

**Time and Date**

2.00 pm on Tuesday, 29th August 2023

**Place**

Committee Room 3 - Council House, Coventry

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**Public business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes** (Pages 5 - 14)
  - (a) To agree the minutes from the meeting of Cabinet on 11<sup>th</sup> July 2023
  - (b) Matters arising
4. **Exclusion of Press and Public**

To consider whether to exclude the press and public for the item of private business for the reasons shown in the report.
5. **2023/24 First Quarter Financial Monitoring Report (to June 2023)**  
(Pages 15 - 40)

Report of the Chief Operating Officer (Section 151 Officer)
6. **Confirmation of Article 4 Direction in respect of Homes in Multiple Occupation (HMO)** (Pages 41 - 70)

Report of the Director of Streetscene and Regulatory Services
7. **Home Upgrade Grant 2 and Homes Retrofit Programmes Update**  
(Pages 71 - 82)

Report of the Director of Transportation, Highways and Sustainability

8. **Coventry Strategic Energy Partner** (Pages 83 - 94)

Report of the Director of Business, Investment and Culture and the Director of Transportation, Highways and Sustainability

Note: In accordance with the Constitution, Councillor N Akhtar, Chair of the Scrutiny Co-ordination Committee, has been invited to attend the meeting for this item of business (both the public and the private reports – agenda items 8 and 11) 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.

9. **Outstanding Issues**

There are no outstanding issues

10. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

**Private business**

11. **Coventry Strategic Energy Partner** (Pages 95 - 136)

Report of the Director of Transportation, Highways and Sustainability

(Listing Officer: A Livesey, email: Anna.livesey@coventry.gov.uk)

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

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Julie Newman, Chief Legal Officer, Council House, Coventry  
Monday, 21 August 2023

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

Membership

Cabinet Members:

Councillors L Bigham, R Brown, K Caan, G Duggins (Chair), P Hetherington, A S Khan (Deputy Chair), J O'Boyle, K Sandhu, P Seaman, and D Welsh

Non-voting Deputy Cabinet Members:

Councillors P Akhtar, S Agboola, G Hayre, A Jobbar, G Lloyd and S Nazir

By invitation:

Councillors S Gray, P Male and G Ridley (Non-voting Opposition representatives)

**Public Access**

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**Michelle Salmon**

**Governance Services**

**Email: [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)**

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**Coventry City Council**  
**Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 11 July 2023**

Present:

Cabinet Members: Councillor G Duggins (Chair)  
Councillor R Brown  
Councillor K Caan  
Councillor J O'Boyle  
Councillor K Sandhu  
Councillor P Seaman  
Councillor P Hetherton

Non-Voting Deputy  
Cabinet Members:

Councillor S Agboola  
Councillor P Akhtar  
Councillor G Hayre  
Councillor A Jobbar  
Councillor G Lloyd

Non-Voting Opposition  
Members:

Councillor S Gray  
Councillor P Male  
Councillor R Simpson

Other Non-Voting  
Members:

Councillor N Akhtar  
Councillor R Auluck  
Councillor R Lakha  
Councillor C E Thomas

Employees (by Service):

Chief Executive

J Nugent

Business, Investment and  
Culture

S Weir

Children's Services

N Macdonald (Interim Director), A Whitrick

Finance

B Hastie (Chief Operating Officer (Section 151 Officer),  
P Jennings, T Pinks

Law and Governance

J Newman (Chief Legal Officer), S Bennett

Streetscene and  
Regulatory Services

R Back, C Styles

Transportation and  
Highways

C Knight (Director of Transportation and Highways),

Apologies: Councillor L Bigham  
Councillor AS Khan  
Councillor D Welsh  
Councillor L Harvard  
Councillor C Miks  
Councillor S Nazir  
Councillor G Ridley

## **Public Business**

### **7. Declarations of Interest**

There were no disclosable pecuniary interests.

### **8. Minutes**

The Minutes of the meeting held on 13 June 2023 were agreed and signed as a true record.

Further to Minute 3/23 relating to “Renewal of City Centre Public Spaces Protection Order”, Cllr N Akhtar provided an update of enforcement activity carried out in the Burges.

### **9. Exclusion of Press and Public**

**RESOLVED that Cabinet agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 17 below headed ‘Residential Children’s Homes Strategy’ on the grounds that the report involves the likely disclosure of information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act, as it contains information relating the identity, financial business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services, and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

### **10. Palmer Lane Regeneration 2023 Update**

The Cabinet considered a report of the Director of Transportation and Highways in respect of further funding in order to deliver the overall Palmer Lane scheme. The report indicated that this increase in cost is a consequence of high inflation over the last 12 months and increases in labour and material costs during 2022/2023. The report therefore also sought approval for an additional ask of £318k to be funded from corporate reserves.

Since 2019 the Council had transformed the city centre through a £44m programme of investment in the public realm. The impact of this work had been significant, attracting developers to invest in the city and creating a legacy for residents and those living and working in the city.

Palmer Lane is a proposed regeneration scheme that includes de-culverting the river Sherbourne and hard and soft landscaping around the area to create a new city centre place for dwell time and supporting the establishment of a new business in the Illingworth building.

The scheme was first approved by Cabinet as part of the Public Realm Phase 5 report in March 2018, as a complement to the Public Realm 5 (PR5) works taking place in the city centre and to develop designs for the proposal. During 2021 there was an additional need identified for a further £950k to fund the overall regeneration of Palmer Lane as well as approve the external funding contributions towards the project. This was given approval in a Cabinet Member report in July 2021.

The Palmer Lane project had continued to detailed design level throughout the year of 2021 and 2022 to a point where final designs are in place and legal land agreements are concluded.

Following early contractor engagement with a framework construction company the project will need further funding in order to deliver the overall Palmer Lane scheme. This increase in cost is a consequence of high inflation over the last 12 months and increases in labour and material costs that we have seen during 2022/2023. This report therefore also seeks approval for an additional ask of £318k to be funded from corporate reserves.

The report also detailed a grant acceptance from Historic Coventry Trust (HCT) of £534k which took place in March 2023. This was an increase of £155k from the previous approved HCT contribution of £379k. Due to the urgency required to accept the grant funding, this was accepted under delegated powers in accordance with the provisions of the Council Constitution.

**RESOLVED that Cabinet:**

- 1) Approves the additional funding of £318k for the delivery of the Palmer Lane project taking the total budget for the delivery of the scheme to £2.4m. The additional funding will be added to the 5-year capital programme.**
- 2) Notes the grant acceptance of £534k received from Historic Coventry Trust in March 2023 under delegated authority contained in paragraph 2.3.2 (c) of Part 3F (Financial Procedure Rules) of the Council Constitution.**
- 3) Notes the delegated authority provided to the Director of Transportation and Highways following consultation (by way of the Cabinet Member report dated 15<sup>th</sup> July 2021) to conclude negotiations and enter into legal agreements with the various landowners for parcels of land to be acquired or leased by the Council and/or for licences to be entered into to enable works to be carried out and for agreements to be entered into and/or for leases to be granted by the Council to third parties over land in the Council's ownership in order**

**for the scheme to be viable and to Authorise any variations related to such legal agreements.**

- 4) Notes the continued exercise of the delegated authority provided (by way of the Cabinet Member report dated 15<sup>th</sup> July 2021) to commence the procurement in order to appoint a works contractor through an approved procurement framework.**
- 5) Notes the delegated authority provided (by way of the Cabinet Member report dated 15<sup>th</sup> July 2021) to the Director of Transportation and Highways, following consultation with the Chief Legal Officer, to approve grant expenditure to any such external body, third party or person as is deemed necessary for the delivery of the Palmer Lane project up to an individual maximum sum of £250,000.**

## **11. Reorganisation of the Coventry and Warwickshire Growth Hub**

The Cabinet considered a report of the Director of Business, Investment and Culture which sought approval of the reorganisation of Coventry and Warwickshire Growth Hub (CWGH) and Coventry City Council's role as Joint Shareholder and participant on the new CWGH Board. Warwickshire County Council would be taking a similar report and recommendations to their Cabinet meeting on 13<sup>th</sup> July 2023.

The CWGH was established in 2014 using City Deal funding provided by Government. It was one of the first Growth Hubs to be formed in England, before every Local Enterprise Partnership (LEP) area was subsequently given funding to establish a Growth Hub as a central co-ordination point for publicly funded business support to try and simplify businesses' understanding of which business support products were appropriate to their individual needs. It has been nationally recognised as a leading Growth Hub in the UK.

Given the strategic importance of the CWGH in delivering business support in Coventry & Warwickshire, its success to date and its collaboration with all the Coventry & Warwickshire Local Authorities, it had been agreed by the CWLEP board to transition residual funds from the closure of CWLEP to the CWGH, enabling the Growth Hub to continue as a stand-alone entity as a going concern.

Under this arrangement, and building on legal advice, it was proposed that Coventry City Council (CCC) and Warwickshire County Council (WCC) become the joint shareholders of the new company to also ensure the democratic accountability required. It was proposed that CWGH was governed by a Board consisting of both public and private sector representatives, with CCC having a representative on the Board.

CCC has also made provision in its budgets to continue to support the CWGH at the current level of £130,560 under the current Medium Term Financial Strategy (MTFS). Subject to formal approvals, WCC was planning to fund CWGH to the same level this financial year and committed to continuing to provide funding for this purpose, with CWGH's remaining funding being derived from other Local Authority sources, external funding, and commercial income.



The report requested Cabinet to approve the reorganisation of CWGH and Coventry City Council's role as Joint Shareholder and participant on the new CWGH Board.

**RESOLVED that Cabinet:**

- 1) Approves the use of its powers under Section 12 of Local Government Act 2003 and Section 1 of the Localism Act 2011 to become a shareholder in the Growth Hub. This is subject to the transfer of CWLEP residual funds of circa £0.9m to the Growth Hub.**
- 2) Delegates authority to the Head of Economic Development, following consultation with the Chief Operating Officer (Section 151 Officer) and Chief Legal Officer and the Cabinet Member for Jobs, Regeneration and Climate Change, to enter into the relevant legal agreements as well as any associated documents deemed necessary to complete the transaction.**
- 3) Approves the implementation of the governance structure and utilise the existing Shareholder Committee terms of reference as per the constitution.**
- 4) Delegates authority to the Head of Economic Development, following consultation with the Chief Operating Officer (Section 151 Officer) and Chief Legal Officer and the Cabinet Member for Jobs, Regeneration and Climate Change to approve the issue by CWGH of one share to WCC on the same terms as CCC to become joint shareholders.**
- 5) Delegates Authority to appoint CCC's representative for the new CWGH Board on behalf of the Coventry City Council to the Chief Operating (Section 151 Officer) and Chief Legal Officer following consultation with the Cabinet Member for Jobs, Regeneration and Climate Change.**

**12. Local Plan Regulation 18 - Issues and Options Consultation**

The Cabinet considered a report of the Director of Streetscene and Regulatory Services in respect of the Local Plan Review Issues and Options Consultation.

On 6<sup>th</sup> December 2022 Council resolved to adopt a new Local Development Scheme (LDS) and to undertake a full Local Plan review Approval to progress to the initial public consultation stage of the review process is now sought, this being the 'regulation 18' consultation phase, known as 'issues and options'.

The Planning Policy team alongside relevant City Council teams have assessed the existing Local Plan policies, exploring these policies through 'topic papers' to be made available at public consultation stage, each assessment is summarised within the Issues and Option Consultation Document, which is now proposed for public consultation. The Issues and Options consultation document is contained in the appendices to this report, alongside the equalities impact assessment and environmental assessment / sustainability appraisal. The Issues and options consultation seeks views across the full range of local plan policies, within these

matters the authority consults upon the methodology employed to establish local housing need, suggesting that the local housing need may be established with reference to the HEDNA, without the prescribed 35% urban uplift applied.

Following the initial consultation phase, work will then commence upon the drafting of proposed revisions to planning policy, informed by the findings of the regulation 18 consultation process. Authority is therefore sought to progress to this consultation phase to continue to progress the directed Local Plan review process.

A robust evidence base will be required to support the Local Plan review to ensure that the result is a robust planning policy framework that will shape future development of the city and deliver on the priorities of the One Coventry Plan. A further report will be brought to Cabinet setting out the financial request to develop the evidence base.

**RESOLVED that Cabinet:**

- 1) Approves the Local Plan Review Issues and Options (Regulation 18) Consultation document and associated Strategic Environmental Assessment /Sustainability Appraisal and Equalities / Health Impact Assessment for an 8-week consultation period to begin at the earliest opportunity.**
- 2) Delegates authority to the Director of Streetscene and Regulatory Services, following consultation with the Cabinet Member for Housing and Communities, to make any non-substantive changes to the documents prior to consultation.**

**13. Revenue and Capital Outturn 2022/23**

The Cabinet considered a report of the Chief Operating Officer (Section 151 Officer) which outlined 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 included 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 included:

- 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 were 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 31<sup>st</sup> March 2023 and will be an ongoing financial challenge in 2023/24.

**RESOLVED that Cabinet:**

- 1) Approves the final balanced revenue outturn position after a contribution of £6.7m from reserves.**
- 2) Approves the final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £146.9m against a final budget of £160.9m; £14m expenditure rescheduled into 2023/24.**
- 3) Approves the outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.**
- 4) Recommends that Council approves the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.**

**14. Children's Residential Children's Home Strategy**

The Cabinet considered a report of the Interim Director of Childrens Services which sought approval for the Residential Children's Homes Review and Strategy 2023-2026.

The report indicated that the Council wished to establish additional Children's homes to meet the needs of more children in need of residential care within the city. This would help improve outcomes for looked after children whilst also reducing the Council's reliance on the expensive external residential market, creating overall financial savings for the Council.

A sufficiency needs analysis was a requirement of section 22G of the Children Act 1989 and statutory guidance was issued in 2010. A recent analysis in Coventry had identified the need for additional provision of residential care for children within Coventry.

Coventry City Council currently operates four Children's homes for up to 16 looked after children and commissions an additional 12 placements with private providers within the city. A further two homes have already been approved by Cabinet and were in the process of being purchased/ built. The 'short stay same day' children's home was due to open in November 2023 and our first purpose-built home for looked after children with a disability is due to open in June 2024.

Working across Children's Services, finding the right placement at the right time, despite being part of a regional framework can be a significant challenge due to current market pressures. Therefore, the City Council were often reliant on spot contract providers who may inflate costs of the placement due to the urgency to meet a child's immediate needs or due to the complexity of the child's trauma responsive presenting behaviours.

The proposal and 3-year Residential Strategy was to:

Purchase and refurbish two further privately owned residential properties to create two homes for up to 4 looked after children in each, with trauma related emotional and behavioural difficulties.

Build a further home for looked after children with a disability, as referenced within the approved Cabinet report from January 2022

Consider a new build, modernised and purpose built residential short breaks home, to replace Broad Park House, with the current property being sold on Logan Road following completion.

Embed the workforce Strategy for Children's Residential Services, with capacity to develop the existing and future work force to expand the children's home portfolio, run by the Council, improve outcomes for children and financial savings, based on the current residential market.

The success of the Strategy would result in a decrease in future placement expenditure of c£1m per annum.

A corresponding private report detailing confidential financial matters was also submitted for consideration (Minute 17 below refers).

