP for the duration of the partnership. The 2.5 FTEs will be funded from existing budgets and resources. The SEP team will be co-located with the industry partner, with a requirement for the Council to provide 4 desks within Council officers for the team.

Recommendations to Cabinet:

Cabinet is recommended to:

1) Authorise the award of the Strategic Energy Partner contract to the Preferred Bidder (as detailed in the corresponding Private Report) for the delivery of the Strategic Energy Partner Project.

2) Delegate authority to the Director of Business, Investment, and Culture and the Director of Transport, Highways, and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer), the Chief Legal Officer, Cabinet Member for Jobs, Regeneration, and Climate Change and Cabinet Member for Strategic Finance and Resources, to undertake the necessary due diligence, finalise and complete the process of entering into the contract with the Preferred Bidder.

3) Note the role of the Coventry Shareholder Committee in the governance arrangement associated with the delivery of the Strategic Energy Partner project as set out in paragraph 1.8 of this report.

Cabinet is requested to recommend that Council:

1) Receive and note the decisions of Cabinet as outlined in recommendations 1) to 3) above.

Council is recommended to receive and note the decisions of Cabinet to:

1) Award of the Strategic Energy Partner contract to the Preferred Bidder (as detailed in the corresponding Private Report) for the delivery of the Strategic Energy Partner Project.

2) Delegate authority to the Director of Business, Investment, and Culture and the Director of Transport, Highways, and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer), the Chief Legal Officer, Cabinet Member for Jobs, Regeneration and Climate Change and Cabinet Member for Strategic Finance and Resources, to undertake the necessary due diligence, finalise and complete the process of entering into the contract with the Preferred Bidder.

3) Note the role of the Coventry Shareholder Committee in the governance arrangement associated with the delivery of the Strategic Energy Partner project as set out in paragraph 1.8 of this report.

List of Appendices included:

None

Background papers:

None

Other useful documents

One Coventry Plan 2022-2030
Draft Climate Change Strategy 2023
Coventry Net Zero Routemap 2023
Economic Development Strategy
Social Value Action Plan

Has it or will it be considered by Scrutiny?

Yes

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 - 5th September 2023

Report title: Coventry Strategic Energy Partnership

1. Context (or background)

1.1. The Council has recognised the importance and critical role that local authorities play in tackling the causes and consequences of climate change and reaching net zero, which is a One Coventry priority. The Council's draft Climate Change Strategy and accompanying Zero Carbon Routemap sets out the scale of the challenge and the Council's vision to deliver a low carbon economy and sustainable city for the future.

1.2. The draft Climate Change Strategy has recently been out to consultation and will be updated to reflect feedback before being taken to Cabinet for approval later this year. 80% of respondents to the survey consider climate change to be an important issue and want to see the Council taking action, particularly around the issues of transport and home energy efficiency, which combined are the city's two biggest sources of carbon emissions.

1.3. The Net Zero Routemap for Coventry was produced by consultancy 'Your Climate Strategy', led by Professor Andy Gouldson, a government advisor on climate change and economics. The Routemap established Coventry's baseline position and reviewed over 700 measures to reduce the city's emissions towards net zero. The report estimates that the city's energy bill for 2023 will be £635 million, putting significant pressure on residents, businesses, and public services. Currently over 20% of the population is in fuel poverty. The options considered in the report identified opportunities to reduce the city's energy bill by up to £185 million per year, which would have a significant benefit for residents, businesses and organisations across the city and help tackle fuel poverty.

1.4. To be able to realise the opportunities set out in the Net Zero Routemap, a fundamental change is needed to the way the city delivers on decarbonisation. Current government policy and the piecemeal nature of funding is a barrier to long-term planning and a different approach is needed. One that is holistic and provides the opportunity to produce strategic long-term planning, backed by significant investment in order to drive and deliver transformational change.

1.5. The Council does not have sufficient expertise and access to the required capital to deliver its net zero ambition and as such it is recognised that a strategic long-term partnership with industry is required, enabling a strategic partner can work together with the Council to develop strategies, business models and plans that will drive the city towards net zero and then have the capabilities to deliver these plans.

1.6. The Council is procuring a Strategic Energy Partner (SEP) to work as its long-term partner in a strategic energy partnership, formed through a contractual joint venture commitment. The SEP will work with the Council to identify, define, develop, establish social, environmental, and commercial business cases, and then execute any number of projects that are intended to contribute to the Council's overall strategic purpose of net zero. The strategic partner is expected to have both internal capability, capacity, resources, and access to capital, but also the experience and capabilities to leverage 3rd party funding and supplier capabilities.

