
Finance and Corporate Services Scrutiny Board (1)
Cabinet
Council

3rd November 2014
4th November 2014
11th November 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Executive Director Resources

Ward(s) affected: All

Title:

Medium Term Financial Strategy 2015-18

Is this a key decision?

Yes

Cabinet and subsequently Council are being recommended to approve the Medium Term Financial Strategy for 2015-2018

Executive Summary:

This report presents a Medium Term Financial Strategy (MTFS) for 2015-2018 for adoption by the City Council. The previous strategy was approved in December 2013. This Strategy sets out the financial planning foundations that support the Council's vision and priorities and leads to the setting of the Council's revenue and capital budgets. Following the Strategy's consideration by Council, the subsequent meeting of Cabinet will consider the Pre-Budget report that sets out the work undertaken in preparation for the 2015/16 and future years' revenue budgets and capital programme.

The key backdrop to the Council's financial position is provided by the Government's June 2013 Spending Round and subsequent indicative announcements of the main political parties nationally. These confirm or give notice of continued cuts in Revenue Support Grant for local government on a trajectory which is broadly consistent with cuts made since 2010. Therefore, the fundamental factor shaping the City Council's MTFS continues to be one of unprecedented financial pressure leading to further significant reductions in spending levels that are likely to continue in the period up to 2020 and possibly beyond. Indeed, if the current pattern of local government funding continues, this indicates that in real terms, for every £10 of net budget the Council had available in 2010/11 it has just over £7 now and will have nearer £5 in 2024/25.

In summary, the national and local contexts that frame this Strategy include:

- A paramount need to protect the most vulnerable people in the city including children at risk, children and young people in care, victims of domestic abuse and vulnerable adults and older people;
- Year-on-year 10% headline cuts to Government resources and a move towards greater complexity and ring-fencing in areas such as social care, health and regeneration;
- Fast population growth causing greater demand or expenditure pressures in areas such as housing, social care and waste disposal;
- Changes to the national frameworks for delivering social care, including where this interacts with the health sector, driven through the Care Act and the Better Care Fund.
- The impact of continued difficult economic circumstances for many, affecting both the number of people seeking support from Council services and the financial performance of the Council's income based services;
- An increasing Council focus on promoting growth in the local economy
- Upward pressure on Pension Fund contributions, in particular to fund pension past service costs;
- Management of responsibilities adopted relatively recently in the areas of Business Rates and Council Tax Support that carry with them the risk of significant financial volatility;
- Business Rates and Council Tax income plus locally generated rents, fees and charges becoming an increasing proportion of the Council's funding as government grant falls;
- The transfer of schools to Academy status putting increasing pressure on the Council's core education functions and other services that trade with the city's schools.
- More complex service delivery models across the Council driven by the need to modernise and rationalise services and work in tandem with partners and neighbouring authorities.
- Continued expectations on the Council to maintain service levels and standards across the full range of core services despite the financial challenges;

This represents a combination of reducing resources, challenging underlying economic and demographic conditions, increased demand in some areas, a heightened need to improve the quality of service in others and new challenges represented by government reform. In these circumstances it is crucial that the Council's financial strategy is both robust and flexible. This will provide the financial foundations required to ensure that Council services are fit for purpose to protect the most vulnerable as well as providing decent core services for every citizen in the city.

In support of these aims, the City Councils strategic financial approach to the demands that it faces includes:

- A fundamental commitment to protecting the city's vulnerable children, adults and older people.
- Identifying unprecedented savings from new strategies incorporating Kickstart, the Customer Journey and City Centre First.
- Integral to these new strategies, changing the relationship between the Council and its citizens reflecting the reality that the Council will provide a smaller range and lower level of services in new ways and out of far fewer locations.
- Moving the Council's main office based activities into a new city centre Customer Services Centre and a purpose built office block within the forthcoming Friargate business district in order to regenerate the City, transform the Council and deliver savings.
- A new Workforce Strategy requiring a significantly smaller workforce working in flexible ways consistent with a modern organisation, ensuring that the Council has the talent in place necessary to deliver the challenging agenda that it faces.