**RESOLVED that the Cabinet:**

- 1) Approves the Residential Children's Homes Review and Strategy 2023-2026 appended at Appendix 1 of the report.**
- 2) Delegates authority to the Director of Children's Services following consultation with the Chief Operating Officer (Section 151 officer) and the Chief Legal Officer to undertake the necessary due diligence**

(including the power to enter into any necessary legal agreement) required to facilitate the following:

- a. Purchase land and build an additional children's home for the purpose of accommodating four looked after children with a disability.
  - b. Purchase land and re-build an existing short breaks children's home (Broad Park House) for the purpose of accommodating children with disabilities and additional needs.
  - c. Purchase and renovate two properties to open two additional children's homes for the purpose of accommodating looked after children whose needs are best met within this type of provision.
- 3) Delegates authority to the Director of Children's Services, following consultation with Chief Operating Officer and Chief Legal Officer, to (where required) commence all necessary procurement for works or services necessary to bring into effect the recommendations set out in 1) and 2) above.
  - 4) Recommends that Council approve capital expenditure of up to the sum stated in the private element of this report to be met from prudential borrowing which shall be utilised solely for the delivery of the recommendations set out in 1-3 above as well as the objectives set out in the Residential Children's Homes Review and Strategy 2023-2026 which is appended to the report.

15. **Outstanding Issues**

There were no outstanding issues.

16. **Any Other Items of Urgent Public Business**

There were no other items of urgent public business.

**Private Business**

17. **Children's Residential Children's Home Strategy**

Further to Minute 14 above, the Cabinet considered a private report of Interim Director of Children's Services which set out the commercially confidential matters relating to the Residential Children's Homes Review and Strategy 2023-2026.

**RESOLVED that Cabinet:**

- 1) Approves the Residential Children's Homes Review and Strategy 2023-2026 appended at Appendix 1 of this report.
- 2) Delegates authority to the Director of Children's Services following consultation with the Chief Operating Officer (section 151 officer) and the Chief Legal Officer to undertake the necessary due diligence

(including the power to enter into any necessary legal agreement) required to facilitate the following:

- a) Purchase land and build an additional children's home for the purpose of accommodating four looked after children with a disability.
  - b) Purchase land and re-build an existing short breaks children's home (Broad Park House) for the purpose of accommodating children with disabilities and additional needs.
  - c) Purchase and renovate two properties to open two additional children's homes for the purpose of accommodating looked after children whose needs are best met within this type of provision.
- 3) Delegates authority to the Director of Children's Services following consultation with Chief Operating officer and Chief Legal Officer to (where required) commence all necessary procurement for works or services necessary to bring into effect the recommendations set out in 1) and 2) above.
  - 4) Recommends that Council approve capital expenditure of up to the sum identified in the report to be met from prudential borrowing which shall be utilised solely for the delivery of the recommendations set out in 1-3 above as well as the objectives set out in the Residential Children's Homes Review and Strategy 2023-2026 which is appended to this report.

18. **Any Other Items of Urgent Private Business**

There were no other items of urgent private business.

(Meeting closed at 2.30pm)



Cabinet  
Council  
Audit and Procurement Committee

29<sup>th</sup> August 2023  
5<sup>th</sup> September 2023  
2<sup>nd</sup> October 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:**

City wide

**Title:**

2023/24 First Quarter Financial Monitoring Report (to June 2023)

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2023. The net revenue forecast position after management action is for spend in 2023/24 of **£12.1m over budget**. At the same point in 2022/23 there was a projected overspend of £9.5m.

The Council continues to face budget pressures within both Adults and Children's social care which together account for £11m of the underlying overspend. The overwhelming majority of this is caused by the continuing high level of inflation within the economy and difficult conditions within social care markets. Other smaller but still significant overspends are also being reported in Business Investment and Culture, Transportation and Highways, and Streetscene and Regulatory Services.

Recent weeks have seen a number of councils with social care responsibilities report large in-year budgetary difficulties and it is clear that there are systemic problems for the whole sector which represent a serious threat to its financial sustainability. The Council's position above reflects a number of largely one-off actions that have already been taken to reduce the overspend. As **the underlying position is significantly higher** than has been experienced in recent years, further urgent action is proposed to address the pressure in order to prevent the 2024/25 position increasing to unmanageable levels.

The Council's capital spending is projected to be £163.6m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city. Inflationary pressures are also affecting capital

projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, has renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This will be a priority across all services as the Council develops its future budget plans in the coming months.

### **Recommendations:**

Cabinet is requested to:

- 1) Approve the Council's first quarter revenue monitoring position and endorse the proposal for officers to seek to identify further ongoing service options to mitigate the position in conjunction with Cabinet Members as appropriate.
- 2) Approve the revised forecast capital outturn position for the year of £163.6m incorporating: £14.0m rescheduling from 2022/23 outturn, £29.7m net increase in spending relating to approved/technical changes, £0.4m underspend and £38.9m of net rescheduling of expenditure into future years.

Cabinet is requested to recommend that Council:

- 1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

Council is recommended to:

- 1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

The Audit and Procurement Committee is requested to:

- 1) Note the proposals in the report and forward any comments they wish to raise with the Cabinet Member for Strategic Finance and Resources.

### **List of Appendices included:**

Appendix 1 - Revenue Position: Detailed Directorate breakdown of forecast outturn position  
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes  
Appendix 3 - Capital Programme: Analysis of Rescheduling  
Appendix 4 - Capital Programme: Analysis of Over / Under Spend  
Appendix 5 - Prudential Indicators

### **Background papers:**

None

### **Other useful documents**

None



**Has it been or will it be considered by Scrutiny?**

No

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

Yes - Audit and Procurement Committee, 2<sup>nd</sup> October 2023

**Will this report go to Council?**

Yes – 5<sup>th</sup> September 2023

**Report title: 2023/24 First Quarter Financial Monitoring Report (to June 2023)**

**1. Context (or background)**

- 1.1 Cabinet approved the City Council's revenue budget of £260.5m on 21st February 2023 and a Capital Programme of £159.2m. This is the first quarterly monitoring report for 2023/24. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure, recommending any action required, and also to report on the Council's treasury management activity.
- 1.2 The current 2023/24 revenue forecast is for net expenditure to be **£12.1m over budget** (after management action). The reported forecast at the same point in 2022/23 was an overspend of £9.5m. Capital spend is projected to be £163.6m.
- 1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the course of the year. However, as significant management action has already been factored in, the **underlying position is significantly** higher than the £12.1m forecast. This is a significantly high figure by historical standards, and represents a serious enough cause for concern for the Council, such that emergency in year actions should be considered.
- 1.4 The overspend is caused largely by factors external to the Council and which can be expected to be ongoing (affecting future years MTFS) if action is not taken urgently.
- 1.5 Following on from the £6.7m reported at the end of 2022/23 this indicates a serious financial trend for the Council which is not sustainable over the long-term. Section 2 of the report provides further detail on the revenue position and Section 5 sets out the Council's proposed approach to managing the position.
- 1.6 As a final backstop it should be noted that the Council maintains a strong balance sheet in part to protect itself from circumstances such as this, although it should be re-iterated that reserves are a finite resource and should only be applied sparingly to mitigate ongoing revenue overspends, and once a medium-term solution is in place.

**2. Options considered and recommended proposal.**

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

**Table1 Revenue Position** - The revenue forecast position is analysed by service area below.

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend
	£m	£m	£m
<b>Adult Services &amp; Housing</b>	113.8	120.4	6.6
<b>Business Investment &amp; Culture</b>	8.1	9.1	1.1
<b>Children &amp; Young People's Services</b>	93.3	97.5	4.2
<b>Contingency &amp; Central Budgets</b>	(28.1)	(28.7)	(0.6)
<b>Education and Skills</b>	19.4	19.2	(0.2)
<b>Finance &amp; Corporate Services</b>	9.3	9.2	(0.1)
<b>Human Resources</b>	0.7	1.2	0.5
<b>Legal &amp; Governance Services</b>	7.5	7.7	0.2

<b>People Directorate Management</b>	1.0	1.0	0.0
<b>Project Management &amp; Property Services</b>	(8.3)	(8.5)	(0.2)
<b>Public Health</b>	0.9	(0.6)	(1.6)
<b>Streetscene &amp; Regulatory Services</b>	32.6	33.7	1.1
<b>Transportation &amp; Highways</b>	10.3	11.5	1.2
<b>Total</b>	<b>260.5</b>	<b>272.6</b>	<b>12.1</b>

- 2.2 An explanation of the major forecast variances is provided below, the vast majority of which are of an ongoing nature if urgent action is not taken. Further details are provided in Appendix 1 to the report.

### **Directorate**

#### Adult Services & Housing £6.6m

Within Adult Services & Housing the largest element of overspend is on Adult Social Care of £4.5m, which is due to increased activity & complexity of placements and increased package costs (inflation). The other notable variance is a £2.0m overspend on Housing & Homelessness due to significantly more people seeking assistance and placed in temporary accommodation plus a 15% increase in temporary accommodation fees which is required to ensure temporary accommodation continues to be available and mitigate the use of more expensive Bed and Breakfast accommodation.

#### Children's and Young People £4.2m

Within Children & Young People's Services £3.2m of the total overspend relates to the cost of looked after children's placements. The overspend is caused by a lack of sufficiency in the market to meet the needs of young people in care which has significantly increased the average unit cost of those placements. There is a further overspend of £1.3m against staffing in Help and Protection due to high levels of cases requiring additional workers and agency staff. There are short term one-off savings that are offsetting these budget pressures across the directorate from additional grants, and the use of earmarked reserves.

#### Business Investment & Culture £1.1m

Of the total Business Investment and Culture overspend, £0.8m relates to the one-off holding costs of the Cultural Gateway building and the remainder relates to sponsorship income shortfalls and Godiva festival costs.

#### Streetscene & Regulatory Services £1.1m

The Streetscene & Regulatory Services overspend includes a c£0.6m reduction in Planning income due to delayed major applications, however planning fees will increase in October 2023 to partially mitigate this. The majority of the remaining balance relates to agency and overtime costs relating to vacancies (Streetpride and Parks and Street Team Enforcement), income shortfalls (Car Parks and Pest Control) and higher waste collection costs than budgeted.

#### Transport & Highways £1.2m.

There are income pressures of £0.5m in Bus Lane and Parking Enforcement attributed to temporary bus gates closures and lower than expected enforcement activity due to the impact of sickness and not recruiting to vacancies. This is offset by higher car park usage/income. The remaining overspend relates to the current planned cost of addressing the backlog in highways defects at £0.35m and an under-recovery within Highways Operations as a result of vacancies and sickness of £0.4m.

## 2.3 Capital

The quarter 1 2023/24 capital outturn forecast is £163.6m compared with the original programme reported to Cabinet in February 2022 of £159.2m. Table 3 below updates the budget at quarter 1 to take account of a £14.0m increase in the base programme (net rescheduling from 2022/23), £29.7m of new approved/technical changes, a £0.4m underspend and £38.9m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2023/24. It shows 79.6% of the programme is funded by external grant monies, whilst 11.6% is funded from borrowing. The programme also includes funding from capital receipts of £12.9m.

**Table 3 – Movement in the Capital Budget**

CAPITAL BUDGET 2023/24 MOVEMENT	Qtr 1 Reporting £m
February 2022 Approved Programme	159.2
Net rescheduling of expenditure from 2022/23	14.0
Revised Programme	173.2
Approved / Technical Changes (see Appendix 2)	29.7
“Net” Rescheduling into future years (See Appendix 3)	(38.9)
Underspend (see Appendix 4)	(0.4)
Revised Estimated Outturn 2023-24	163.6

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	19.0
Grants and Contributions	130.2
Capital Receipts	12.9
Revenue Contributions and Capital Reserve	1.5
Total Resources Available	163.6

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

## 2.4 Treasury Management

### Interest Rates

From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease. However, a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture. Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7%.

After a sharp rise in interest rate expectations, with serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to expect a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting interest rates to rise to 6.5%. Better than expected inflation figures released on 19<sup>th</sup> July 2023 may now, however, dampen down those forecasts.

### **Long Term (Capital) Borrowing**

The net long-term borrowing requirement for the 2023/24 Capital Programme is £4.1m, taking into account borrowing set out in Section 2.3 above (total £19.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.9m). In the current interest rate climate, the Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

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

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1<sup>st</sup> April and 30 June 2023 have varied within the following ranges:

<b>PWLB Loan Duration (maturity loan)</b>	<b>Minimum 2023/24 to Q1</b>	<b>Maximum 2023/24 to Q1</b>	<b>As at the End of Q1</b>
5 year	4.34%	5.91%	5.91%
50 year	4.47%	5.43%	5.15%

The PWLB allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This "certainty rate" initiative provides a small reduction in the cost of future borrowing.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings.

### **Short Term (Temporary) Borrowing and Investments**

The Council's Treasury Management Team acts 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. The City Council borrowed £10m in February 2023 to cover a forecasted cash flow shortage. This was repaid in April 2023.

Returns provided by the Council's short-term investments yielded an average interest rate of 4.87% over the last quarter. This rate of return reflects low risk investments for short to

medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers, and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snapshot at the reporting stages were: -

	<b>As at 31st March 2023</b>	<b>As at 30<sup>th</sup> June 2023</b>
	<b>£m</b>	<b>£m</b>
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	41.0
Money Market Funds	42.96	36.96
Corporate Bonds	0.0	0.0
HM Treasury	0.0	0.0
<b>Total</b>	<b>42.96</b>	<b>77.96</b>

### **External Investments**

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

Returns provided by the Council's pooled funds yielded an average interest rate of 4.4% over the last 12 months. At 30 June 2023 the pooled funds were valued at £26.8m (£27.4m at 31 March 2023), against an original investment of £30m (a deficit of £3.2m). All seven pooled funds show a deficit mainly as a consequence of dropping property prices and rising interest rates. Some of the funds are showing encouraging signs of recovery to their original capital value. There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. This override was due to change in April 2023 but a further extension to 31<sup>st</sup> March 2025 has been granted by the government. These investments will continue to be monitored closely and are likely to be redeemed when they reach par value.

### **Prudential Indicators and the Prudential Code**

Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing for capital purposes is affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30 June 2023 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2023/24. 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 30 June 2023 the value is -£66.7m (minus) compared to +£96.2m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 June 2023 the value is £204.0m compared to £480.9m within the Treasury Management Strategy, reflecting both the level of actual borrowing and that a significant proportion of the Council's investment balance is at a fixed interest rate.

## 2.5 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit for 2023/24 is £146m, against which there are £131.2m of existing commitments: -

	Limit	Actual 31st March 2023	2023/24 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	2.9
Loans	91.0	52.5	26.6	79.1	11.9
	<b>146.0</b>	<b>104.6</b>	<b>26.6</b>	<b>131.2</b>	<b>14.8</b>

The committed or planned total of £26.6m includes a number of loan facilities to lend which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

## 3. Results of consultation undertaken

3.1 None

## 4. Timetable for implementing this decision.

4.1 There is no implementation timetable as this is a financial monitoring report.

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

### 5.1 Financial implications

#### Revenue

The net quarter 1 forecast reflects an extremely serious and concerning position for the Council. The net forecast, after significant management action is a **£12.1m revenue overspend**, and incorporates a range of intractable ongoing issues and the continuation of inflationary pressures which will have an impact beyond the current financial year. Actions taken, and set out below, are of a largely one-off nature, meaning the **underlying position is significantly higher**.

At this stage of the monitoring cycle there is a real and significant threat that the Council will not be able to balance its revenue position by year-end without the use of reserve contributions, and without further urgent and ongoing action, **will increase the initial 2024/25 MTFS gap approved by Council in February 2023**.

These circumstances are common to councils across the country with instances of financial stress being widely reported. Alongside councils that have already been in difficult financial circumstances due to a variety of largely local reasons, 2023 has seen an increasing number of councils, including noticeably those with social care responsibilities, give dire warnings about their ability to balance their 2023/24 budgetary positions and beyond. The failure of the local government finance system to tackle issues around social care funding plus the continued impact of inflation in excess of that anticipated in the 2023/24 budgets, have put many councils in a perilous financial position.

