
Finance and Corporate Services Scrutiny Board (1)
Cabinet
Council

7th September 2016
4th October 2016
11th October 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Executive Director Resources

Ward(s) affected: All

Title:

Medium Term Financial Strategy 2017-20 and Efficiency Plan

Is this a key decision?

No

Executive Summary:

This report presents a Medium Term Financial Strategy (MTFS), incorporating an Efficiency Plan for 2017-2020 for adoption by the City Council. The previous strategy was approved in December 2015. The 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.

The government is to commit to 4 year funding settlements to local authorities in order to encourage efficiency savings. To qualify, each local authority needs to produce an Efficiency Plan setting out how the authority intends to increase efficiency over the planning period.

Looking forward, the Council's pre-budget report will be brought to members in 29th November 2016, followed by the budget setting report in February 2017.

Local authorities will continue to face severe financial pressures for the foreseeable future in what are very uncertain times. Although the previous government policy of targeting a budget surplus by 2020 has been dropped, following the EU referendum, the downgrading of growth forecasts indicate that the severe financial pressures on public finances will continue. The fundamental factor shaping the City Council's MTFS remains that of unprecedented financial pressure leading to further significant reductions in spending levels that are likely to continue in the period up to at least 2020.

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;
- Significant reductions in government resources with a fall of c£95m in the 5 years to 2016/17 and a further fall of c£25m in the next 3 years;
- Fast population growth causing greater demand or expenditure pressures in areas such as housing, social care and waste disposal;
- A move towards greater localisation of income, including business rates by 2020, and uncertainty arising from the review of the business rates system and other funding programmes;
- The increasing importance of promoting growth in the local economy;
- Upward pressure on Pension Fund contributions, in particular to fund pension past service deficits;
- 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;
- The development of the West Midlands Combined Authority providing a source of financial support for key transformation programmes.

Taken together, these factors represent a combination of reducing resources, challenging underlying economic and demographic conditions, increased demand, a heightened need to improve the quality of services and new challenges represented by government reform and local structural and governance relationships. In these circumstances it is crucial that the Council's financial strategy is both robust and flexible. This will provide the financial foundations required to ensure that Council services are fit for purpose to protect the most vulnerable as well as providing 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 Council Plan focusing on economic growth, quality of life and a commitment to protecting the vulnerable, whilst delivering services with fewer resources;
- A Local Plan setting the blueprint for taking the City forward, identifying land to satisfy housing, infrastructure and developmental demand;
- Strong corporate financial planning, monitoring and project management arrangements;
- Growing the city's local income base, within the environment of increasing localisation of funding sources, including business rates;
- Managing the demand for services, through digital working and community engagement;
- A transformation programme, including the delivery of major capital investment schemes, to change the way the Council works and engages with its customers, as well as to drive economic growth and the delivery of unprecedented savings;
- Partnership working, including as part of the West Midlands Combined Authority, together with voluntary organisations and other partners;
- A fundamental commitment to protecting the city's vulnerable children, adults and older people;

- 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;
- 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;
- A continued 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;
- Seeking to optimise the use of pooled or new funding available to support social care and health;
- 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 the 2016/17 approved budget, the financial gap for the following 3 years is:-

	2017/18 £m	2018/19 £m	2019/20 £m
Revised Revenue Budget Gap	10.5	24.2	35.8

The financial position will be developed further in the Pre-Budget and Budget Setting reports.

Recommendations:

- (1) Finance and Corporate Services Scrutiny Board 1 is recommended to 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 approve the Strategy, including the Efficiency Plan, as the basis of its medium term financial planning process.

List of Appendices included:

Appendix 1: Coventry City Council Budget Efficiency Plan to 2020

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

Yes, with amendments made to Sections 1.2.5, 1.2.6 and 2.3.2, and Appendix 1 Finance and Corporate Services Scrutiny Board (1), 7th September 2016

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 October 2016

Medium Term Financial Strategy and Efficiency Plan 2017-20

1. Context (or Background)

1.1 Background

- 1.1.1 This Strategy sets out the financial planning foundations that support the setting of the Council's revenue and capital budgets.
- 1.1.2 For the first time the Strategy incorporates the Council's Efficiency Plan (Appendix 1), which has to be provided to government as part of the arrangements through which local authorities gain access to 4 year funding settlements up to 2020.
- 1.1.3 Local authorities will continue to face severe financial pressures for the foreseeable future in what are very uncertain times. Although the previous government policy of targeting a budget surplus by 2020 has been dropped, following the EU referendum, the downgrading of growth forecasts indicate that the severe financial pressures on public finances will continue.
- 1.1.4 Resources available to Coventry have reduced significantly with a fall of c£95m over a five year period to 2016/17, whilst the most recent Settlement Funding Assessment for Coventry shows annual reductions to 2019/20 with a total further fall of £25m over the coming three years.
- 1.1.5 Within this environment of downward pressure on resources, the Council has delivered very significant savings. In broad terms the more straightforward savings have already been made and this Medium Term Financial Strategy forms part of the process to radically reassess the nature and scale of services provided.