1.7. The fifteen-year strategic partnership will see the Council working with the industry partner to initiate, develop and deliver innovative strategies, business models and plans that will drive the city towards net zero. By having a single strategic partner, projects and initiatives can be considered on a longer term, holistic basis, enabling a truly joined up approach to energy management and decarbonisation across the city. The use of five-year strategic plans complemented by one-year specific action and budget business plans will ensure alignment and pace of decarbonisation progress. The Strategic and Business Plans will require approval by the Shareholder Committee as part of the gateway process.

1.8. The use of a five-year Strategic Business Plan complemented by specific actions in an Annual Business Plan plus a social value action plan will ensure alignment and pace of decarbonisation progress. The governance process will ensure these plans receive the required scrutiny and approvals. The Strategic Business Plan and Annual Business Plan would be approved by the Council's Contractual Joint Venture Board and Steering Group (sub-set of Cabinet). Project progress (the gateway process) is also approved by the Contractual Joint Venture Board, provided it meets requirements set out in the approved Annual Business Plan. Any deviation from the Annual Business Plan is to be approved by the Contractual Joint Venture Board and Steering Group (e.g., greater draw on funds than anticipated). Any Council capital investment (equity or loan) requirements would be approved by Cabinet as per corporate governance, which will be required at final business case stage, and factored into the Council's Medium Term Financial Strategy as necessary.

1.9. The Strategic Energy Partner is expected to have both internal resources and access to capital investment, but also the experience and capabilities to leverage third party funding to support projects. The successful strategic energy partner will be obligated to develop five anchor projects, which include:

- 30MW solar farm
- Solar into schools
- Fleet and depot decarbonisation
- Public sector buildings (our own occupied estate) decarbonisation
- Energy security across the city

The benefits of these projects will be significant. The solar farm has the potential to power up to 7650 homes. The Council already piloted solar panels on six schools which has generated an annual saving of £72,000 to energy bills, the SEP provides an opportunity to significantly scale this up. The decarbonisation projects will generate significant carbon, fuel and energy bill savings, whilst strategic energy security planning will benefit the city through providing resilience to service delivery and low carbon back up options.

1.10. In addition, the partner will be obligated to initiate and progress the development of at least three further decarbonisation projects each year for the 15-year partnership duration. These will be presented to Cabinet via the Annual Business Plan.

1.11. It's important to emphasise that the model will not take competition out of the market. The partner will be incentivised to deliver best value throughout the lifetime of the partnership, the governance has been developed to support this with the introduction of a number of gateways that the Council will oversee jointly with the partner. Further competition is undertaken by the partner as required and where projects are being delivered directly benchmarking will be undertaken to demonstrate best value is being delivered.

1.12. Creation of social value is a key aspect of the partnership – demonstrating best practice within projects, and also broadening the scope of social value beyond the partnership is a critical success factor. The partnership is designed and contracted to incentivise such positive outcomes in our community with allocation of both resource and funding from the partners and the Council.

Procurement process undertaken and evaluation

1.13. The procurement process has been designed to enable the Council to identify the right partner but to do so with relative pace, avoiding excessive delays or costs. Thus far the programme has been delivered on time and within budget. The work that the Strategic Partnership will deliver is directly linked to the One Coventry Plan; including tackling the causes and consequences of climate change, delivering economic growth, and tackling inequalities. Given the importance of this work there is a desire to keep moving at pace from both the Council and the bidders currently engaged in the process. The engagement work which took place to design the procurement including learnings from other local authorities, consulting internal colleagues and a soft market test exercise, supports this approach.

1.14. Procurement of the SEP is due to conclude in August 2023 with contracts entered in September 2023. It has attracted a lot of interest and the Council are currently in the final stages of the process, in which three very engaged bidders remain.

1.15. The SEP procurement is already attracting interest from other Local Authorities across the UK, with Coventry being seen as a trailblazer. Bristol is the only other city to procure a Strategic Energy Partner – the Bristol Local Area Energy Partnership. However, Coventry's procurement, commercial and governance model is significantly different from Bristol, which took a number of years procure based on a pre-agreed list of project and outputs. The Coventry model has taken 18 months to procure, and whilst includes anchor projects has maintained a much more flexible approach to delivery to provide opportunity for the programme to be shaped through the partnership.