The trend for cost of service delivery has generally over time reflected an upwards trajectory reflecting prevailing inflation and market conditions. However, the unprecedented levels of inflation in the last 2 calendar years have affected all service delivery costs such that 2022/23, 2023/24 and beyond, will reflect a very steep relative upward trend for the Council's key service costs.

Although the Council had budgeted for above historic levels of inflation, the pay award budget of £6m (4%) falls short of the current employer offer, which has not yet been accepted by the trades unions and which it is estimated would cost in the region of £9m, a minimum pressure of £3m.

Difficulties in the external markets for both children and adults are well documented but issues including the cost of highly complex cases and higher than planned levels of inflationary increases in placement costs have exceeded the additional budgetary provision included within the Council's budget. It is difficult to accurately predict whether current forecast outturn figures reflect a robust forecast for the year or whether further budgetary shocks will continue in these areas.

#### Management Action

This difficult position carries on from that faced in 2022/23 when the Council needed to balance its financial outturn position using £6.7m of reserves. Such a solution would be the Council's backstop position for 2023/24 but is one that the Council should be anxious to avoid. The Council holds limited reserve balances and recognises that such an approach is not sustainable in the medium term. It is therefore imperative to identify and adopt approaches that help the Council to manage its short-term pressures, whilst at the same time supporting the outlook for 2024/25 and medium-term financial problems.



The Council's Leadership Team instigated a range of immediate responses and is in the process of taking forward other actions. The following actions used to mitigate the underlying pressures have been taken so far:

- Urgent spend restrictions have already been put in place to cease non-essential spend.
- Control the filling of vacant posts.
- Control the drawdown of reserves.
- Challenge robustly any proposals for additional spend this year.
- Budget holders reminded of their responsibility to manage services within budget.
- Areas that require more regular forecasts identified

As these are primarily one-off solutions, the Leadership Team have also requested that Financial Management support and challenge Directors and budget managers to:

- identify options and service impact of reducing ongoing spend levels to within budget for political decision.
- undertake a comprehensive review of service reserves.
- identify technical options to resource switch.
- undertake a comprehensive review of service and policy options.

These 'policy' options may require political consideration of cost reduction initiatives which have previously been viewed as unfavourable. Directors have been asked to liaise with relevant cabinet member portfolio holders to identify these, such that members can collectively discuss, and ultimately decide whether they wish to implement in order to mitigate the pressures in 2023/24, but importantly for 2024/25 and beyond.

The above gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position such as issuing a Section 114 Notice (a self-imposed limit on making any non-statutory expenditure as result of financial distress). However, Cabinet should be in no doubt that the underlying position for 2023/24 is incredibly challenging and that the Council will face some difficult choices in 2023/24 and to an even greater degree in 2024/25. Without further in-year support from Government or as part of the 2024/25 Local Government Finance Settlement, the Council faces the prospect of making some very hard in-year decisions including cutting or charging for some valued services in order to balance its budget.

## **Capital**

The Council's Capital Programme continues to include a range of strategically important schemes across the city. This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, Very Light Rail, the Air Quality programme, disabled facilities grant (DfG), the A45 Overbridge Eastern Green, City Centre South and support to the Friargate Hotel development.

## **Legal implications**

None

## **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 Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry Plan. As far as possible it will try to deliver better value

for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

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

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. A recent reassessment indicates that the Council now faces a greatly increased level of risk in this area, described in section 5. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. A range of urgent actions has been set out in response to the Council's financial position. It is vital that Council officers and members are aware of the current financial challenge and activity across the second quarter of the year including the measures outlined will provide some indication of the direction of travel for the remainder of the year. This in turn will dictate the extent to which the bottom line can be moved significantly closer to a balanced position.

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

It remains important for the Council to ensure that strict budget management continues to the year-end. The Council may be forced to make some difficult policy choices over the coming months especially in areas that do not have a strict statutory basis, and which involve material levels of discretionary and flexible expenditure.

## **6.4 Equalities / EIA**

No current policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services through the year. If this is the case, the Council's equality impact process will be used to evaluate the potential equalities impact of any proposed changes.

## **6.5 Implications for (or impact on) Climate Change and the environment**

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

## **6.6 Implications for partner organisations?**

No impact.

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## Appendix 1

### Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

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

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance
	£m	£m	£m	£m	£m
<b>Adult Services &amp; Housing</b>	113.8	120.4	(1.6)	8.2	6.6
<b>Business Investment &amp; Culture</b>	8.1	9.1	0.1	1.0	1.1
<b>Children &amp; Young People's Services</b>	93.3	97.5	(1.2)	5.4	4.2
<b>Contingency &amp; Central Budgets</b>	(28.1)	(28.7)	0.0	(0.6)	(0.6)
<b>Education and Skills</b>	19.4	19.2	(0.6)	0.4	(0.2)
<b>Finance &amp; Corporate Services</b>	9.3	9.2	(0.5)	0.4	(0.1)
<b>Human Resources</b>	0.7	1.2	0.1	0.4	0.5
<b>Legal &amp; Governance Services</b>	7.5	7.7	(0.3)	0.5	0.2
<b>People Directorate Management</b>	1.0	1.0	(0.1)	0.1	0.0
<b>Project Management &amp; Property Services</b>	(8.3)	(8.5)	(0.3)	0.1	(0.2)
<b>Public Health</b>	0.9	(0.6)	(0.1)	(1.4)	(1.6)
<b>Streetscene &amp; Regulatory Services</b>	32.6	33.7	(0.8)	1.9	1.1
<b>Transportation &amp; Highways</b>	10.3	11.5	(0.3)	1.5	1.2
<b>Total</b>	<b>260.5</b>	<b>272.6</b>	<b>(5.6)</b>	<b>17.7</b>	<b>12.1</b>

### Budget Holder Forecasts

Service Area	Reporting Area	Explanation	Budget Holder Variance £m
Adult Social Care	Strategic Commissioning (Adults)	£0.4m 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.	<b>(0.5)</b>
Adult Social Care	Housing and Homelessness	There are a number of reasons why the service is currently forecasting a significant overspend. The number of people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation has increased significantly during 2023. Alongside this the cost of TA with private providers has increased by 15% from the 1st April (the first increase since the rates were set in 2019). A number of mitigations including purchasing additional TA, working with a Registered provider to provide us with an additional 50 flats for TA and new contracts with private providers are being progressed. The increases in TA is a national issue with the highest number of	<b>2.1</b>

		households in TA in England being reported in December 2022.	
Adult Social Care	Adult Social Care Director	Overspends relate to an increase in bad debt provision of £0.4m and additional spend on joint health initiatives to improve the provision across Health and Social Care.	0.6
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	Internally Provided Services	Overspends on other pay and overtime which have been partly offset by centralised underspends in salaries due to vacancies.	0.4
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.	1.3
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.3
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.	2.5
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.3m). Additional agency costs have been partly offset by underspends on centralised salaries due to vacancies.	0.7
Adult Social Care	Other Variances Less than 100K		0.3
<b>Adult Social Care</b>			<b>8.2</b>
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Overspend mainly relates to Ikea collection centre/City Centre Cultural Gateway (CCCG) project with no revenue budget this year but still incurs costs for rates, electricity, security costs, BIDs. Final rate charge to be confirmed once VOA completed evaluation. (For information- other service areas: Sports and St Mary's forecast at Q1 shows a breakeven position. Godiva final position is normally clearer two weeks after the event when all relevant costs are confirmed, general ticket sales is significantly higher than last year although premium places generated a loss as ticket sales for premium is much lower than target.)	0.6
Business Investment and Culture	Employment & Adult Education	BH variance £481k mainly due to overspend in Employment because of reduced grant income offset underspend in Centralised variance from vacancies, overall employment skills variation is close to nil.	0.4
<b>Business Investment and Culture</b>			<b>1.0</b>

Children and Young People's Services	Children's Services Management Team	Financial strategy planned underspend.	(1.2)
Children and Young People's Services	Commissioning, QA and Performance	<p>"Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £39k has not been met. There are also overspends due to agency spend for Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads.</p> <p>The position is offset partly by underspends in CAMHS and the Coventry Safeguarding Children &amp; Adults Multi-Agency Boards."</p>	0.2
Children and Young People's Services	Help & Protection	<p>"There is an overall budgetary pressure in Help and Protection, which includes the following:</p> <p>£1.3m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff.</p> <p>£0.3m 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.</p> <p>There are short-term one-off savings which are currently offsetting the budget pressures from additional grants and the use of earmarked reserves. "</p>	2.8
Children and Young People's Services	LAC & Care Leavers	<p>"There is a £3.2m overspend on looked after children's (LAC) placements. This figure takes into account our expected increase in income from central government for unaccompanied asylum-seeking children which ensures these children do not contribute to the budgetary pressure. All of the overspend relates to external residential and is linked to unit cost. 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. This is despite a decrease in number of looked after children and placement mix being in line with targets.</p> <p>There is a further budget pressure of £400k 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. The project team is being phased out in line with paper approved at CSLT-Business and will end fully in October. There are some continued pressures in LAC permanency around unbudgeted costs around therapy and assessments.</p>	3.6

		<p>There is an overspend of £312k in internal fostering due to high number of staff on maternity leave and agency cover being provided.</p> <p>LAC transport has an overspend of £190k and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure.</p> <p>There is an overspend of £193k on Adoption Central England that relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this and finance sit on working group to explore budgetary needs of ACE moving forwards.</p> <p>There is a further budgetary pressure of £240k within the Children's disability service. This overspend relates to increased costs for short breaks &amp; 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. We are currently in the process of retendering our short breaks contracts to ensure 'best value' and reduce high cost support spend.</p> <p>These pressures are offset in part by underspends across the service."</p>	
<b>Children and Young People's Services</b>			<b>5.4</b>
Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay inflation contingencies (£2.6m) reflecting the latest local government employers' pay offer. This is more than offset by favourable variances for other contingency budgets (£1.4m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.	
<b>Corporate &amp; Contingency</b>			<b>(0.6)</b>
Education and Skills	Customer and Business Services	A budget holder underspend of £185k mainly as a result of the release of funding previously held in reserve.	(0.2)
Education and Skills	Transformation Programme Office	A budget holder underspend of £143k as a result of the release of funding previously held in reserve.	(0.2)
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £0.3M. Demand for all SEN services has sharply increased this academic year, because of an unanticipated rise in the population, need and complexity; especially in the early years at the point of admission to reception and transfer to secondary phase. In response the LA has commissioned and delivered an additional 65 specialist placements	0.6

		within and outside of the city. Contract costs following e-auctions has increased and in-house salary costs reflect inflationary increase. The remainder of the budget holder over spend relates to staffing in Educational Psychology, but this is offset by an equivalent under spend against centralised staffing costs.	
Education and Skills	Libraries, Advice, Health & Information Services	The forecast Budget Holder overspend of £157K comprises a £64K net under-recovery of income on the Schools' Library Service, an under-recovery of £75K on other income targets, unfunded salary pressure of £126K, an overspend on casual posts and overtime of £17K offset by a £75K spending reduction on the media fund and several other smaller spending reductions. The under-recovery of income across the service is an on-going pressure that has steadily worsened over the last few years (particularly around buy in from schools). The Service is currently investigating opportunities for new and alternative income streams. This may reduce the pressure but will not remove it completely, and impact in the current year will be reduced due to timing. Salary pressure is due to regrading of staff (£44K higher in the current year due to backdating). There are currently a large volume of vacant posts within the service which is resulting in the use of over-time and casual staff in order to keep libraries open	0.2
<b>Education and Skills</b>			<b>0.4</b>
Finance & Corporate Services	Revenues and Benefits	The pressure is primarily attributable to the cost of temporary staffing as a result of increased levels of work being received, cover for a higher than normal level of staff absence and increased underlying work levels in council tax.	0.5
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
<b>Finance &amp; Corporate Services</b>			<b>0.4</b>
Human Resources	HR - People & Culture	The People and Culture service is forecasting a £118K overspend. This mainly relates to pressures within the Resourcing Team including an un-met savings target, agency covering sickness, increased costs for subscriptions and DBS costs. In addition, there are growing pressures on training and development budgets	0.1
Human Resources	Employment Services	Employment Services has a forecast over-spend of £112K. This relates to a reduction in income from external organisations. It has not been possible to reduce costs further as a range of legislation and regulatory changes has created an increase in overall workload	0.1
Human Resources	ICT & Digital	Digital Services is forecasting a Budget Holder overspend of £183K. This relates to a shortfall on schools' income of £433K due to reduced buy in as schools convert to academies and academies join larger MATs offset by a one off release of £250K reserves. A range of spending reductions are expected to offset the significant pressures of £188K email filtering costs. Spending reductions	0.2



		include a short-term lower level of Microsoft Enterprise licence consumption charges, short-term reduction in "out of hours" service costs and other changes which are in the process of being worked on.	
<b>Human Resources</b>			<b>0.4</b>
Legal & Governance Services	Legal Services	"Recruitment of staff (particularly lawyers) into vacant positions remains a challenging situation within the service despite numerous attempts made to advertise vacancies. As a consequence, there is a significant amount of expenditure (circa £600k) on agency staff which is offset in part by vacancies within the Legal Services team. The service is also managing additional workload in the children's social care sector which has made it difficult to end locum contracts.  An action plan is in place to address the recruitment and retention issues within the team with the expectation that this will show reductions in subsequent quarters."	0.7
Legal & Governance Services	Other Variances Less than 100K		(0.2)
<b>Legal &amp; Governance Services</b>			<b>0.5</b>
People Directorate Management			
<b>People Directorate Management</b>			<b>0.1</b>
Project Management and Property Services	Commercial Property and Development	£1.3m BH variance mainly due to £546k from CPM rental operation and £767k from CCS (City Centre South) project relates to red line area and new acquisitions due to a mix of income reduction and cost increase for void properties/sites. (Detailed breakdown for CPM rental operation £546k: 1. £370k: 4 Agency costs including a service charge accountant, backfill for legal expert post and covering two vacant posts (although there's underspend in centralised variance £121k, it's offset by saving target of £80k). 2. (£45k) extra income generated by the service charge accountant; 3. £104k Contributions to service charges and sinking funds for void units 4. £146k Public lighting, feeder pillars and voids 5. (£74k) Binley Crt/240 Jardine/Riley Sq Binley Crt/240 Jardine/Riley Sq - recharge to tenants of utility costs 6. £45k Professional fees costs to help service achieve income target). Note that £1m further saving target isn't in the ledger yet, so corresponding A60 saving position will be updated once the £1m saving target is actioned, potentially underachieving by £300k, but could be offset by more income generated from R&M service.	1.3
Project Management and Property Services	Facilities & Property Services	(£521k) BH variance due to 1. R&M (£123k) income overachieved based on the current order book for the profit to be generated from margin on jobs (for labour, materials and subcontractors) and additional income from project work expected. 2.	(0.5)