- Doing things differently by considering alternative service delivery models and options for delivering service outcomes in different ways with less reliance on Council delivered services.
- Seeking to optimise the use of pooled or new funding available to support social care and health
- Leading the drive for economic growth through the Coventry Investment Fund to help stimulate the local economy alongside externally funded Regional Growth Fund, Growing Places Fund and other Local Enterprise Partnership funding streams in addition to supporting the City Deal initiative in the sub region, as a way of unlocking major projects and initiatives that will stimulate growth;
- Providing the local planning and infrastructure environment to enable the level of housing growth required to match the growth in the city's population
- Investing in the environmental elements that support the regeneration of the city including its public realm, the city's highways network and its cultural and leisure offer to make Coventry an attractive place to live and work.

Based on initial estimates of both future funding settlements the City Council's indicative financial position moving into the 2015/16 budget setting process shows a major funding gap increasing to £65m in 2017/18 as shown below. This picture will be refined as part of the forthcoming Pre-Budget Report but gives a clear picture of massive financial challenges. This position will become yet more acute in the period beyond this MTFS based on ministerial announcements about continued spending cuts.

	2015/16 £m	2016/17 £m	2017/18 £m
Revised Revenue Budget Gap	15.1	44.2	65.0

Recommendations:

- (1) Scrutiny Board 1 is recommended to:
 - (a) Consider whether there are any comments/recommendations that they wish to make to Cabinet.
- (2) Cabinet is recommended to:
 - (a) Consider any recommendations from Scrutiny Board 1
 - (b) Agree the report and recommend that Council approve the Strategy.
- (3) Council is recommended to:
 - (a) Approve the Strategy as the basis of its medium term financial planning process.

List of Appendices included:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

Yes

Finance and Corporate Services Scrutiny Board (1), 3rd November 2014

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

Council, 11th November 2014

Report title: Medium Term Financial Strategy 2015-18

1. Context (or Background)

1.1 Financial Background

- 1.1.1 This Strategy sets out the financial planning foundations that support the Council's vision and priorities and leads to the setting of the Council's revenue and capital budgets.
- 1.1.2 The Government spending round announced in June 2013 re-affirmed the unprecedented scale of the pressure on local authority finances, confirmed subsequently by local government finance announcements in February 2014. Resources available to Coventry will have fallen by £55m over a four year period to 2014/15, with its Settlement Funding Assessment likely to fall by a further £47m by 2017/18. Taken together, the austerity measures implemented by the Government will have led to cuts in Coventry's core government funding of approaching 50% over 7 years.
- 1.1.3 Local government has delivered significant savings in recent years and in broad terms the most straightforward savings have already been made. The continued downward pressure on public service resources will have significant future impacts on what councils do and how they do it. A need to radically reassess which services continue to be provided and their nature and scale is further accentuated by the ever increasing demand for services, particularly in the social care arena.

1.2 National Developments

- 1.2.1 Apart from the increasing financial pressures that all public bodies face, there is a range of national developments set out below, which impact on local authorities.
- 1.2.2 There is a move towards greater complexity and/or ring-fencing in certain areas of funding. The Better Care Fund has been established with the intention of integrating health and social care activity and incentivising the National Health Service and local government to work together. This will involve significant pooling of resources between the local authorities and Clinical Commissioning Groups to deliver improved outcomes for citizens.
- 1.2.3 The Care Act represents the most significant reform of care and support in more than 60 years, putting people and their carers in greater control of their care and support. The main provisions are implemented on 1 April 2015 with further changes including a cap on the total amount anyone will have to pay for the cost of their care coming into effect on 1 April 2016. Significant uncertainty remains regarding the impact on demand as the Act provides support to greater numbers of service users and carers.
- 1.2.4 In the regeneration arena, a range of different funding streams have been made available on a sub-regional basis for local government and businesses to allocate through Local Enterprise Partnerships.
- 1.2.5 Economic growth has been an important part of the Government's financial recovery plans with the intention that tax revenues will recover to help bridge the national budget deficit. The change in the Business Rate regime whereby local government can retain a share of local business rates growth has created a direct link between growth and income for local authorities.