1.16. Please note the details of the evaluation process and Preferred Bidder are contained within the Private Report.

2. Options considered and recommended proposal

2.1. **Option 1: Do nothing** – this would mean the Council does not conclude the procurement process and enter a Joint Venture Partnership. This would mean the Council would need to continue activities to achieve net zero objectives itself. It has been identified the Council lacks the resources, expertise, and funding to do so at any pace or in a holistic way. In addition, it would require individual procurements for each project adding additional time and expense. **This is not the preferred option.**

2.2. **Option 2: Council enter into a Strategic Energy Partnership with the Preferred Bidder** this option is for the Council to enter into a partnership with a private sector company to deliver on decarbonisation at pace and scale. Endorsing this option will enable the Council to enter into contract with the preferred bidder and begin project development and delivery at the earliest opportunity. This would provide the preferred bidder with exclusivity (under conditions) for the development and delivery of five anchor projects alongside development of a Strategic Business Plan to set out a wider pipeline of projects that the SEP could deliver, which would be developed in detail through an Annual Business Plan and project governance process. This option would avoid the need for going out for individual procurements for each project, saving time and money to enable more efficient delivery of the Council's decarbonisation programme. **This is the preferred option.**

3. Results of consultation undertaken

3.1. To design the procurement process advice was sought from a range of sources:

3.1.1 Bristol City Council undertook a similar process in recent years. A successful outcome was achieved, and a partner appointed but the approach took several years and was high cost. The Council engaged colleagues within the Bristol City Council and external contractors who worked on this engagement to learn from this process and understand how we could replicate desired outcomes but reduce timeframes and costs.

3.1.2 Internal engagement took place within the Council to talk to colleagues from across a range of services areas. Including those more directly involved in net zero related activity such as transport and waste and those from areas less focussed on this such as Adult and Children's services. This resulted in a broad range of outcomes and objectives for the partnership which will focus not only on carbon reduction but also on wider economic and social value benefits.

3.1.3 Before launching the procurement process, a soft market test exercise took place in October 2022. This allowed the Council to test interest in the proposition and to meet with interested bidders, to discuss and refine the process. The level of interest suggested the approach was welcomed and a few refinements were made related to procurement dates and including 'anchor' projects within the contractual details to give bidders more confidence in the opportunity.

3.1.4 Alongside this, continuous updates have been provided to a SEP Steering Group and to the Green Futures Board to update on project progress and consult on the design of the procurement and contracts.

3.1.5 The Council's Draft Climate Change Strategy consultation has shown strong support across the city for acting on climate change, which the SEP will help to deliver.

4. Timetable for implementing this decision

4.1. The timetable for contract signature is as follows:

Scrutiny – Chair of SCRUCO attendance at Cabinet	29 August 2023
Cabinet decision	29 August 2023
Notification of preferred bidder	29 August 2023
End of 10-day standstill period	10 September 2023
Contract signature	12 September 2023

4.2. In order to meet the requirements of the timeline, in accordance with the Constitution, the Chair of Scrutiny Co-ordination Committee (or his nominee) has been invited to attend this meeting of Cabinet to agree the need for urgency such that call-in arrangements will not apply. The reason for urgency is that the procurement timeline currently shows the date by which the Council will enter into contract with the preferred bidder as being 12th September 2023. In order to achieve this, the notification letter to all the bidders stating the award of the contract to the preferred bidder and commencement of the mandatory 10-day standstill period needs to commence on [1st] September 2023. Failure to issue these letters on that date would mean a delay to the ability of the parties to enter into a contract on 12th September 2023 and therefore could also delay the implementation of the Joint Venture arrangements.

4.3. Subject to Cabinet approval, the award notification letters will be issued to bidders following the Cabinet meeting, followed by a mandatory ten-day standstill period. The decisions will be implemented on 12th September when contracts are due to be signed with the preferred bidder.

4.4. Thereafter the financial commitments will be managed through the partnership governance process which includes a Contractual Joint Venture Steering board for reporting. In addition, an Annual Business Plan is required at each new financial year which will update on any changes to delegations required for approval.

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

5.1. **Financial Implications**

5.1.1. Further detail of the financial implications of the recommendations can be found in the private element of this report.

5.1.2. Funding for projects and any related returns will be designed on a project-by-project basis. These opportunities will be brought back to Cabinet or Full Council as appropriate where such decision is required under the Council's Constitution.

5.2. **Legal Implications**

5.2.1. Section 1 of the Localism Act 2011 provides a "general power of competence" for local authorities, defined as "the power to do anything that individuals generally may do" and which expressly includes the power to do something for the benefit of the authority, its area or persons resident or present in its area. The Council has the power to enter into a joint venture contract.