		(£407k) Corporate property building potential underspend due to forecasted drop in utilities costs after offsetting a pressure on Fairfax around £175k. Note that the position may still change due to volatility in the market.	
Project Management and Property Services	PMPS Management & Support	BH Variance (£700k) due to PMPS Property service draw down merit funding £750k, offset saving target of £50k.	(0.7)
<b>Project Management and Property Services</b>			<b>0.1</b>
Public Health	Public Health Staffing & Overheads	A budget holder underspend of £330k, mainly as a result of the release of funding previously held in reserve.	(0.3)
Public Health	Public Health - Migration	A budget holder underspend of £900k as a result of additional grant flexibility and the release of funding previously held in reserve.	(0.9)
Public Health	Other Variances Less than 100K		(0.2)
<b>Public Health</b>			<b>(1.4)</b>
Streetscene & Regulatory Services	Planning Services	There has been an overall reduction in planning applications since COVID which reflects the national trend. (Affecting Majors in particular.) This is partly mitigated by an increase in fees which is expected to be implemented around the start of September 2023.	0.2
Streetscene & Regulatory Services	Streetpride & Parks	The net variation across Streetpride and Parks is c£259k overspend and primarily relates to a) service reviews (Streetpride & Parks) with vacancies(part offset by u/spends on centralised variance) being covered by agency/overtime whilst new structures are being implemented, along with some shortfalls in income (i.e. car parks), b) set up costs and non-achievement of savings targets relating to Coventry Funeral Services c) Pressures in Urban Forestry relating to Tree Surveys, associated remedial works and inflationary increases and cd Traveller Incursion Costs. Some s106 (c£100k) will also be applied.	1.1
Streetscene & Regulatory Services	Waste & Fleet Services	Commercial Waste is currently under review and is forecasting a deficit in excess of £0.5m. A decision has been made for a third party to provide resources to deliver the Waste Collection service alongside CCC staff at a cost of c£522k (partly offset by centralised salary savings on Waste Admin), the WTS no longer has any external customers and although disposal costs have been reduced there is still a deficit of c£156k. Partly offsetting this is an underspend on Waste Disposal costs of (c£314k) due to lower than expected tonnages, anticipated savings of (c£272k) relating to SRL going live in Sept/October and additional income/savings on capital finance costs of c£270k from the EV programme.	0.4
Streetscene & Regulatory Services	Environmental Services	There are vacancies in Street Team Enforcement which are being covered by Agency/Overtime	0.1

		payments c£95k and a shortfall in Pest Control income c£37k.	
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
<b>Streetscene &amp; Regulatory Services</b>			<b>1.9</b>
Transportation & Highways	Parking	There are income pressures in Bus Lane and Parking Enforcement due to temporary bus gates closures, activity levels remaining lower than expected due to the impact of staff vacancies and sickness. These are offset by higher-than-expected car park usage and income.	0.6
Transportation & Highways	Highways	Pressure is largely due to the anticipated costs to be incurred to address highways defects (£350k) and under-recovery within Highways Operations as a result of vacancies and sickness (£400k).	0.8
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
<b>Transportation &amp; Highways</b>			<b>1.5</b>
Ringfenced Funding	SEND & Specialist Services	Dedicated Schools Grant Variance: The LA makes provision for children with high needs in the early years and new to City through a funded support plan, September activity saw an 85% increase against forecast demand. 50% of the forecast demand for external placements has been realised, with the average cost increasing during the year by £6k. In response to the system pressures across Coventry's special schools, top-up values have been inflated to secure sustainability and provision for specialist SEMH has been reviewed in response to increasing needs.	0.4
Ringfenced Funding	Schools	Dedicated Schools Grant Variance: The majority of this under spend relates to the Council's High Needs holding pot. This is budget that has been earmarked to support the Council's overall SEND Strategy and fund known provision cost pressures that will arise in future years.	(2.5)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total Dedicated Schools Grant Variance from the General Fund position.	2.1
<b>Ringfenced Funding</b>			<b>0.0</b>
<b>Total Non-Controllable Variances</b>			<b>17.7</b>

## Appendix 2

### Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Highways Investment	Budget 2023 announced £200 million for highways maintenance for the financial year 2023-2024. Based on the West Midlands Local Authority apportionment this is a further £0.6m funding for Coventry's Highway Investment programme.	0.6
Eastern Green - A45 Overbridge	The awarded £15.6m from Homes England for the delivery of the A45 Overbridge at Eastern Green has now been fully drawn down and passported over to the developer. As Coventry City Council are the accountable body for the delivery of the scheme, there is a legal agreement that the process moving forward will entail the developer re-imbursing CCC all invoiced amounts prior to CCC paying these funds over to the contractor. This ensures no financial risk to CCC.	8.0
On street Residential ChargePoints Phase 8	Report taken to Cabinet 14th February 2023 - Electric Vehicle Charging Infrastructure. Bids were submitted to Office for Zero Emissions Vehicles, which resulted in successful securing £2.8 for On street Residential charge points phase 8.	2.8
Routes to Stations	Successful bid in securing £1.6m from Sustrans to deliver the National Cycling Network across England, through a series of schemes to make the Network safer and more accessible to everyone, to encourage active travel. The awarded funding will deliver cycling network for Warwick University to Charter Avenue and Kenilworth Road to Spencer Park.	1.6
Public Realm - Palmer Lane De-culverting	Report taken to Cabinet 11th July 2023 - Palmer Lane Regeneration. Approval of additional funding of £318k for the delivery of the Palmer Lane project taking the total budget for the delivery of the scheme to £2.4m. Along with noting the grant acceptance of £534k received from Historic Coventry Trust in March 2023 under delegated authority contained in paragraph 2.3.2 (c) of Part 3F (Financial Procedure Rules) of the Council Constitution.	0.9
New Union Street Car Park	Report taken to Cabinet Member for Jobs, Regeneration and Climate Change on 15th June 2023. The Proposed Demolition of New Union St Multi Storey Car Park and Construction of a Surface Car Park on the Site.	1.0
Social Housing Decarbonisation Fund Wave 2	Coventry City Council have been successful in a consortium bid with Citizen Housing to improve the energy efficiency of over 2,000 homes in Coventry over the next two and half years. This Government grant funding (c. £23.8 million) together with Citizen's own investment will total circa £60m and deliver energy efficiency measures to just over 2,000 social housing properties in and around the Coventry area. The housing association worked with Coventry City Council to submit the bid to the Department of Energy Security and Net Zero (formally known as the Department for Business Energy and Industrial Strategy – BEIS). The £23.8m grant will see energy efficient works carried out on properties in the city to improve the Energy Performance to an EPC rating of a C. Works on the homes will predominately improve the fabric and ventilation of a property including, cavity / external wall insulation, increased loft insulation and improving ventilation to reduce the potential for mould growth. This funding is part of the second wave of Social Housing Decarbonisation Funding, which was submitted following joint success with Coventry City Council in the first wave of the bid where funding was secured to improve 95 homes across the city last year.	9.4
Coventry UK Shared Prosperity Fund (UKSPF)	Approval at Cabinet on 14th February 2023, capital allocation for the refurbishment works for the job shop relocation plus grant to business and preparing residents for workspaces	1.2
City Centre South	15th November 2022 Cabinet Approved £5.250m additional resources	4.1
Miscellaneous	Schemes below £250k threshold	0.1
<b>TOTAL APPROVED / TECHNICAL CHANGES</b>		<b>29.7</b>

## Appendix 3

### Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
Very Light Rail	Spend has slowed down because we are still working with DfT to understand and agree the process for drawing down the phase 2 to 4 allocation. As yet, Coventry only secured phase 1 spend in 2023 (£6.4m was confirmed in Feb 23 and the remaining phase 1 balance of £2.5m was confirmed in July 23). Consequently, CCC took a decision to limit the amount of spend at risk and the programme was slowed down. CCC are confident we will spend the reprofiled forecast within the current predicted timescales.	(6.2)
Foleshill Transport Package	Delays in the consultation on Foleshill along with a more detailed approval process than anticipated at WMCA in achieving business case sign off has resulted in the programme slipping.	(2.8)
Coventry South Package	The previous forecast was based on a programme to deliver extensive improvements at Asda roundabout as an early phase within the programme. Further transport modelling assessments have demonstrated that a further round of option appraisal is needed to identify the best scheme to achieve all identified objectives at this junction, and the outcome of this will be reported back in due course. The current spend profile reflects the revised programme for design development of the Asda Roundabout scheme, with the Abbey Road junction improvement being the first element of the package to be delivered during 2023/24.	(3.3)
Schools Basic Need	Forecasts for 23/24 have been realigned to reflect the 22/23 rescheduling. There was £3m more spent in 22/23 which has reduced the forecasts accordingly	1.4
Woodlands School	Project delayed due to planning pre-commencement conditions issues and change of requirement by SSMAT in relation to the temporary accommodation to rehouse pupils out of building scheduled for demolition	(10.3)
Schools Condition	Additional funding received in 20/21 of £1m was carried forward to 21/22, we then received a further £1m grant from DFE, taking into account these additional funds being carried forward into 22/23 and not all funds being spent, this has increased the 23/24 available funds to be able to fund additional works on schools this year.	0.9
Disabled Facilities Grants	When the budget was set for 23/24 it included funds for a new home for children with disabilities, this should have reduced the main DFG forecast line but was put in as an additional line so overstated the base budget for the main DFG programme by £1m, this has now been adjusted at Qtr1 to reflect the correct 23/24 forecast	(0.9)
City Centre South	It was previously assumed that the demolition would complete during 2023/24. This date has moved as a result of changes to the development programme whilst waiting for the CPO to be confirmed and the relevant legal agreements with the developer to be finalised. The developer is now anticipating they will begin demolition in April 2024. The demolition is currently forecast to be in one phase and take up to 12 months.	(17.4)
Miscellaneous	Schemes below £250k rescheduling	(0.3)
<b>TOTAL RESCHEDULING</b>		<b>(38.9)</b>

## Appendix 4

### Capital Programme: Analysis of Over / Under Spend

<b>SCHEME</b>	<b>EXPLANATION</b>	<b>£m</b>
Sustainable Warmth Competition	The underspend is a result of low uptake from residents for the off-gas section of the Sustainable warmth competition. The remaining element of the grant has been returned to Midland Net Zero Hub (MNZH).	(0.2)
Miscellaneous	Schemes below £250k threshold	(0.2)
<b>TOTAL UNDERSPEND</b>		<b>(0.4)</b>

## Appendix 5

### Prudential Indicators

Indicator	per Treasury Management Strategy 2023/24	As at 30 June 2023
<b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b> , This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.	14.98%	14.73%
<b>Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2023 plus the estimates of any additional CFR in the next 3 years (Indicator 2)</b> , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £546.2m	£317.0m Gross borrowing within the limit.
<b>Authorised Limit for External Debt (Indicator 5)</b> , 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.	£534.8m	£317.0m is less than the authorised limit.
<b>Operational Boundary for External Debt (Indicator 6)</b> , 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.	£514.8m	£317.0m is less than the operational boundary.
<b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9)</b> , 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.	£480.9m	£204.0m
<b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)</b> , as above highlighting interest rate exposure risk.	£96.2m	£66.7m
<b>Maturity Structure Limits (Indicator 10)</b> , This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.		
< 12 months	0% to 50%	8%

12 months – 24 months	0% to 20%	12%
24 months – 5 years	0% to 30%	7%
5 years – 10 years	0% to 30%	12%
10 years +	40% to 100%	61%
<b><i>Investments Longer than 364 Days (Indicator 11)</i></b> , This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.	£30m	£0.0m





Cabinet  
Council

29<sup>th</sup> August 2023  
5<sup>th</sup> September 2023

**Name of Cabinet Member:**

Cabinet Member for Housing and Communities – Councillor D Welsh

**Director approving submission of the report:**

Director of Streetscene and Regulatory Services

**Ward(s) affected:**

Cheylesmore, Earlsdon, Foleshill, Lower Stoke, Radford, Sherbourne, St. Michaels, Upper Stoke, Wainbody, Westwood, Whoberley

**Title:**

Confirmation of Article 4 Direction in respect of Homes in Multiple Occupation (HMO)

**Is this a key decision?**

Yes - the proposals are likely to have a significant impact on residents or businesses in two or more electoral wards in the city.

**Executive summary:**

Houses in Multiple Occupancy (HMOs) can provide entry level accommodation but can also bring significant disruption to settled neighbourhoods. In order to ensure that HMOs come forward in ways that integrate with existing neighbourhoods, an Article 4 Direction is proposed in the wards most impacted by HMO's currently, and those most likely to be in the future.

Further to a consultation process undertaken from September 2022, this report now seeks authority to confirm the Article 4 direction, this direction will remove the permitted development rights of changes of use from C3 (dwellinghouses) to C4 (houses in multiple occupation) therefore requiring planning permissions to be sought.

**Recommendations:**

Cabinet is requested to recommend that Council:

- 1) Approves the confirmation of the Article 4 direction and the undertaking of the necessary legislative steps for implementation of the order.
- 2) Delegates authority to the Director of Streetscene and Regulatory Services, following consultation with the Cabinet Member for Housing and Communities, to authorise any non-substantive changes to the documents.
- 3) Note that if confirmed, the Article 4 Direction will come into force on the 30<sup>th</sup> September 2023.

Council is requested to:

- 1) Approve the confirmation of the Article 4 direction and including but not limited the undertaking of the necessary legislative steps for implementation of the order.
- 2) Delegate authority to the Director of Streetscene and Regulatory Services, following consultation with the Cabinet Member for Housing and Communities, to authorise any non-substantive changes to the documents.
- 3) Note that if confirmed, the Article 4 Direction will come into force on the 30<sup>th</sup> September 2023.

**List of Appendices included:**

The following appendices are attached to the report:

Appendix 1 – Homes in Multiple Occupation Draft Article 4 Direction  
Appendix 2 – Public Consultation Report Summary  
Appendix 3 - Equality Impact Assessment

**Background papers:**

None

**Other useful documents**

Cabinet Report - 30<sup>th</sup> August 2022 / Council 6<sup>th</sup> September 2022 - Houses in Multiple Occupancy (HMO) Development Plan Document (DPD) Public Consultation

Cabinet Report - 14<sup>th</sup> March 2023 / Council 21<sup>st</sup> March 2023 - Homes in Multiple Occupation Development Plan Document Proposed Submission (Regulation 19) Consultation

Communities and Neighbourhoods Scrutiny Board (4) 6<sup>th</sup> October 2022 – Houses in Multiple Occupancy (HMO) Development Plan Document (DPD) and Article 4 Direction Public Consultations (Pages 9 – 44)

Coventry City Council Local Plan

**Has it or will it be considered by Scrutiny?**

Yes – The matter was submitted to Communities and Neighbourhoods Scrutiny Board (4) at their meeting on 6<sup>th</sup> October 2022, as part of the consultation process.

**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 – 5<sup>th</sup> September 2023

**Report title:**

**Confirmation of Article 4 Direction in respect of Homes in Multiple Occupation (HMO)**

**1. Context (or background)**

- 1.1 Houses of Multiple Occupancy are dwellings where unconnected individuals live with communal facilities. As a Council we already administer an additional licencing regime for HMOs which sits separate and distinct to the planning system.
- 1.2. Policy H11 of the Local Plan 2017 addresses 'large' HMOs i.e., those for seven unconnected people or more. However, smaller HMOs do not require planning permission as conversion from a dwellinghouse to a small HMO is a Permitted Development right.
- 1.3. HMOs offer a valuable source of housing to many in the city, often the most vulnerable residents. However, where HMOs predominate in an area there are a number of issues that this can bring, these issues are identified in the draft HMO DPD. The intent is not to stop the development of HMOs but to ensure that they integrate well with the existing environment.
- 1.4 In drawing the boundaries of the Article 4 Direction area, officers have been cognisant of the requirements of the National Planning Policy Framework (NPPF) paragraph 53 for making sure the area is as based on robust evidence and applies to the smallest geographical area possible, whilst also considering the likely impacts on similar dwelling typologies.
- 1.5 On 15 February 2022 Cabinet (minute 77/21 refers) adopted a new Local Development Scheme that set out a timetable for the HMO DPD and Article 4 Direction, this report aligns with these established timelines.
- 1.6 The HMO DPD, which will inform future assessment of HMO planning applications, has been given delegated authority to be submitted to the planning inspectorate by Cabinet and Council in March 2023. This document can however be referred to in assessment of planning applications with 'limited weight' prior to its examination and anticipated adoption.
- 1.7 The Article 4 direction has been subject to public consultation alongside the HMO DPD, with responses to the consultation considered prior to recommendation to confirm the order, these responses are included at Appendix 2 to the report.
- 1.8 Authority is now sought to confirm the order and implement at the earliest opportunity, subject to the undertaking of the required steps in legislation.