- 1.2.6** Population growth and demographic and socio-economic trends are causing increases in demand or expenditure pressures in areas such as housing, social care and waste disposal. There is a continued dialogue between national and local government on the need for a greater level of new housing building across the country. The ageing population represents an increasing pressure on social care services for older people whilst a range of other societal and health related trends has increased demand both in other adult social care services and in children's social care.
- 1.2.7** Notwithstanding the gradual economic recovery over the past year or so, there are continued difficult economic circumstances for many, affecting the number of people seeking to access local government services and those provided by the voluntary sector, working in partnership with local councils.
- 1.2.8** The schools sector continues to experience greater fragmentation with the move towards free schools and academy schools. This is changing the face of local education provision and reducing the role of councils as local education authorities, putting pressure on the remaining rump of local authority education services and budgets.
- 1.2.9** The Government continues to have a tight rein on the level of Council Tax increases nationally. Council Tax Freeze grants (equivalent to a 1% rise) have been provided for authorities that have frozen tax rates whilst caps have been placed (equivalent to a 2% rise) on the level of increase that can be approved without the need for a local referendum.
- 1.2.10** National pension reforms have failed to address the long-term problems of public sector pensions, including the local government scheme. On a national basis, many local councils will face massive increases in employer pension costs over the coming years at a time when budgets are under severe pressure from the reduced grant settlements referred to above.

1.3 The Local Economic and Financial Context

- 1.3.1** Coventry has significant potential for growth with two global universities, an unrivalled location, exceptional transport infrastructure links and a talent pool for employers to recruit across the region. However, Coventry's economy is underperforming by nearly £1bn pa and its City centre performs poorly, being 47th in the UK list of shopping Centres despite being the 13th largest City. As the gateway to the Coventry and Warwickshire regional economy the City Centre is underperforming. There is headroom for growth and the City requires economic stimulus to reverse the decline.
- 1.3.2** The financial starting point for the Council's MTFs is the forecast position as at budget setting in February 2014. There have been a number of revisions to this base position including lower financing costs due to reduced capital programme borrowing and lower inflation contingencies. However, the unprecedented level of activity within children's social care services is creating very large cost pressures within and beyond 2014/15 and it will be necessary to make financial provision for this. Further work is on-going to establish the likely medium term implications of this and the strategies for addressing it but the current financial planning estimates are included below pending an update within the Pre-Budget Report. The revised gap now stands as follows (prior to strategic initiatives set out in Section 2.3 below):

	2015/16 £m	2016/17 £m	2017/18 £m
Revenue Gap per 2014/15 Budget (Feb 2014)	15.1	44.2	65.0
Revisions to the Base Position including additional Children's Services Pressures	3.0	(5.7)	(12.2)
Updated Revenue Gap	18.1	38.5	52.8

This table shows a snapshot of a fluid position. This will be updated as part of the Pre-Budget Report.

- 1.3.3 The above position assumes that £12m of savings from the previously approved abc Transformation Programme that remain in the 2015/16 programme are achieved over the medium term, the main elements of which relate to the A Bolder Community Services programme and cross cutting savings relating to income generation, property and procurement.