5.2.2. The Council have followed a procurement process in line The Public Contracts Regulations 2015.

5.2.3. There is no subsidy control implications for the contractual joint venture as it has been procured in accordance with The Public Contracts Regulations 2015.

5.2.4. The Council will be entering into a contractual joint venture with successful bidder which legal services have supported and advised upon.

5.2.5. Governance and Constitution - CCC will enter into Contractual joint venture agreement will govern how decisions are made about the SEP. Contractual joint venture will have reserved matters for approval by both shareholders that are consistent with the Terms of Reference set out in the Constitution for Shareholders Committee. CCC's Shareholder Committee will form part of the governance for Contractual joint venture going forward which deals with how decisions are made for the Council's wholly owned and joint venture companies.

6. Other implications

6.1. **How will this contribute to the One Coventry Plan? (https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan)**

The Strategic Energy Partnership has the opportunity to contribute to all three core aims of the One Coventry Plan:

- The core focus is achieving net zero which contributes directly to tackling the causes and consequences of climate change.
- The required infrastructure development to achieve the above and related jobs and supply chain implications will support economic growth. As will related support to local businesses to achieve their own carbon reduction objectives.

- Social value is a key driver for the partnership and all projects will have a strong focus on improving outcomes and tackling inequalities within our communities.

In addition to the above, the partnership will help support the enabling outcomes of the One Coventry Plan. The economic returns from projects and bolstering of resource through the partner will directly support the financial sustainability of the council. The partnership is a direct demonstration of the Council as a partner, leader and enabler and will likely lead to further partnering opportunities.

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

The main risks identified through the procurement relate to areas of IP, financial liabilities, termination rights, reputation, and procurement. The process has involved lead officers in Legal, Procurement, Finance and Commercial, as well as support from external advisors. As risks have arisen, appropriate discussions and decisions have taken place to manage risks and changes to draft contractual arrangements made if required. In addition, the SEP Steering Board has been kept informed of the process. The Council's Green Futures Board will maintain an oversight of performance of the SEP, including risk management.

It should be noted that the SEP contract (the contract Joint Venture) governs projects up to start of implementation. The primary risk is in the abortion of projects at any stage in their development due to investment criteria not being met. This is governed and mitigated by a clear gateway process that limits expenditure between decisions, ensuring material project development investment only takes place as certainty risk decreases. This is as much a risk to the Council as it is to the JV partner.

The project risks (such technical risk, planning, construction, etc) will be project specific, will be defined, and managed through the development stages, such that any investment decision and final business case contemplates such risks and puts in adequate measures to mitigate or compensate for the same. Future governance over the specific projects will contemplate and manage such risks.

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

The partnership contractual agreement includes 2.5FTE officers to support delivery (1 Project Manager, 1 Project Officer and 0.5 Finance). This is the creation of new roles that will be open to internal employees. In addition, project development will require engagement from a cross-section of employees so further upskilling opportunities exist whilst working with the partner. The contractual agreement also provides for up to 4 desk spaces within Friargate to facilitate partnership working.

6.4. **Equalities / EIA**

An EIA was completed during the procurement process to recognise any specific social value aspects which might be achieved through the partnership. Positive outcomes can be achieved for a wide range of Coventry citizens though the partnership:

- Projects which seek to improve domestic energy efficiency will reduce fuel poverty in the city.
- Increased use of renewable energy sources has the potential to lower fuel costs including for the Council which improves financial sustainability for other service areas. For citizens and businesses this improves home and business finances
- Transport related projects will have benefits for air quality and wider health impacts through more active lifestyles.

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

The key driver for the partnership is supporting the Council to achieve net zero ambitions and tackle the causes and consequences of climate change. The partnership will enable the Council to develop long-term holistic energy solutions that not only meet these aims but also deliver related outcomes such as improved health outcomes for citizens and increased biodiversity.

6.6. **Implications for partner organisations?**

The partnership will initially focus on Council held assets such as improvements to our own buildings or development projects on Council held land. There is a wider opportunity for the Council and the Strategic Energy Partner to work with a range of organisations across Coventry to widen the benefits of the approach, or specific projects, to other partner organisations, businesses, and communities.