**2. Options considered and recommended proposal.**

- 2.1 Do Nothing - Cabinet could choose not to recommend to Council the confirmation of the Article 4 Direction however, this would limit the Authority in ensuring such accommodation successfully integrates with existing neighbourhoods in the affected Wards. This option is therefore not recommended.
- 2.1. Approve the recommendation in the report - Cabinet is suggested to recommend that Full Council approves the confirmation of the Article 4 direction and the undertaking of the necessary legislative steps of implementation. The reason for supporting this option is set out in the body of this report.

### **3. Results of consultation undertaken**

- 3.1. Included at Appendix 2 to the report is a summary of received representations to the public consultation undertaken on the proposed Article 4 direction. No changes are proposed to the Article 4 direction in response to the representations received, with reasoning outlined within the Appendix.

### **4. Timetable for implementing this decision.**

- 4.1. Further to approval by Cabinet and Council, the Direction will be brought into force at the earliest opportunity, subject to undertaking the necessary legislative steps of implementation.

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

#### **5.1. Financial Implications**

There are no financial implications associated with this report.

#### **5.2. Legal Implications**

The process for preparing an Article 4 Direction is set out in the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended).

The only mechanism available to local authorities to remove permitted development rights where they otherwise apply is through a direction under Article 4 of the General Permitted Development Order ("GDPO"). An Article 4 direction removes a specified permitted development right in a defined area. Proposed development that would otherwise be automatically permitted then requires planning permission to proceed. This enables the local authority to determine the merits of the proposed development via a planning application, having regard to its development plan policies and any other material considerations.

In deciding whether to confirm a direction, the local planning authority must take into account any representations received during the consultation period.

Section 108 of the Town and Country Planning Act makes provision for compensation to be payable where an application for planning permission (that would formally have been permitted development) is refused or is granted subject to conditions different from those in the GDPO. However, so long as 12 months' notice is given before the Article 4 direction takes effect, no compensation will be payable.

When considering the recommendations in this report, regard must be given to the public sector equalities duty to eliminate unlawful conduct under the Equality Act 2010. The duty is set out at Section 149 of the 2010 Act. It requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimization and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. An equalities impact assessment has been carried out which is attached at Appendix 3 of this report.

## **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>

This Article 4 Direction will help ensure that resident's quality of life is maintained and that, where an application is appropriate, they are more attractive within their current environment., thereby supporting the aims and objectives of the One Coventry Corporate Plan.

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

The Authority has undertaken the required notification steps in order to satisfy the requirements of the legislation and manage the risk of claim to the authority of the introduction of the Article 4 Direction. Due to a delay in publication of the press notice of the proposed order to the 29<sup>th</sup> September 2022, the proposed introduction date of the Direction has been revised to the 30<sup>th</sup> September 2023 in order to ensure a full 12 month notice period has been served through all methods of notification. A further round of notification will be undertaken, in line with the requirements of the legislation following the confirmation of the Direction.

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

The ratification of the Article 4 Direction is anticipated to create additional planning application workloads, however it is anticipated that this can be managed within existing resource.

### **6.4. Equalities / EIA?**

A full Equality and Impact Assessment (EqIA) was undertaken as part of developing the Local Plan. As part of that analysis, the Council had due regard to its public sector equality duty under section 149 of the Equality Act (2010). The Development Planning Document creates additional policy and so a further EIA has been undertaken (Appendix 3 to the report refers).

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

There is no direct impact from the recommendations of the report.

### **6.6. Implications for partner organisations?**

None

**Report author:**

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**Service Area:**

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Streetscene and Regulatory Services

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Michelle Salmon	Governance Services Officer	Law and Governance	3.8.2023	3.8.2023
Rob Back	Strategic Lead Planning	Streetscene and Regulatory Services	3.8.2023	8.8.2023
<b>Names of approvers for submission: (officers and members)</b>				
Cath Crosby	Lead Accountant, Business Partnering, Place	Finance	3.8.2023	3.8.2023
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	3.8.2023	7.8.2023
Andrew Walster	Director of Streetscene and Regulatory Services	-	3.8.2023	3.8.2023
Councillor D Welsh	Cabinet Member for Housing and Communities	-	3.8.2023	3.8.2023

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COVENTRY CITY COUNCIL

TOWN AND COUNTRY PLANNING (GENERAL PERMITTED DEVELOPMENT) (ENGLAND) ORDER  
2015 (as amended)

HOMES IN MULTIPLE OCCUPATION (HMO)

DIRECTION MADE UNDER ARTICLE 4(1) TO WHICH SCHEDULE 3(1) APPLIES

WHEREAS Coventry City Council ("the Council") being the appropriate local planning authority within the meaning of Article 4(5) of the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) ("the Order"), are satisfied that it is expedient that development of the description(s) set out in the **Second Schedule** below should not be carried out on the land identified in the **First Schedule** and shown edged red on the map in the **Third Schedule** below ("the Land"), unless planning permission is granted on an application made under Part III of the Town and Country Planning Act 1990 (as amended).

For the avoidance of doubt, the Council is satisfied that the Direction is necessary to protect the amenity of the Land and in the interests of good planning.

NOW THEREFORE THE SAID Council in pursuance of the power conferred on them by Article 4(1) of the Order hereby directs that the permission granted by Article 3 of the Order shall not apply to development on the Land (as more particularly defined in the **First Schedule** and shown in **Schedule 3**) of the description(s) set out in the **Second Schedule** below, unless planning permission is granted on an application made under Part III of the Town and Country Planning Act 1990 (as amended).

### FIRST SCHEDULE

The following Wards ARE SUBJECT to this Direction:

- Cheylesmore
- Earlsdon
- Foleshill
- Lower Stoke
- Radford
- Sherbourne
- St. Michaels
- Upper Stoke
- Wainbody,
- Westwood
- Whoberley

### SECOND SCHEDULE

Part 3 of Schedule 2 to the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended)

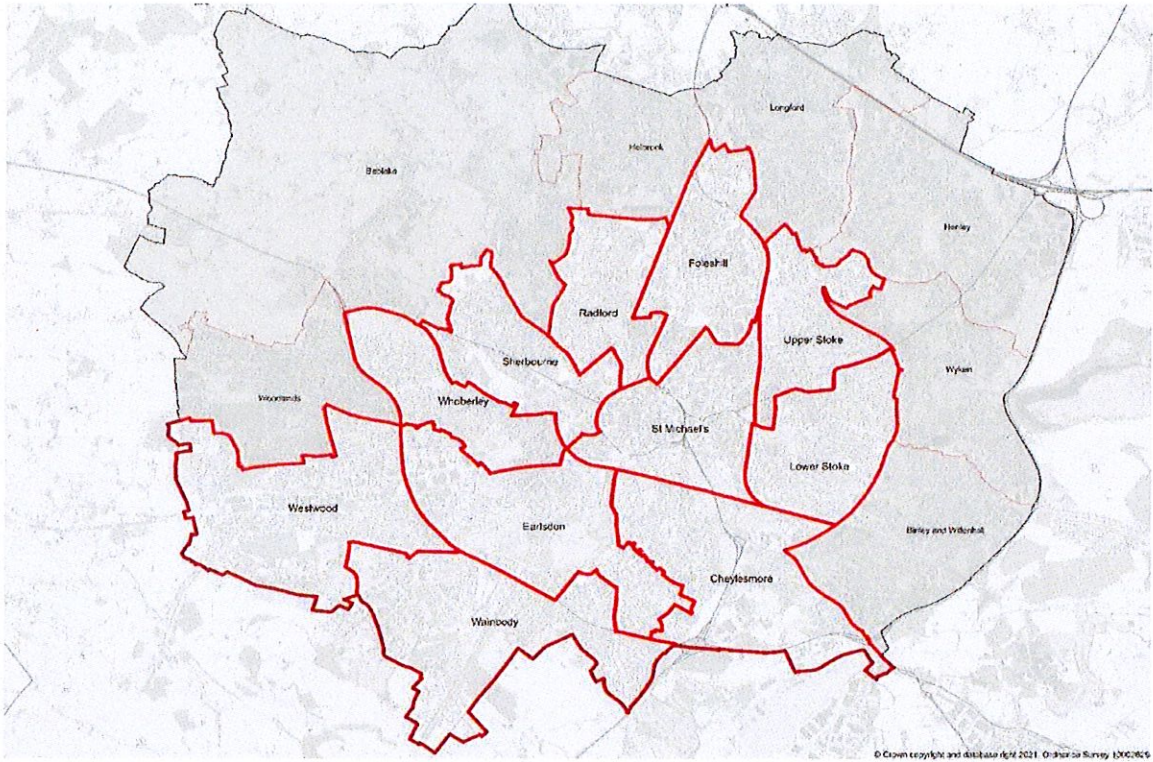
Class L (b)

Development consisting of a change of use of a building from a use falling within Class C3 (dwellinghouses) of the Schedule to the Town and Country Planning (Use Classes) Order 1987 as amended, to a use falling within Class C4 (houses in multiple occupation) of that Schedule.



THIRD SCHEDULE

(Boundary map showing Wards subject to this direction)



To be completed when making the Article 4 Direction

Made under the Common Seal of Coventry City Council on this 8<sup>th</sup> day of September 2022

The Common Seal of the Council of the City  
of Coventry was hereunto affixed to this  
Direction in the presence of



Authorised Signatory



To be complete when confirming the Article 4 Direction

This Direction was confirmed under the Common Seal  
of Coventry City Council this ..... day of ..... 202

The Common Seal of the Council of the City  
of Coventry was hereunto affixed to this  
Direction in the presence of

Authorised Signatory

**Homes in Multiple Occupation (HMO)**  
**Public Consultation September – December 2022**  
**Summary of consultation responses**

[Confirmation of Article 4 Direction in respect of Homes in Multiple Occupation \(HMO\)](#)

[CABINET & COUNCIL REPORT – APPENDIX 2](#)

[Article 4 Direction responses](#)

<b>Respondent / agent</b>	<b>Consultation response (summary)</b>	<b>Officer response</b>	<b>Proposed change to A4D</b>
Resident	<p>Although I see the importance of HMO's I strongly feel that it needs to be managed and monitored correctly to preserve local community services. Regarding changing numerous family homes into HMO's will of course reduce the number of families in the area and therefore will have a knock-on effect on families already living in the area. Schools (especially primary) will close as they will not have the children living in the area (already in Cheylesmore and Styvechale two primary schools have been reduced to half form and one form entry respectively). Therefore, the families that are still in that area will have to travel out of their local neighbourhood to take children to school. This will increase the need for car usage, instead of walking, and therefore have an impact on family health (reduction in exercise) and the environment and carbon emissions. Furthermore, this reduces the ability for these families to connect and network within their own community and could impact on mental health as they may feel isolated from their friends and support network (because they live in different areas of the city but attend the same school). New parents seek support from parent groups that are held in their local church or community centre and for some this is a lifeline in helping them cope with the changes in family life. Local community centres and</p>	<p>At the current time, any proposal for a small HMO is classed as permitted development. However, the draft DPD is being developed in parallel with a proposed Article 4 Direction which will seek to withdraw permitted development rights for small HMOs. There are significant existing concentrations of HMOs in certain wards across the city, where an Article 4 Direction will be developed (expected to be in place by 2023) removing permitted development rights for small HMO proposals (less than 6 unrelated occupants in a single dwelling). The introduction of an Article 4 Direction will not stop HMOs it will mean anyone who wishes to create a new HMO will need to apply for planning permission. All such applications will then be assessed against the policies within the HMO DPD.</p>	No change.

**Homes in Multiple Occupation (HMO)**  
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	<p>schools offer a space for families to come together and connect to improve the area (in Cheylesmore there are numerous events held by volunteers who live in and surrounding areas). Neighbourhood services such as community centres, libraries and healthcare settings will become affected as the demographics change and services will change accordingly. In a society where children and families (especially those with lower incomes) are being stretched, and therefore their well-being and mental health being strained, communities need to be able to come together and support one another and this usually starts with local schools and community services that are within walking distance of their home. My children are at university and use HMO's for their living arrangements so I fully support HMO's but they need to be managed correctly – including ensuring the landlords are following guidelines correctly and providing decent homes for the occupants. Neighbourhoods, and communities, need to remain demographically diverse and can only be achieved by careful management of the housing within the area to avoid areas being dominated by HMO's.</p>		
Chapelfields Area Residents' and Traders' Association (CARTA)	<p>Our area was designated a Conservation Area in 1976 to ensure that the area maintains its unique character and provides protection for the historical watchmakers' buildings. The majority of housing was built in the mid to late 1800s to support the watchmaking industry in the city. The properties are generally narrow terraced houses, built directly on to the street or with small front yards, i.e. there is very limited off road parking. A small number of more recent developments do have parking provided for residents (often 1 single space for a 2</p>	Comment of support noted.	No change.

**Homes in Multiple Occupation (HMO)**  
**Public Consultation September – December 2022**  
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	<p>bedroom house). In addition to the residential properties we also continue to have a rich pub culture with 6 pubs in the area. Until recently the area was popular with families. The majority of properties are between 2-4 bedrooms, have good sized rear gardens and the area is conveniently located for local primary schools and within walking distance of the city centre. Families would often stay in the area for many years, however, in the last 5-10 years estate agents have been marketing the area to investors. This has meant that a number of family homes have been converted into HMOs. The impact on the area has been huge. Where previously residents would stay in the area for years now we have tenants of HMOs who stay for a matter of months. The parking situation has become unbearable, with some houses now having 4-5 cars where before they would have had 1-2. Long term residents are considering leaving the area because of the number of HMOs. We believe Article 4 is essential to stopping the further decline of our community. This will ensure that any change of use from a single dwelling to an HMO requires planning permission.</p>		
Resident	<p>I write in support of introducing Article 4 Direction in Coventry, and Cannon Park estate in particular. The estate is now almost unrecognisable in some areas. The density of licenced HMOs and smaller student rentals has completely changed the demographic of the estate. Generally (not always) the student homes are in disrepair, front gardens are not managed, litter is a problem as is the proliferation of shopping trollies all over the estate. I urge you to take the above into account and look at the statistics for saturation of student lettings versus family homes on Cannon Park estate and</p>	<p>Comments of support noted. The Cannon Park area falls within the Wainbody electoral ward and is proposed to be included in the Article 4 Direction area. This will ensure that once the Article 4 Direction comes into effect, the permitted development right will not apply and any proposal to convert residential property to a HMO will require planning permission. Licensing is dealt with under a separate regime to planning and so all licensing matters will remain the responsibility of the Councils licensing team.</p>	No change.