The current Capital Programme approved in February 2014 provided for a number of large investment programmes across the city including the changes to the ring road to create a bridge deck as part of the Friargate regeneration project, the city's public realm, the Nuckle rail project, highways infrastructure and school building, business investment and investment in leisure facilities. The medium term Capital Programme approved in February 2014 has been updated for any changes reported so far during 2014/15 and is reflected below. The programme will be financed from a number of sources, including government grants as well as local resources such as capital receipts, revenue contributions and borrowing.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Capital Programme Spend	107	62	29	24

- 1.3.4 The current level of **reserves** (£81.0m as at 31st March 2014) has previously been assessed as adequate for current known liabilities and approved policy commitments. The Council's uncommitted working balance which stands currently at £7.3m, equivalent to 2.8% of the net revenue budget, is maintained to cover unforeseen financial problems. Since the 2013/14 year-end, part of the reserve balances referenced above have been identified to support strategically important areas of expenditure including the Council's voluntary redundancy programme and costs incurred in response to the Ofsted Report on the Council's Children's Services.
- 1.3.5 Detailed three year changes to resource levels, cost pressures and proposed savings will be set out in the Pre-Budget report due to be considered by Cabinet on 2nd December 2014 including the detailed proposals in relation to the 2015/16 budget.

2. Options Considered and Recommended Proposal

2.1 The remainder of the report contains the proposed Medium Term Financial Strategy. It is recommended that Cabinet and Council approve the Strategy subject to any comments or changes from Finance and Corporate Services Scrutiny Board. The Strategy is structured around three core elements:

- The Council Plan;
- Strategic Policy Assumptions within the MTFS;
- Strategic Financial Management Framework;

2.2 Council Plan

2.2.1 The MTFS rests on the principles, visions and priorities set out for the City within the Council Plan. In summary these are:

- Globally Connected: promoting the growth of a sustainable Coventry economy that benefits the city and making sure that residents share in the benefits;
- Locally Committed: improving the quality of life for Coventry people by working with local communities and especially for our most vulnerable resident;
- Delivering our Priorities:
 - maximising the use of our assets;
 - reducing operating costs;
 - with active citizens and;
 - strong and involved communities

The full plan is available on the Council's website or via the following link: [Coventry Council Plan - December 2013](#)

2.2.2 Since the full Plan was approved the Council has received the 2014 Ofsted Inspection Report which assessed the Council's Children's Services as inadequate. Amongst other measures this has led to a need to increase capacity within the service to ensure appropriate caseload levels for social workers. In addition, there has been a very significant increase in the number of referrals to the Council's social care service causing a heightened focus on this area. Protection of these vulnerable children is the paramount policy priority for the Council and the Council's financial strategy must ensure that the service is resourced to meet its immediate demands across the city. Over the medium term, it will be necessary to ensure that social care and early intervention services are delivered in a way that strikes an appropriate balance between service need and the achievement of value for money.

2.3 Strategic Policy Assumptions within the MTFS

2.3.1 At a strategic level the strategic policy assumptions that will drive the Council's financial strategy are set out below.

2.3.2 The Council is adapting the latter stages of its previous abc transformation programme into a new range of strategies incorporating Kickstart, the Customer Journey, City Centre First and the Workforce Strategy and Doing Things Differently. The new strategies are aligned to and are being driven by an extensive rationalisation of the Council's office estate, investment in new technology to support agile working and an improved customer

experience including a shift towards enabling the Council's customers to self-serve on line. During 2015/16 this will deliver a new Customer Services Centre in the city centre, a new administrative centre to kick-start the Friargate business district, a democratic centre and a series of suburban hubs. Together these will replace the vast majority of the Council's previous operational property estate and the locations from which a wide variety of Council services will be delivered.