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Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Rhian Palmer	Strategic Lead-Green Futures	Climate Change and Sustainability, Transportation, Highways, and Sustainability	11/07/23	12/07/23
Grant McKelvie	Commercial Director	-	11/07/23	14/07/23
Aimee Proctor	Finance Manager	Finance	11/07/23	14/07/23
Michelle Salmon	Governance Services Officer	Law and Governance	04/08/23	04/08/23
Names of approvers for submission: (officers and members)				
Phil Helm	Finance Manager	Finance	19/07/23	09/08/23
Gurbinder Singh Sangha	Major Projects Commercial Lawyer, Legal Services	Law and Governance	08/08/23	08/08/23
Rob Amor	Deputy Head of Procurement	Law and Governance	11/07/23	12/07/23
Andy Williams	Director of Business, Investment, and Culture	-	14/07/23	18/07/23
Colin Knight	Director for Transportation, Highways, and Sustainability	-	14/07/23	18/07/23
Councillor J O'Boyle	Cabinet Member for Jobs, Regeneration, and Climate Change	-	19/07/23	11/07/23

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SB1 Work Programme 2023/24

Last updated 27th July 2023

Please see page 2 onwards for background to items

6th July 2023
- Corporate Learning and Development Report 2022 - 2023 - Workforce Metrics
21st September 2023
- Apprenticeships - Revenue and Capital Outturn 2022/23 to include Commercial Investments/ Income Generation
16th November 2023
- Reserves - Capital Programme - Workforce Metrics – Dashboard - Agency and consultancy spending - Exit Interviews 22/23
11th January 2024
- Medium Term Financial Strategy
8th February 2024
-
21st March 2024
-
2023/24
- Equality and Diversity – Interview Panels - Coventry Connects - Review into City of Culture Trust - City Centre South (Joint with SB3) - Procurement and Social Value - Council Office Accommodation - Equal Pay Claim

Date	**Title**	**Detail**	**Cabinet Member/ Lead Officer**
6th July 2023	- Corporate Learning and Development Report 2022 - 2023	To scrutinise training opportunities and use of the training budget.	Cllr Brown Grace Haynes
	- Workforce Metrics	To scrutinise the workforce data.	Cllr Brown Susanna Newing
21st September 2023	- Apprenticeships	To receive an update on apprenticeships within CCC including use of the levy.	Cllr Brown Grace Haynes Andy Hyland
	- Revenue and Capital Outturn 2022/23 to include Commercial Investments/ Income Generation	To scrutinise the Revenue and Capital Outturn 2022/23 report. To include Commercial Investments/ Income Generation and the Council's approach to Commercial Investments, income generation and traded services.	Cllr Brown Barry Hastie
16th November 2023	- Reserves	To review the Council Reserves	Cllr Brown Barry Hastie
	- Capital Programme	To consider significant substantial capital programme investments.	Cllr Brown Barry Hastie
	- Workforce Metrics – Dashboard	Following the meeting in July, Members requested the dashboard be brought back to a future meeting to show the D&I data.	Cllr Brown Susanna Newing
	- Agency and consultancy spending	To review agency and consultancy spend and the length of contracts.	Cllr Brown Susanna Newing
	- Exit Interviews 22/23	To provide data from the 22/23 exit interviews by leavers from the organisation.	Cllr Brown Susanna Newing
11th January 2024	- Medium Term Financial Strategy	To discuss the Council's Medium Term Financial Strategy prior to its approval through the political process. This is an annual item.	Cllr Brown /Barry Hastie/ Paul Jennings

Date	Title	Detail	Cabinet Member/ Lead Officer
8th February 2024	-		
21st March 2024	-		
2023/24	- Equality and Diversity – Interview Panels	As a follow up to the item on Recruitment & Selection and Tribepad the Council's Applicant Tracking System, to review the analysis of the outcome of increasing the diversity of interview panels.	Cllr Brown Susanna Newing Grace Haynes
	- Coventry Connects	To include Customer Service channels including the feedback loop for customers and councillors and continuous improvement.	Cllr Brown/ Cllr Hetherton Adrienne Bellingeri/ Paul Ward
	- Review into City of Culture Trust	Following the publication of the reviews into City of Culture Trust going into administration, the Board will scrutinise the Council's position and lessons learnt.	Cllr Brown/ Barry Hastie
	- City Centre South (Joint with SB3)	To scrutinise the funding and progress of the City Centre South Scheme.	Cllr Brown Cllr O'Boyle Barry Hastie/ Richard Moon
	- Procurement and Social Value		
	- Council Office Accommodation	Review the usage of Council office space within the context of making savings.	Cllr O'Boyle Cllr Brown Richard Moon
	- Equal Pay Claim	To consider the financial impact of the equal pay claim.	Cllr Brown Susana Newing

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