**Homes in Multiple Occupation (HMO)**  
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	implement Article 4 as a matter of urgency. I would also ask that any retrospective applications for HMO licences are denied.		
Coventry Action for Neighbourhoods	The Coventry Action for Neighbourhoods was set up eight years ago to try and get the city council to take on board Article 4 Direction like many other University cities around the country, to stop areas of the city being taken over with HMO's and changing the make up of the local neighbourhood. Over the many years we have produced a newsletter, all can be seen on the Coventry Action for Neighbourhoods facebook site. Every week the newsletter is sent to all standing Coventry City Councillors so by now they should know our thoughts.	Comments of observation and support noted.	No change.
Resident	In response to Article 4 proposal, I consider setting a maximum number of HMO's in a residential area is appropriate. I would support a 5% level for local areas, to maintain a balance in the community.	The setting of a 10% threshold was given to represent a fair and modest level based on the size and scale of the challenge of the intervention the Council is aiming to address. Moreover, research based on similar size cities across the country which have already implemented a policy intervention to address HMO challenges, also suggests that the threshold of 10% would be appropriate and reasonable.	No change.
Resident	I do not believe that the houses in the Moreall meadows estate are suitable or should be used as HMOs as they are family homes designed for the use of families. I therefore do not want HMOs on the estate.	The properties to which you refer fall within the Wainbody electoral ward and are proposed to be included in the Article 4 Direction area. This will ensure that once the Article 4 Direction comes into effect, the permitted development right will not apply and any proposal to convert residential property to a HMO will require planning permission.	No change.
Resident	I support the proposed changes to planning regulations to control the future number of HMOs. These powers need to be linked to the licensing controls on existing	The 11 selected wards that have been selected as part of the proposed Article 4 Direction area is based on a review of the available evidence on HMO	No change.

**Homes in Multiple Occupation (HMO)**  
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	<p>HMOs, because there are already many issues in some neighbourhoods. Also, I am concerned that the proposals do not cover all wards. In some other English cities, there are examples where because of planning and licensing changes in some wards, landlords have chosen to set up HMOs in wards that are not covered by these control schemes.</p>	<p>density, an analysis of Lower Super Output Area (LSOA) data and local community feedback that links issues such as anti-social behaviour back to the intensity of HMO concentrations. This approach also considers the issue of displacement, ensuring that developers cannot simply move a few yards down the road from an existing hot spot and renew the HMO development process. A ward based approach also offers easily understood boundaries in that existing ward boundaries are well established and generally well understood.</p>	
<p>West Midlands Police</p>	<p>The CCWMP supports the purpose of the Article 4 Direction and DPDs, and the 4 proposed policies therein, to enable the Council to manage the distribution and concentrations of HMOs within the City, in line with national planning policy and specifically the adopted policies of the Coventry City Local Plan. The CCWMP formally requests that the Article 4 Direction be amended to include all wards within the City (as opposed to the 11 wards presently identified) to ensure that the proposed policy controls within the DPD apply to all areas of the City and to avoid the displacement of the over-concentration of HMOs to the presently omitted areas.</p>	<p>Comments of support noted. The 11 selected wards that have been selected as part of the proposed Article 4 Direction area is based on a review of the available evidence on HMO density, an analysis of Lower Super Output Area (LSOA) data and local community feedback that links issues such as anti-social behaviour back to the intensity of HMO concentrations. This approach also considers the issue of displacement, ensuring that developers cannot simply move a few yards down the road from an existing hot spot and renew the HMO development process. A ward based approach also offers easily understood boundaries in that existing ward boundaries are well established and generally well understood. It is respectfully stated that the full rationale and explanation of this approach is set out in the evidence based documents that support the Article 4 Direction which clearly articulates the reasons why a city wide approach is not appropriate based on the available evidence. In drawing the boundaries of the Article 4 Direction area officers</p>	<p>No change.</p>

**Homes in Multiple Occupation (HMO)**  
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**Summary of consultation responses**

		have been cognisant of the requirements of the National Planning Policy Framework (NPPF) paragraph 53 for making sure the area is as based on robust evidence and applies to the smallest geographical area possible, whilst also considering the likely impacts on similar dwelling typologies.	
Safe HMO	Article 4 will effectively halt local private accommodation being limited or not available to these potential students, and therefore restrict the number of good quality accommodation being built in Coventry. In addition, with Article 4 directive and its ability to restrict HMO development, & therefore with less accommodation available for students it will also drive up the un-affordability within the existing housing stock that's available, for students. An Article 4 directive will not therefore resolve this problem and by further restricting more quality private HMO accommodation being built, (which in essence is what Coventry needs, both for the local businesses and student demand to strive going forward), will in fact have a negative effect on the local economy & inward investment coming into the City on a yearly basis, both from students and businesses alike.	The purpose of the Article 4 Direction is to remove permitted development rights for the change of use of dwelling houses (C3 use) to small houses in multiple occupation (C4 use) so that any proposal of this type will require planning permission. It is not the intention of the Article 4 Direction to halt local private accommodation being used to accommodate students in any way whatsoever. As the report put before the Councils Cabinet on 30 August 2022 outlined, the Council's intentions with the Article 4 Direction are to change the rules which would prevent landlords and property developers from turning some residential homes into HMOs without full planning permission. In doing so, the move would prevent any unnecessary and avoidable displacement of families searching for properties and provides opportunities for those looking to get onto the property ladder by limiting the number of HMOs in certain wards, and ensuring that they are not located so closely together.	No change.
Cannon Park Community Association	Whilst CPCA generally welcomes the introduction of Article 4 Direction, the consultation documentation would benefit from a very clear position being made about its application in areas such as Cannon Park Estate where the stated threshold of 10% HMOs is already significantly exceeded. Whilst appreciating this is not just	The purpose of the Article 4 Direction is to remove permitted development rights for the change of use of dwelling houses (C3 use) to small houses in multiple occupation (C4 use) so that any proposal of this type will require planning permission. It is not the intention of the Article 4 Direction to halt local	No change.



**Homes in Multiple Occupation (HMO)**  
**Public Consultation September – December 2022**  
**Summary of consultation responses**

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	<p>a Cannon Park issue when taken in the context of the whole city, this is a very important concern to those who continue to own and occupy homes in the area.</p>	<p>private accommodation being used to accommodate students in any way whatsoever. As the report put before the Council's Cabinet on 30 August 2022 outlined, the Council's intentions with the Article 4 Direction are to change the rules which would prevent landlords and property developers from turning some residential homes into HMOs without full planning permission. In doing so, the move would prevent any unnecessary and avoidable displacement of families searching for properties and provides opportunities for those looking to get onto the property ladder by limiting the number of HMOs in certain wards, and ensuring that they are not located so closely together.</p>	
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## EQUALITY IMPACT ASSESSMENT (EIA)



<b>Title of EIA</b>		<b>Homes in Multiple Occupation (HMO) DPD Consultation Draft (Regulation 18)</b>
<b>EIA Author</b>	Name	<b>Rob Haigh</b>
	Position	<b>Senior Planning Policy Officer</b>
	Date of completion	<b>25/07/2022</b>
<b>Head of Service</b>	Name	<b>David Butler</b>
	Position	<b>Head of Planning Policy and Environment</b>
<b>Cabinet Member</b>	Name	<b>Councillor David Welsh</b>
	Portfolio	<b>Housing and Communities</b>

EIA	<ul style="list-style-type: none"> <li>Having identified an EIA is required, ensure that the EIA form is completed as early as possible.</li> <li>Any advice or guidance can be obtained by contacting Jaspal Mann (Equalities) or Hannah Watts (Health Inequalities)</li> </ul>
Sign Off	<ul style="list-style-type: none"> <li>Brief the relevant Head of Service/Director/Elected Member for sign off</li> <li>Have the EIA Form ready for consultation if it is required</li> <li>Amend according to consultation feedback and brief decision makers of any changes</li> </ul>
Action	<ul style="list-style-type: none"> <li>Implement project / changes or finalise policy/strategy/contract</li> <li>Monitor equalities impact and mitigations as evidence of duty of care</li> </ul>

**PLEASE REFER TO [EIA GUIDANCE](#) FOR ADVICE ON COMPLETING THIS FORM**

### SECTION 1 – Context & Background

1.1 Please tick one of the following options:

This EIA is being carried out on:

- New policy / strategy
- New service
- Review of policy / strategy
- Review of service
- Commissioning



Other project (*please give details*) *Development Plan Document for Homes in Multiple Occupation (HMO).*

### 1.2 In summary, what is the background to this EIA?

The HMO (DPD) adds further complementary policy details to the Local Plan which was adopted on 6<sup>th</sup> December 2017 and for which EIA was undertaken. DPDs introduce new policy and provide further detail to enable and manage future development in the city.

Delivering sufficient land to enable homes to be built over the Plan period to 2031 is a key objective of the adopted Coventry Local Plan. The aim of this DPD is to set out the detailed policy framework that will be used for the determination of HMO planning applications in Coventry. The policies contained within the DPD will provide further detail to the strategic policies set out in the Council's Local Plan and City Centre Area Action Plan and national policy as set out in the National Planning Policy Framework.

### 1.3 Who are the main stakeholders involved? Who will be affected?

Applicants who are required to submit planning applications for HMO schemes, agents and individuals who may want to let private housing and those members of the community who need to access HMOs. The Government defines a HMO<sup>1</sup> as:

*“ Your home is a house in multiple occupation (HMO) if both of the following apply:*

- *at least 3 tenants live there, forming more than 1 household*
- *you share toilet, bathroom or kitchen facilities with other tenants*

*Your home is a large HMO if both of the following apply:*

- *at least 5 tenants live there, forming more than 1 household*
- *you share toilet, bathroom or kitchen facilities with other tenants*

*A household is either a single person or members of the same family who live together. A family includes people who are:*

- *married or living together - including people in same-sex relationships*
- *relatives or half-relatives, for example grandparents, aunts, uncles, siblings*
- *step-parents and step-children”.*

### 1.4 Who will be responsible for implementing the findings of this EIA?

Coventry City Council Planning Policy Service.

<sup>1</sup> [www.gov.uk/private-renting/houses-in-multiple-occupation](http://www.gov.uk/private-renting/houses-in-multiple-occupation)



## SECTION 2 – Consideration of Impact

*Refer to guidance note for more detailed advice on completing this section.*

In order to ensure that we do not discriminate in the way our activities are designed, developed and delivered, we must look at our duty to:

- Eliminate discrimination, harassment, victimisation and any other conflict that is prohibited by the Equality Act 2010
- Advance equality of opportunity between two persons who share a relevant protected characteristic and those who do not
- Foster good relations between persons who share a relevant protected characteristic and those who do not

### 2.1 Baseline data and information

Please include a summary of data analysis below, using both your own service level management information and also drawing comparisons with local data where necessary (go to <https://www.coventry.gov.uk/factsaboutcoventry>)

The HMO DPD was formulated using detailed evidence including a bespoke evidence gathering document and an independent study. The HMO DPD will be independently examined by a Planning Inspector to ensure that its policies are robust and formulated using appropriate evidence before it can be adopted. Further detail on the HMO DPD and the evidence base can be found here: [www.coventry.gov.uk/planning-policy](http://www.coventry.gov.uk/planning-policy)  
 This DPD sets out the policy position in managing and guiding decision makers in determining HMO planning applications across the city.

2.2 On the basis of evidence, complete the table below to show what the potential impact is for each of the protected groups.

- Positive impact (P),
- Negative impact (N)
- Both positive and negative impacts (PN)
- No impact (NI)
- Insufficient data (ID)

*\*Any impact on the Council workforce should be included under question 2.6 – not below*

Protected Characteristic	Impact type	Nature of impact and any mitigations required
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## EQUALITY IMPACT ASSESSMENT (EIA)



	P, N, PN, NI or ID	
Age 0-18	<b>P</b>	HMOs are aimed at those whose needs are not met by the market. Whilst those aged 0-18 would generally not be directly able to access HMO products, many will live in households where their parents and carers will not be able to afford open market homes and thus they will indirectly benefit from the policies. 22.5% of children live in low income families which is above the regional and national average (20.2% and 17% respectively) <sup>2</sup>
Age 19-64	<b>P</b>	HMO housing is aimed at those whose needs are such that they cannot or are unable to buy in the open market for a variety of social and economic reasons. The average gross disposable household income for Coventry is below the regional and national average (£15,353 per head per annum compared to £18,222 and £21,609 respectively in 2018), and the average house price was £185,000 (October 2019 to September 2020 figures). Currently the claimant count stands at 15,320 (ONS July 2021) compared to 8,000 in March 2020. The DPD has the potential for improvement of the quality of HMOs. HMOs have the potential to benefit the wider local community by reducing social and environmental factors associated with high concentrations of HMOs relating to noise, rubbish and general upkeep.
Age 65+	<b>P</b>	See above in terms of disposable household income and average house prices. Some HMO products (as defined by the Government in the National Planning Policy Framework) will be applicable depending upon the individual / household circumstances
Disability	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Gender reassignment	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Marriage and Civil Partnership	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Pregnancy and maternity	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Race (Including: colour, nationality,	<b>ID</b>	No direct impact although Coventry has a diverse population and affordable products will be applicable depending upon the individual / household circumstances

<sup>2</sup> <https://www.gov.uk/government/statistics/children-in-low-income-families-local-area-statistics-201415-to-201819>

## EQUALITY IMPACT ASSESSMENT (EIA)



citizenship ethnic or national origins)		
Religion and belief	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Sex	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances
Sexual orientation	<b>ID</b>	No direct impact although some HMO products will be applicable depending upon the individual / household circumstances

### HEALTH INEQUALITIES

<b>2.3</b>	<p>Health inequalities (HI) are unjust differences in health and wellbeing between different groups of people which arise because of the conditions in which we are born, grow, live, work and age. These conditions influence our opportunities for good health, and result in stark differences in how long we live and how many years we live in good health.</p> <p>Many issues can have an impact: income, unemployment, work conditions, education and skills, our living situation, individual characteristics and experiences, such as age, gender, disability and ethnicity</p> <p>A wide range of services can make a difference to reducing health inequalities. Whether you work with children and young people, design roads or infrastructure, support people into employment or deal with welfare benefits – policy decisions and strategies can help to reduce health inequalities</p> <p><b>Please answer the questions below to help identify if the area of work will have any impact on health inequalities, positive or negative.</b></p> <p><b>If you need assistance in completing this section please contact: Hannah Watts (<a href="mailto:hannah.watts@coventry.gov.uk">hannah.watts@coventry.gov.uk</a>) in Public Health for more information. More details and worked examples can be found at <a href="https://coventrycc.sharepoint.com/Info/Pages/What-is-an-Equality-Impact-Assessment-(EIA).aspx">https://coventrycc.sharepoint.com/Info/Pages/What-is-an-Equality-Impact-Assessment-(EIA).aspx</a></b></p>	
Question	Issues to consider	
2.3a What HIs exist in relation to	<ul style="list-style-type: none"> <li>Explore existing data sources on the distribution of health across different population groups (<i>examples of where to find data to be included in support materials</i>)</li> </ul>	

## EQUALITY IMPACT ASSESSMENT (EIA)



<p>your work / plan / strategy</p>	<ul style="list-style-type: none"> <li>● Consider protected characteristics and different dimensions of HI such as socio-economic status or geographical deprivation</li> </ul>
	<p>Response:</p> <p>The HMO DPD supplements and provides complementary policies to Policy H11 of the adopted Local Plan which was subject to a Health Impact Assessment. The Health and Wellbeing chapter of the plan, which includes Policy HW1, requires Health Impact Assessments for particular types and scale of development where there could be significant impacts. See <a href="http://www.coventry.gov.uk/localplan">www.coventry.gov.uk/localplan</a> This was supplemented by a Health Impact Assessment SPD which provided further detail and guidance including that in relation to HMOs. See <a href="http://www.coventry.gov.uk/downloads/file/28900/health_impact_assessment_spd">www.coventry.gov.uk/downloads/file/28900/health_impact_assessment_spd</a></p>
<p>2.3b How might your work affect HI (positively or negatively).</p> <p>How might your work address the needs of different groups that share protected characteristics</p>	<p><b>Consider and answer below:</b></p> <ul style="list-style-type: none"> <li>● Think about whether outcomes vary across groups and who benefits the most and least, for example, the outcome for a woman on a low income may be different to the outcome for a woman a high income</li> <li>● Consider what the unintended consequences of your work might be</li> </ul>
	<p>Response:</p> <p style="padding-left: 40px;">a. Potential outcomes including impact based on socio-economic status or geographical deprivation</p> <p>The Health Impact Assessment SPD referred to above includes the following:</p>



# EQUALITY IMPACT ASSESSMENT (EIA)



## Category 1: Housing Quality and Design

Access to decent and adequate housing is critically important for health and wellbeing, especially for the very young and very old. Environmental factors, overcrowding and sanitation in buildings as well as unhealthy urban spaces have been widely recognised as causing illness since urban planning was formally introduced. Post-construction management also has an impact on community welfare, cohesion and mental wellbeing.