- 2.3.3** Integral to the strategies will be the need to communicate the need to actively manage the level and range of services provided by the Council and where they are delivered from. This means changing the relationship between the Council and its citizens and encouraging those who are able to, to do more for themselves so that the Council can focus its scarce resources on the most vulnerable citizens;
- 2.3.4** The Council will continue to actively support the Friargate business district regeneration project adjacent to Coventry railway station, relocating the Council's office base into the first office building as an anchor to the scheme. This regeneration project is critical for delivery of jobs and business rate growth for the City, to attract new businesses, boost confidence, to increase city centre footfall, improve the prospects for the City Centre South development and to generate economic prosperity for the City;
- 2.3.5** The Kickstart and the Customer Journey projects will provide a platform for modernising many of the ways that the Council works and be a springboard for Council members and officers to operate in far more streamlined and cost effective ways. A key focus will be to consolidate in one place the Council's main Customer Service activities and to seek to change the way that citizens access services, with decreasing dependence on face to face services except for the most vulnerable and increasing use of web-based solutions which are more convenient for many of the Council's customers;
- 2.3.6** The City Centre First project will deliver savings directly through rationalising the Council's suburban estate reducing the number of locations from which services are delivered. This is likely to result in a main city centre facility and a small number of suburban hubs from which a range of services are delivered or co-ordinated.
- 2.3.7** The Council's Workforce Strategy has already seen a number of actions put into practice including a new voluntary redundancy programme, centralising the management of salary budgets and tight control over filling any vacant posts. The next steps will, depending on final policy decisions, seek to consider a range of potential steps that could affect pay and conditions including narrower pay bands, the distribution of car park passes and expenses and allowances. Any such changes will be subject to member approval and consultation with the Trades Unions.
- 2.3.8** The Council will work co-operatively alongside the local (Coventry and Rugby) Clinical Commissioning Group with the intention of optimising health and care outcomes for local residents derived from the pooled resources available through the Batter Care Fund.
- 2.3.9** The Council will consider the implications of the Care Act as the precise details of their implementation emerge. From a financial perspective the starting point is that the New Burden funding will enable the act to be implemented in a way that is cost neutral to the City Council. However, there are a number of strands to the Act that may result in some financial volatility and the overall financial picture will need to be re-assessed over time.
- 2.3.10** The next planning period will radically redefine what a local authority is for and reframe the relationship between Coventry citizens and the Council, which will need to review the range and level of services that it provides currently. The Council will engage in a new conversation with the people of Coventry about their expectations of local services,

requiring changes in behaviours and managing down the demand for services as key characteristics that reflect the reality of the Council's new financial position. It will increasingly need to do things differently in order to reduce the reliance of residents and service users on Council services. To achieve this, the Council will gain greater understanding of its communities and insight into what the different needs are across the city. This will put it in a stronger position to roll out new service delivery models and options for delivering service outcomes including co-designed services, social and mutual enterprises and Coventry citizens playing a greater role in the future of the City. In addition, the Council will engage in new ways of working across the City embracing digital platforms to reach new sections of the community.

- 2.3.11** The Council is working with partner organisations to invest in the regeneration of the City and lead a drive for economic growth. The Coventry Investment Fund (CIF) was established in 2013 to provide investment in projects designed to maximise business related capital investment either by the City Council or via local partners. CIF investment is backed by £50m of resources set aside in 2013/14 Budget Setting to support such initiatives and will be vital to facilitating growth. The CIF builds on the success of other externally funded programmes such as the Regional Growth Fund, Growing Places and the City Deal initiative, complementing existing funding streams and meeting the gap not addressed by these funds.
- 2.3.12** The Council will continue to consider the timing and options to proceed with plans for the City Centre South project, designed to regenerate a significant part of the city centre. The will only go forward on the basis of an improved leisure and retail offer within the city based on a sustainable financial model.
- 2.3.13** On a case by case basis the Council will provide commercial loan finance to key organisations, such as Coombe Abbey Hotel, to give opportunities for important local businesses to develop and flourish. The starting point for this type of arrangement is that it will be no worse than cost neutral to the Council and that it will support the regeneration of the city and/or that it will protect the Council's financial or strategic interests.
- 2.3.14** Through the Local Plan (the consultation for which finished on 31st October 2014) the Council will work with its neighbours to secure the most appropriate and sustainable locations for housing growth across the housing market area. In order to facilitate the growth in the local population and housing stock, work will continue to invest in the city's highways network and local transport infrastructure which will help to ensure that Coventry both is, and is perceived to be, open for business. Investment will also continue in the making Coventry an attractive place to live and work, with further works on the city's public realm and local leisure facilities for instance. The Council will take advantage of opportunities offered by the Community Infrastructure Levy, chargeable on new developments, to support improvements in infrastructure to support growth within the city.
- 2.3.15** The Council will continue to drive towards **Income Maximisation** through a number of routes:
- maintaining the Council's default position that **fees and charges** should increase annually in line with inflation;
 - **generating capital receipts** by disposing of property, thereby providing funds for capital reinvestment in services, driving growth or making savings through the repayment of debt.
- 2.3.16** The Council is obliged to work towards ensuring that 100% of its pension liabilities within the West Midlands Pension Fund are funded. The current level of funding is c70%. In the light of this the Council's contributions to the pension fund, in particular in relation to the costs of past service, are planned to increase very significantly up to 2016/17 and this