Considerations	Negative effects	Positive Effects	Relevant Local Plan Policies and Supplementary Planning Documents
<ul style="list-style-type: none"> <li>• Accessible and adaptable dwellings</li> <li>• Internal space standards, orientation and layout</li> <li>• Affordable housing and dwelling mix</li> <li>• Energy efficiency</li> <li>• High Quality Design</li> </ul>	A lack of affordable housing within communities may compromise the health of low-income residents as they are likely to spend more on housing costs and less on other daily living needs.	Making provision for affordable housing has the potential to improve wellbeing, while housing quality can be improved by use of appropriate construction methods. This includes use of good materials for noise insulation and energy-efficiency, and detailed design considerations to make sure that homes are accessible, adaptable and well oriented.	<ul style="list-style-type: none"> <li>• AC2: Road Network</li> <li>• DE1: Ensuring High Quality Design</li> <li>• DS3: Sustainable Development Policy</li> <li>• EM2: Building Standards</li> <li>• EM5: Sustainable Drainage Systems SuDS</li> <li>• H3: Provision of New Housing</li> <li>• H4: Securing a Mix of Housing</li> <li>• H5: Managing Existing Housing Stock</li> <li>• H6: Affordable Housing</li> <li>• H8: Care Homes, Supported Housing, Nursing Homes and Older Persons accommodation</li> </ul>
	Poor choice of location, design and orientation of housing developments can be detrimental to physical and mental health.	Providing a sufficient range of housing tenures with good basic services is also essential. Adaptable buildings for community uses such as health, education and leisure can contribute towards a sustainable community.	
	The quality of design, including internal sound insulation, daylighting and provision of private space can influence the health and wellbeing of occupiers.	Providing adaptable homes allows residents to remain in their home despite changing accommodation requirements. In this context, adaptable housing allows care to be	

		provided in the community more easily.	<ul style="list-style-type: none"> <li>• Sustainable Urban Extension Design Guide SPD</li> </ul>
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- b. Potential outcomes impact on specific socially excluded or vulnerable groups eg. people experiencing homelessness, prison leavers, young people leaving care, members of the armed forces community.

Ensuring access to a range of HMO products to meet a range of needs and circumstances is a key aim of the HMO DPD which provides the further detail to ensure that policies within the DPD can be delivered.

The HMO DPD which seeks to safeguard the amenities of future occupants and the local community and meets relevant housing standards. The HMO DPD will have a direct linkage with the Environmental Health department and licencing of relevant HMOs. For example, HMOs have a higher risk of fire and overcrowding. Its important that residents of HMOs have access to decent facilities. The HMO DPD will accord with Local Plan policy H11 which addresses HMOs in Coventry. Planning policy resists the loss of local character and family housing. All members of the population including young, single people, care leavers, homeless people, students may be more satisfied given the impact of managing HMOs to deliver accommodation of a higher quality than existing for all HMOs.

Whilst the DPD cannot directly influence the behaviour of the end-user of the product (as this is for the private landlords who deliver the products to determine in terms of prioritisation and access to the product), Policy H11 of the Local Plan (upon which this DPD provides a detailed suite of complementary policies) sets the strategic context for appraising and assessing HMOs across the city. For example, Policy H11 sets out a suite of criteria upon which HMO schemes are assessed. However, the policies in the HMO DPD



provide a more detailed issue specific response to the challenges HMOs can represent. These include strategic issues such as concentrations, sandwiching and thresholds. Other localised issues include:

- **Reduced social cohesion** resulting from the short-term nature of residencies involved with HMOs which may involve younger people overall. demographic imbalance.
- **Reduced housing choice** resulting from housing type/tenure imbalance (e.g. a shift from permanent family housing to more transient accommodation);
- **Reduced community engagement** from residents resulting from an increase in the transient population of an area;
- **Noise and disturbance** resulting from intensification of the residential use and/or the constantly changing nature of households;
- **Overlooking and loss of privacy** resulting from poorly considered internal layouts and intensification of use;
- **Detriment to visual amenity** resulting from poor waste management, poor property maintenance, accumulative external alterations to properties and use of frontage areas for off-street parking;
- **Reduced community services** resulting from a shift in the retail/business offer towards a narrower demographic such as the proliferation of Hot Food Takeaways; and
- **Highway safety concerns** resulting from congested on-street parking and poor waste management.

It is considered that the HMO DPD would have an overall positive impact for landlords, tenants, residents and businesses, by virtue of the potential improvement to the quality of HMOs and the management of them by bringing them within the planning system. The assessment of planning applications for HMOs will provide the opportunity for the assessment of the potential impacts on amenity, city character and issues arising from concentrations of HMOs. In addition there are potential benefits arising from the increased choice of quality housing.

### 2.4 Next steps - What specific actions will you take to address the potential equality impacts and health inequalities identified above?

This was considered through the Local Plan and this document provides the detail to ensure the Local Plan policies can be delivered effectively.

The Draft HMO DPD contains 04 policies in addition to the strategic Local Plan policy H11 and has the underlying principle to deliver sustainable development to secure a better quality of life for everyone now and for future generations. Every policy in the DPD is intended to positively impact all residents of Coventry, regardless of gender, faith, race, disability, sexuality, age, rural isolation and social deprivation.



It will promote improved equal access to opportunities throughout the city. All the policies within the DPD contribute towards achieving sustainable development and balanced communities.

Planning applications for HMOs will be considered based on their individual planning merit on a case by case basis, in a manner that is fair to all sections of the community with due regard on potential impact on amenity. By bringing the consideration of all HMOs within the remit of the planning system enables the involvement of the public in the planning decision making process.

Large HMOs already require planning permission and licencing from the environmental health services. The proposal is an extension of the planning permission requirement to cover all HMOs. It is difficult to assess differential impacts arising for the implementation of a HMO DPD which will require greater control and assessment criteria for all HMO proposals. The Council does not collate any data on equalities profiles of private landlords.

By requiring all HMO proposals to be assessed against a clear suite of bespoke policies provides the opportunity for people to make informed representations through the planning application process. The HMO DPD advocates higher quality housing and management which helps to promote good relations between different communities in that it addresses some of the negative impacts of the over concentration of HMOs (refer to the HMO Article 4 evidence base). However some landlords, having to submit a planning application for new HMOs may continue to creating HMOs without the benefit of a planning application in breach of planning legislation. This will be managed, as with all potential planning contraventions, through the planning enforcement service.

### 2.5 How will you monitor and evaluate the effect of this work?

The Local Plan already includes monitoring indicators which keep track of HMO completions delivered annually. These will be linked to this DPD for continuity. However, the DPD provides clarity to the process which will assist with more efficient delivery of HMOs. However, there is scope to improve the monitoring process, we will be looking at this in more detail once this consultation stage is complete.

### 2.6 Will there be any potential impacts on Council staff from protected groups?

No.

## EQUALITY IMPACT ASSESSMENT (EIA)



You should only include the following data if this area of work will potentially have an impact on Council staff. This can be obtained from: [lucille.buckley@coventry.gov.uk](mailto:lucille.buckley@coventry.gov.uk)

**Headcount:**

**Sex:**

Female	
Male	

**Age:**

16-24	
25-34	
35-44	
45-54	
55-64	
65+	

**Disability:**

Disabled	
Not Disabled	
Prefer not to state	
Unknown	

**Ethnicity:**

White	
Black, Asian, Minority Ethnic	
Prefer not to state	
Unknown	

**Religion:**

Any other	
Buddhist	
Christian	
Hindu	
Jewish	
Muslim	
No religion	
Sikh	
Prefer not to state	
Unknown	

**Sexual Orientation:**

Heterosexual	
LGBT+	
Prefer not to state	
Unknown	

3.0 Completion Statement

**As the appropriate Head of Service for this area, I confirm that the potential equality impact is as follows:**

No impact has been identified for one or more protected groups

Positive impact has been identified for one or more protected groups

## EQUALITY IMPACT ASSESSMENT (EIA)



Negative impact has been identified for one or more protected groups

Both positive and negative impact has been identified for one or more protected groups

### 4.0 Approval

<b>Signed: Head of Service: David Butler</b>	<b>Date:</b>
<b>Name of Director: Andrew Walster</b>	<b>Date sent to Director:</b>
<b>Name of Lead Elected Member: Councillor D Welsh</b>	<b>Date sent to Councillor:</b>

Email completed EIA to [equality@coventry.gov.uk](mailto:equality@coventry.gov.uk)

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Cabinet  
Council

29<sup>th</sup> August 2023  
5<sup>th</sup> September 2023

**Name of Cabinet Member:**

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

**Director Approving Submission of the report:**

Director of Transportation, Highways and Sustainability

**Ward(s) affected:**

All Wards

**Title:**

Home Upgrade Grant 2 and Homes Retrofit Programmes Update

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**Is this a key decision?**

Yes - the report involves financial implications in excess of £1m per annum and significantly affects residents in all electoral wards of the city

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**Executive Summary:**

Coventry's draft Climate Change Strategy, published earlier this year, sets out an ambitious vision for how the city intends to 'tackle the causes and consequences of climate change', which is a key priority of the One Coventry Plan. To accompany the strategy, a Net Zero Routemap for Coventry was produced, which identifies emissions from homes as the biggest contributor to the city's carbon footprint, totalling 30% of all emissions.

Over the past 18 months, the Council has been accelerating action on domestic retrofit to help make homes more energy efficient, successfully attracting almost £30m external grant funding to support residents across all housing tenures in the city, including social housing, homeowners, and privately rented tenants. The challenges to this sector are huge, the funding secured to date will improve the energy efficiency of 2,500 homes, but with 143,000 properties across the city activity needs to be significantly scaled up to help reduce our carbon footprint and to support the alleviation of fuel poverty, The Council's Strategic Energy Partnership will help to support these ambitions.

This report seeks approval to accept £2.8 million of Homes Upgrade Grant 2 (HUG2), awarded by the Midlands Net Zero Hub (MNZH), which will help to improve the energy efficiency of up to 150 homes. The report also provides an update on progress to domestic retrofit in Coventry to date, highlighting schemes that this funding will align with and complement.

The Homes Upgrade Grant Phase 2 scheme will support the retrofit of energy efficiency measures for low-income households and those with low Energy Performance Certificate (EPC) ratings and no gas central heating within Coventry.

The funding is available for up to 100% of both capital and revenue costs associated with its delivery, subject to eligibility criteria being fulfilled. The Council will ensure it aligns and complements both the existing 'Keeping Coventry Warm' scheme, as well as the other domestic retrofit schemes being delivered across the city.

The funding is essential to support some of the most vulnerable residents in our community to improve the energy efficiency of their homes and reduce the levels of fuel poverty across the city. This will in turn lead to:

- 1) reduction in Coventry's domestic carbon emissions.
- 2) reduction in health-related morbidity and mortality associated with living in cold homes.
- 3) reduced demand placed on health and care services.
- 4) improved energy efficiency, reduced energy bills and increased thermal comfort.

### **Recommendations:**

Cabinet is requested to recommend that Council:

- 1) Approves acceptance of MNZH's HUG2 allocation to Coventry totalling £2,810,500. To enable the Council to deliver a scheme of domestic retrofit measures to off-gas fuel poor and low-income households in Coventry as set out in this report.
- 2) Delegates authority to the Director of Transportation, Highways and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer, to undertake the necessary due diligence, finalise the terms and conditions of the HUG2 grant, and enter into any legal agreements required to facilitate delivery of the project.
- 3) Agrees that delegation be given to the Director of Transportation, Highways and Sustainability to pursue and accept further funding opportunities up to £5 million that may be offered to support further decarbonisation of the city's domestic buildings, following consultation with the Cabinet Member for Jobs, Regeneration, and Climate Change and the Cabinet Member for Strategic Finance and Resources.

Council is recommended to:

- 1) Approve acceptance of MNZH's HUG2 allocation to Coventry totalling £2,810,500. To enable the Council to deliver a scheme of domestic retrofit measures to off-gas fuel poor and low-income households in Coventry as set out in this report.
- 2) Delegates authority to the Director of Transportation, Highways and Sustainability, following consultation with the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer, to undertake the necessary due diligence, finalise the terms and conditions of the HUG2 grant, and enter into any legal agreements required to facilitate delivery of the project.
- 3) Agree that delegation be given to the Director of Transportation, Highways and Sustainability to pursue and accept further funding opportunities up to £5 million that may be offered to support further decarbonisation of the city's domestic buildings, in consultation with the Cabinet Member for Jobs, Regeneration, and Climate Change and the Cabinet Member for Strategic Finance and Resources.



**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents**

Home Upgrade Grant Phase 2 Guidance Notes -

<https://www.gov.uk/government/publications/home-upgrade-grant-phase-2>

**Has it been or will it be considered by Scrutiny?**

No

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

No

**Will this report go to Council?**

Yes – 5th September 2023

## Report Title: Home Upgrade Grant 2 and Domestic Retrofit Programmes Update

### 1. Context (or background)

- 1.1 Earlier this year, the Council published its draft Climate Change Strategy, which sets an ambitious vision for how the city intends to 'tackle the causes and consequences of climate change', which is a key priority of the One Coventry Plan. The strategy aims to protect the most vulnerable, mitigate the impact of climate change and will help build resilience across the city.
- 1.2 To accompany the strategy, the Council commissioned the creation of a Net Zero Routemap for Coventry. This identified emissions from homes as the biggest contributor to the city's carbon footprint, totalling 30% of all emissions. Furthermore, the report identified six of the top ten list of most-carbon effective options are related to domestic retrofit. This highlights the importance of a coordinated effort to scale-up retrofit across all housing tenures in the city.
- 1.3 The Council will ensure alignment with the new Strategic Energy Partner. Using their expertise, this will lead opportunities for the scale-up of retrofit and enable more innovative approaches. Therefore, a key consideration of this and future retrofit programmes will be whether it can be managed and delivered by the Strategic Energy Partner.
- 1.4 The Home Upgrade Grant 2 (HUG2) programme is a government-funded grant scheme that provides energy efficiency upgrades and low carbon heating to low-income households living in the worst quality, non-gas-heated homes in England.
- 1.5 It has two key objectives to:
  - deliver progress towards the statutory fuel poverty target for England, by improving as many fuel-poor homes as reasonably practicable to a minimum energy efficiency rating of Band C by 2030, with the interim milestone of Band D by 2025.
  - enable the delivery of the wider Net Zero programme to phase out high-carbon heating for homes off the mains gas grid.
- 1.6 Up to £630 million of grant funding has been made available nationally. The Midlands Net Zero Hub (MNZH) was successful in a regional bid for HUG2 from the Department of Energy Security & Net Zero (ESNZ), formally Department for Business, Energy, and Industrial Strategy (BEIS).
- 1.7 A proportion of this funding was allocated to Coventry City Council which we are now seeking approval to accept. Subject to acceptance, Coventry City Council's allocation will be c.£2.8 million, which will need to be spent by March 25 and deliver improvements to up to 150 homes.
- 1.8 We have worked with Midlands Net Zero Hub in a similar capacity to deliver previous domestic retrofit grants (LAD2, Sustainable Warmth Competition). We have also worked with the Midlands Net Zero Hub procured customer journey support organisation, Act on Energy, on previous retrofit programmes, including with our own public health funded programmes.
- 1.9 Fuel poverty is a significant problem for some Coventry households, with many low income and vulnerable people affected. The latest statistic (2021) indicates that 20.8% of all households are fuel poor, and consequently are unable to afford to stay warm in their homes. This will have been exacerbated further by the recent cost of living crisis, which will be reflected in future statistics published by the government. Living in cold homes can

cause or worsen a range of serious health conditions such as heart attacks, strokes, bronchitis, and asthma. Each year, around 10,000 people die in England as a result of living in a cold home, a higher percentage of these from fuel poor and low-income families.