increased cost is included within the Council's financial plans. The period beyond 2016/17 will see further pressure to increase contributions. The Council will work with the West Midlands Pension Fund to agree employer pension contributions that strike a balance between increasing the funding level over the long-term and being sustainable and affordable in relation to the council's overall financial position.

2.3.17 Local authorities continue to be responsible for setting levels of **Council Tax Support**, but with a 10% reduction in resources. The financial risk therefore remains with local government. The Council's existing policy is to maintain the level of benefit, ensuring that low-income households do not suffer any reduction in support. This policy will be subject to annual review.

2.4 Strategic Finance Management Framework

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

2.4.2 The **financial management processes** that underpin the MTFS are:-

- A corporate planning and monitoring process that considers capital and revenue together;
- Overall direction undertaken by Strategic Management Board (SMB);
- A framework founded on delegation and clear accountability, with budgets managed by the designated budget holder, reported through Directorate Management Teams, SMB, Cabinet and Audit and Procurement Committee;
- A drive to identify efficiencies and achievable savings to enable the Council to optimise delivery of its policy priorities
- Strong project management approaches, including a specific focus on cost control;
- The establishment of a balanced revenue budget and capital programme over the medium term planning period.
- The **management of reserves** in a way that supports the MTFS. In particular, the City Council's approach continues to be based on:
 - A policy that reserves are not to be used to meet on-going expenditure;
 - The classification of reserves as a corporate resource, with Cabinet via Strategic Management Board considering the application of budgeted amounts unspent at year end;
 - Holding reserves for a clearly identifiable purpose. This will include protecting against known or potential liabilities, at a minimum level consistent with adequate coverage of those liabilities, taking into account the overall level of risk faced by an organisation of the City Council's size.

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

- The Council will plan based on the figures released in the Central Government's Finance Settlement issued in February 2014. Although significant uncertainty remains about specific aspects of the years after 2015/16 the Council will plan based on a continued downward trajectory of Government resources with a planning assumption of on-going reductions of c10%;

- As a technical assumption, Council Tax increases of 1.5% per annum will be built into the MTFs. This will be subject to political debate and decision as well as any changes in the Government's capping criteria and interaction with Council Tax Freeze Grant proposals;
- 1% pay awards will be assumed for 2015/16 in line with indicative Government announcements, rising to 2% for 2016/17 and 2017/18. This will be kept under close review pending a potential multi-year deal currently being discussed by Employers and Unions nationally;
- Business Rate income will be assumed to be inflated broadly in line with existing CPI inflation levels (currently c2.5%). In addition, the Council's local share of Business Rate growth has been built in equivalent to £1m in 2015/16. Further increases in future years will be subject to review during the Budget Setting process;
- The Council's Tax-Base is assumed to grow at 0.6% per annum in line with recent trends;
- Forward financial estimates will be guided broadly by existing RPIY inflation levels. This will provide the financial planning benchmark for increases in fees and charges and any areas of expenditure subject to specific inflation requirements. Actual increases in fees and charges will depend upon local factors such as the need to generate sufficient income to meet the cost of trading services. The majority of non-employee based expenditure budgets will not be inflated – the assumption will be that continued procurement and commissioning work plus underlying efficiency savings and downsizing will deliver savings equivalent to the cost of inflation.

3. Results of consultation undertaken

- 3.1 No consultation has been undertaken as part of the MTFs. The implementation of the Strategy through Budget Setting and other individual projects, programmes and initiatives will be accompanied by specific consultations as appropriate.

4. Timetable for implementing this decision

- 4.1 The MTFs will underpin the proposals and approaches that will be set out in the forthcoming Pre-Budget Report and will be implemented in parallel to the proposals for setting the 2015/16 Budget.

5. Comments from the Executive Director of Resources

- 5.1 Financial implications
The main body of this report is concerned wholly with financial matters. It is important that the assumptions and principles detailed in the Strategy are adopted in order for the City Council to be able to deliver balanced budgets over the medium term.

Taking into account both the Strategic Policy and Financial Management assumptions set out in the report, some revisions to the base position that have emerged since February and some initial estimates of savings that may derive from the strategies outlined in the report, a revised projected gap is shown below. The detail that lies behind this will be set out in the forthcoming Pre-Budget Report.

Revised Projected Gap	2015/16 £m	2016/17 £m	2017/18 £m
Updated Revenue Gap	15.1	44.2	65.0
Revisions to Base Position	3.0	(5.7)	(12.2)
Initial Savings from New Strategies	(12.1)	(23.6)	(36.1)
Updated Revenue Gap	6.0	14.9	16.7

This table shows a snapshot of a fluid position. This will be updated as part of the Pre-Budget Report.

Even after taking into account the measures outlined above, there is still a forecast gap rising to £16.7m in 2017/18. Coventry now faces the challenges and major policy choices faced by many other authorities in recent years. Specifically, the Council will need to decide which areas of service are open to review and which are to be outside of scope for savings. The greater the number of areas that are outside the scope for savings, the greater will be the impact on the remaining services. However, the size of the gap makes it inevitable that areas not previously considered will now need to be reviewed and some services will be delivered differently or quite possibly not at all.

5.2 Legal implications

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

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The Council will be faced with increasingly challenging resource constraints over the remainder of this decade. Over time the initial focus to identify savings options that are intended to have as little adverse impact as possible on services to the people of Coventry will inevitably give way in the future to service changes that will have a more marked effect on front-line services.

Within these very difficult circumstances, the MTFS is closely aligned to the Council Plan priorities that are so critical to ensuring the city's success.

6.2 How is risk being managed?

Inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed at mitigating this risk by providing a robust platform from which to deliver balanced budgets. The Council's process for addressing risk is being reviewed currently and will be the subject of a forthcoming report to Cabinet.

6.3 What is the impact on the organisation?

The Council will need to make some decisions about which are its core priorities and which services it considers that it can no longer afford. It will also need to become more flexible about the mechanisms through which it delivers its services. In addition, the Council continues to use Early Retirement/Voluntary Redundancy opportunities as the key mechanism by which it is able to reduce staffing levels across the Council. It is anticipated that this mechanism will continue to be used and that the Council will continue to reduce employee numbers over the course of the Strategy.

6.4 Equalities / EIA

Equality impacts that flow from proposals within the Council's budget will be subject to assessment prior to the relevant decisions being taken. The forthcoming Pre-Budget Report will provide a further indication of how any equality issues will be managed.

6.5 Implications for (or impact on) the environment

No specific impact

6.6 Implications for partner organisations?

The Council's financial plans will have a significant impact upon the way in which it works with its partners over the coming years. The implications of these changes will become clear as individual changes are identified.

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Members: Cllr Damian Gannon	Cabinet Member (Strategic Finance and Resources)		14/10/14	14/10/14

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