- 1.10 Improvement of the insulation of homes is also important for climate adaptation and resilience, with the world facing warmer summers. Improvements to the insulation and ventilation of homes will lead to a reduction in the overheating risk summers.
- 1.11 The funding will be used to support some of the city's most vulnerable residents aiming to improve the energy efficiency of their homes, make their homes warmer and reduce the levels of fuel poverty across the city. The measures will include:
  - external wall insulation
  - solar PV
  - cavity wall insulation
  - loft insulation
  - heat pumps
  - room in roof insulation
  - windows & doors
  - other (in agreement with the Midlands Net Zero Hub)
- 1.12 To be eligible for the scheme, the households must:
  - have a combined income below £31k. If it is a private rented property, the tenant needs to fulfil this criteria.
  - Or be located within an eligible area (Those living in income deciles 1-3).

In addition, the property must be eligible by being a dwelling with an energy performance certificate of D or below and be off gas-grid.

Other eligibility criteria includes where rented sector is supported, landlord must contribute a minimum of one third of the project costs. Funding will also be limited to landlord with 4 or fewer properties and funding can only be used to support rented properties with an energy performance certificate of D or E. If the property is rated F or G the landlord must have a registered exemption under the Energy Efficiency Regulations 2015.

- 1.13 During the delivery, the Council will ensure it aligns with and complements other domestic retrofit schemes currently being delivered.
- 1.14 The following section provides an overview of schemes which have been and are currently being delivered in the city. It highlights the extent to which the Council are working to scale up retrofit.

### **Social Housing Decarbonation Fund (SHDF) Wave 1**

In October last year, work started to improve the energy efficiency of 95 homes in partnership with Citizen Housing, with funding (c.£1.1 million) from the Social Housing Decarbonisation Fund. Citizen Housing led on the delivery of these works which improved 95 properties from an EPC D up to a C. The work, which was co-funded by Citizen Housing, enabled us to follow a fabric-first approach, installing external wall insulation, energy efficient doors and windows, increased loft insulation and improving ventilation to reduce the potential for mould growth. The project was successfully completed in June 23.

### **Social Housing Decarbonation Fund (SHDF) Wave 2**

Building on the successful partnership with Citizen Housing for Social Housing Decarbonisation Fund Wave 1, the Council and Citizen have significantly scaled up for Social Housing Decarbonisation Fund Wave 2. The Council and Citizen have been awarded c. £23.8 million to improve the energy efficiency of more than 2,000 Citizen

homes in Coventry over the next two and half years. Similarly to Wave 1, the homes will be improved using a fabric first approach. This will ensure they have the fabric measures ready to able them to be 'net zero' within the future once solar PV and air source heat pumps can be installed. Work has recently started, and the project needs to be completed by September 2025.

### **Sustainable Warmth Competition (SWC)**

The Sustainable Warmth Competition is a government-funded grant programme of c.£2.18 million which aims to support the retrofit of energy efficiency measures for low income and low Energy Performance Certificate (EPC) rated residential households within the City (both on-gas, and off-gas). The Sustainable Warmth Competition which was awarded in early 2022 is set to complete by September 23 and by completion should have supported over 160 low-income private homes with energy efficiency measures including a range of insulation measures, solar PV and low carbon heating.

### **Local Authority Delivery 2**

In September 2022, the Council also concluded its LAD2 programme. This supported 98 households with energy efficiency measures including a range of insulation measures and solar PV. The scheme enabled lessons to be learnt that were carried over to future retrofit programmes.

### **Energy Company Obligation (ECO) 4**

ECO4 is a government energy efficiency scheme designed to tackle fuel poverty and help reduce carbon emissions. Large and medium energy suppliers are required by the government to install a number of energy efficiency measures such as insulation and heating upgrades to support vulnerable, fuel poor and low-income households to heat their homes. The Council has recently begun an initial pilot scheme and will seek opportunities to maximise delivery by developing relationships with energy suppliers and managing agents. With ECO4 delivery until March 26, the Council intend to drive significant activity through this stream, which could lead to large investment from energy suppliers to fulfil their obligation within Coventry.

- 1.15 Over the last 18 months, the Council (working with partners) will have secured almost £30 million in grant funding to be delivered by March 25, with further investment from ECO4. This is a significant amount and will help improve the energy efficiency of 2,500 homes, supporting those potentially living in fuel poverty, whilst also scaling up retrofit skills and supply chain capacity across the city. Despite this success, the funding will still only go a small way to achieving the challenging targets set for improvement of EPCs and net zero.
- 1.16 There are however still significant challenges that need to be addressed regarding domestic retrofit in Coventry. There are 143,000 homes across the city and the majority of residents do not have access to funding in order to carry out energy efficiency improvements to their homes. It is estimated that over 108,000 of these homes are below an EPC C. In addition to lack of funding, there are other challenges including resident engagement including accessing hard-to-reach groups, a lack of skills to deliver domestic retrofit at scale, alongside technical and planning challenges associated with Coventry housing stock. The Council is working to address all of these across the Council, but also at a regional scale. For example, the Council are trying to build trust in the community by hosting resident engagement events ensuring communication direct from the Council. The Strategic Energy Partnership will provide a significant opportunity to address these challenges and support long term planning of a city-wide retrofit programme.

## **2. Options considered and recommended proposal**

### **2.1 Option 1 – Do nothing / Do not accept grant funding (Not Recommended)**

2.1.1 This option would not enable the Council to meet key objectives, namely tackling fuel poverty and reducing carbon emissions within the City. The HUG2 scheme supports all three of the One Coventry Plan priorities by:

- Tackling the causes of climate change – reducing carbon emissions of houses.
- Tackling inequalities – reducing fuel poverty and supporting low-income households across the city.
- Increasing economic prosperity – developing the retrofit supply chain and increasing the amount of green jobs in the sector.

2.1.2 Significant investment is required to retrofit the entirety of the city to meet carbon targets (e.g., UK's net zero target by 2050; WMCAs pledge to achieve net zero by 2041) and the Council should take the opportunities to support this work whenever available.

### **2.2 Option 2 – Accept the grant funding (Recommended)**

2.2.1 The acceptance of the grant funding would provide the financial capability to support households within the City. This will support all three of the One Coventry Plan priorities, as mentioned above.

2.2.2 In addition to supporting fuel poor residents in the city and reducing carbon emissions, the acceptance of this funding will also improve employability for local contractors who will be engaged with the project, building a larger and more resilient low carbon sector in the city and surrounding areas.

2.2.3 The risks associated with the HUG2 are low compared to other grant schemes as the scheme will fund 100% of both capital and admin/ancillary costs. Any underspend will need to be returned to MNZH.

## **3. Results of consultation undertaken**

3.1 There will be an opportunity to consult with various parties (Inc. our delivery partners Act on Energy, and the nominated contractor) during the creation of the development plan. Tight timescales in the bidding process prevented further opportunities for more detailed consultation.

3.2 However, the delivery of this funding will help to support several aims of the Council's draft Climate Change Strategy. Consultation of this strategy has identified retrofit as a key areas partners and residents alike want focus on. It also supports all three priorities of the One Coventry plan.

## **4. Timetable for implementing this decision**

4.1 The MNZH were notified of the successful bid earlier this year. They have requested that development plans are submitted by 1<sup>st</sup> September. The Council will submit the development plan on approval of Cabinet.

4.2 The delivery of the scheme will need to be completed by 31<sup>st</sup> March 2025.

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

### **5.1 Financial implications**

- 5.1.1 The approval of the c. £2.8 million grant funding from MNZH will cover all costs including capitals costs, admin costs and ancillary costs. HUG2 does not require any capital or revenue match funding to be provided locally by the City Council, but all investments and outcomes must be achieved by the end of March 2025.
- 5.1.2 A breakdown of the c. £2.8 million funding is provided below:
- 1<sup>st</sup> Year  
£843,000 (£766,500 capital and £76,650 admin and ancillary)
- 2<sup>nd</sup> Year  
£1,967,250 (£1,788,500 capital and £175,850 admin and ancillary)
- 5.1.3 The Council will procure in line with the grant conditions and enter into a contract with the procured contractor to ensure there is minimal financial risk.
- 5.1.4 If approved, the Council will be required to create a development plan indicating how the grant will be spent, as well as signing and returning a Grant Award Letter to MNZH. Grant payments can be made under Section 31 of the Local Government Act 2003.
- 5.1.5 Funding will be drawn down by submitting batch applications of properties. At the batch application stage, LAs will provide housing stock data, measure mixes, and costs for a batch of homes that are 'ready-to-retrofit'.
- 5.1.6 If the batch is approved, the LA will be able to draw down the requested funds to complete the respective upgrades for that batch. This final step will be repeated numerous times throughout the delivery window, with exact funding released in batches to fit the set cost archetype caps for energy efficiency measures (£3k-24k) and clean heat measures (£5k-£14k)
- 5.1.7 Funding is available for 100% capital and revenue costs associated with the delivery of the programme, subject to eligibility criteria being met.

### **5.2 Legal implications**

- 5.2.1 The Council will need to sign a Grant Agreement with MNZH, outlining the conditions by which the grant must be spent, as well as other appropriate documentation (e.g., Data Sharing Agreement, Privacy Notice etc.) approved by the Council's legal and governance services.
- 5.2.2 To ensure full compliance, the terms and conditions will be devolved to and approved by our delivery partners. The agreed terms and conditions will ensure that the appropriate conditions and obligations imposed by CCC are carried out.
- 5.2.3 The Council will be required to enter a contractual agreement with the nominated delivery partner, which will require approval by the Council's legal services.
- 5.2.4 There is a small risk of clawback in the event of non-compliance with the terms and conditions set out in the Grant Award Letter. However, the Council will work with

delivery partners to ensure strict monitoring of compliance, which will be spot-checked by the Council (in addition to the measures identified in paragraph 6.2 of this report) to minimise this risk.

- 5.2.5 Any procurement exercise will be conducted in compliance with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 and Subsidy Control Rules and supported by relevant officers.
- 5.2.6 The Council will work with legal to ensure all aspects of the scheme comply with the new subsidy controls rules, brought into force earlier this year.

## **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>

- 6.1.1 The HUG2 scheme supports all three of the One Coventry Plan priorities. The scheme helps to tackle the causes and consequences of climate change by improving energy efficiency and reducing carbon emissions within the city's housing stock. The city's housing stock currently accounts for approximately one third of carbon emissions and is often seen as the most difficult sector to achieve net zero.
- 6.1.2 The HUG2 Programme will also 'Improve outcomes and tackles inequalities within our communities' by supporting the most vulnerable, including those living in fuel poverty. The scheme is aimed at supporting low-income and fuel-poor households and will continue to target these residents.
- 6.1.3 The scheme will also 'Increase the economic prosperity of the city and region' by supporting businesses associated with retrofit to grow and scale up. This will create more local jobs, and helping people develop skills once they are in work.
- 6.1.4 The HUG2 Programme (and other programmes being delivered by partners) also ensures the Council will continue to act as a leader and enabler for the city and achieving the best results for residents in the city.

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

- 6.2.1 The Council will be responsible for ensuring that the funding is spent in compliance with the programme's regulations and before 31<sup>st</sup> March 2025.
- 6.2.2 The main risk is related to delivery within the allocated timeframes, however working closely with delivery partners will ensure there is capacity in the management side, and contractor side of the project to deliver within this timescale.
- 6.2.3 For the duration of the scheme, a project board comprised of members from all delivery organisations will be in operation. The board will meet to discuss: Progress against KPIs, evaluation of marketing, issue logs, project risk registers and individual cases where necessary. Progress of retrofit programmes will also be regularly reported to the Strategic Lead for Green Future, bringing additional strategic support to the programme.

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

- 6.3.1 The scheme will be delivered within existing staff resources. Where possible, a proportion of the grant funding will be used to increase staff capacity (on a fixed term contract) within the Climate Change and Sustainability Team.

### **6.4 Equality Impact Assessment (EIA)**

- 6.4.1 Fuel Poverty disproportionately affects householders who are vulnerable and on low incomes, and particularly those with ill-health or disabilities. Increasing the capacity of funding available to support these residents is of vital importance.
- 6.4.2 Many of the equalities identified within the Climate Change Strategy EIA will be of relevance. This will be consulted during the delivery of the HUG2 scheme.
- 6.4.3 A separate EIA is currently in development and will be published once the approval for funding has been granted.

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

- 6.5.1 The housing sector is responsible for a substantial proportion (c.34%) of carbon dioxide emissions in the city. Energy efficiency improvements to the housing stock will play an important part in reducing carbon emissions. This is in line with the Council's existing Climate Change Strategy. The scheme will also support additional jobs in the low carbon sector, by helping engaged businesses to grow and scale up. The ultimate aim of this project is one to reduce fuel poverty and tackle the causes and consequences of climate change. An independent ['Net Zero Carbon Route Map for Coventry'](#) identified the top ten most carbon-effective options to reduce carbon emissions. Six of these ten were related to domestic retrofit, including installation of external wall insulation as the most effective. Where possible, the Council will aim to ensure the programme is fabric-first, making homes 'net zero ready'.

### **6.6 Implications for partner organisations?**

- 6.6.1 The customer journey and delivery of the scheme will be completed by organisations outside the council due to the expertise and accreditations these organisations can provide. Where possible these organisations will be local to Coventry and the Midlands providing opportunities to use a local workforce.



**Report author:****Name and job title:**

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<b>Contributors:</b>				
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Bret Willers	Head of Climate Change and Sustainability	Climate Change and Sustainability, Transportation, Highways and Sustainability	14/07/2023	17/07/2023
Michelle Salmon	Governance Services Officer	Law and Governance	04/08/2023	04/08/2023
<b>Names of approvers for submission:</b> (officers and members)				
Helen Williamson	Finance Manager	Finance	18/07/2023	19/07/2023
Gurbinder Singh Sangha	Major Projects Commercial Lawyer, Legal Services	Law and Governance	18/07/2023	19/07/2023
Colin Knight	Director of Transportation, Highways and Sustainability	-	18/07/2023	18//07/2023
Councillor J O'Boyle	Cabinet Member for Jobs, Regeneration and Climate Change	-	19/07/2023	20/07/2023

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**Public report**  
Cabinet

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**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  
Council

29<sup>th</sup> August 2023  
5<sup>th</sup> 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

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**Is this a key decision?**

Yes - it has the potential to significantly affect residents or businesses in all wards of the City

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**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 - 5<sup>th</sup> 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 12<sup>th</sup> 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 through 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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Colin Knight	Director for Transportation, Highways, and Sustainability	-	14/07/23	18/07/23
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