1.2 National and Local Context

- 1.2.1 Apart from the increasing financial pressures that all public bodies face, there is a range of local national developments set out below, which impact on the City Council:-
- The development of the West Midlands Combined Authority (WMCA), of which the Council is a member, as a route to maximising investment in Coventry to drive growth and more efficiently co-ordinate services across the sub-region. The WMCA is providing financial support in 2 broad areas: City Centre South and Friargate (£150m capital) and transport/connectivity (£370m capital).
 - A local government finance environment which is being reviewed currently with a headline move towards localising 100% of business rates by 2020. This localisation, as well the uncertainty arising from the review of the business rates system, offers the prospect of authorities benefitting from growth, but with the corresponding downside risk of falling local income bases or the Government expecting localised business rates to fund a disproportionate range of new services.
 - The operation of integrated social care and health services within the Better Care Fund, now within the context of Sustainability and Transformation plans across the health sector. This area continues to operate within a very dynamic environment with expanding user numbers and increasingly complex care packages.

- The critical importance of regeneration and economic growth, particularly in the light of the planned changes to business rates. Within the regeneration arena, the next few years are likely to see significant fluidity in the range of funding streams available from European and sub-regional sources as a result of Brexit and the establishment of the Combined Authority.
- The city's rapid population growth and the consequent demographic and socio-economic trends are causing increases in demand or expenditure pressures in areas such as housing, social care and waste disposal.
- The continued difficult economic circumstances for many, affecting the number of people seeking to access local government and voluntary sector services.
- A schools sector which continues to experience greater fragmentation with the move towards free and academy schools, although the intention to force all schools to commit to becoming academies by 2022 has been dropped. This changing face of local education provision and reducing role of councils is putting more pressure on the remaining rump of local authority education services and finances.
- National pension reforms which have failed to address the long-term affordability of public sector pensions, including the local government scheme. On a national basis, many local councils are likely to face 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.

1.2.2 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. The city has a growing population and a recent enterprise growth rate of 11%, slightly higher than regionally and nationally. However, the local economy needs to grow and, for example, the city recently ranked 47th in the UK list of shopping Centres despite being the 13th largest city by population.

1.2.3 The financial starting point for the Council's MTFs is the forecast position as at budget setting in February 2016, reflected in the table below with a budget gap rising to £36m. The Council's Pre-Budget Report which will be reported to Cabinet later this year will incorporate the revisions to this base position. These are likely to include the latest estimate of Government resources, the impact of lower financing costs due to reduced capital programme borrowing and an update on the Council's Council Tax and Business Rates resources.

	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Gap per 2016/17 Budget (Feb 2016)	10.5	24.2	35.8

The Council is part-way through a £70m programme of transformation savings including a £16m step-up in 2017/18, in addition to the budget gap set out above. Within the context of increasing demands for services, the delivery of the base programme is fundamental to the MTFs. The Council must maintain a very clear focus on identifying and developing the specific transformation approaches that will be necessary to achieve existing targets in the MTFs and ensure that all the relevant stakeholders are involved in and have an opportunity to shape these approaches.

1.2.4 The current Capital Programme approved in February 2016 per the table below, provided for a number of large investment programmes across the city including the construction of the Council's Friargate office; the City Centre Leisure Facility; Coventry Station Masterplan and the Nucleo rail project, as well as investment in school buildings and business development. The Programme will be updated as part of the 2017/18 Budget including an assessment of the sources of funding and the degree to which the Council will need to undertake borrowing to fund expenditure.

	2017/18 £m	2018/19 £m	2019/20 £m
Capital Programme Spend	107.8	41.2	19.9

1.2.5 The Council's **reserve balances** total £69.6m as at 31st March 2016. These are being reviewed in order to assess their adequacy for current known liabilities and approved policy commitments, with the objective of releasing reserves where they can be better used to drive efficiencies and service improvement. The make-up of the Council's reserves as at 31st March 2016 was:

Reserves	Balance at 31st March 2015 £000	(Increase)/ Decrease £000	Balance at 31st March 2016 £000
General Fund Balance	(5,160)	1,336	(3,824)
Non-Schools Revenue Reserves:			
Private Finance Initiatives	(11,061)	(710)	(11,771)
Potential Loss of Business Rates Income	(7,100)	4,430	(2,670)
Early Retirement and Voluntary Redundancy	(5,109)	(7,391)	(12,500)
Achievement of Future Savings	(3,424)	2,532	(892)
Birmingham Airport Dividend	0	(4,400)	(4,400)
Children's Social Care	(3,000)	1,000	(2,000)
Leisure Development	(1,459)	583	(876)
Public Health	(1,402)	365	(1,037)
Health and Social Care Schemes	(1,417)	1,137	(280)
Vehicle Purchase Programme	(1,547)	1,547	0
Troubled Families	(710)	9	(701)
Insurance Fund	(2,912)	510	(2,402)
Management of Capital	(2,112)	(225)	(2,337)
Other Corporate	(2,369)	920	(1,449)
Other Directorate	(6,434)	(487)	(6,921)
Other Directorate funded by Grant	(4,478)	1,377	(3,101)
Non-Schools Revenue Reserves	(54,534)	1,197	(53,337)
Capital Reserves:			
Useable Capital Receipts Reserve	0	(6,660)	(6,660)
Capital Grant Unapplied Account	(384)	(5,352)	(5,736)
Total Other Reserves	(384)	(12,012)	(12,396)
Total Reserves	(60,078)	(9,479)	(69,557)

1.2.6 Separately, balances for the Council’s local authority maintained schools stood at £25.8m at 31st March 2016

Schools Reserves	Balance at 31st March 2015	(Increase)/ Decrease	Balance at 31st March 2016
Schools (specific to individual schools)	(18,050)	(1,933)	(19,983)
Schools (for centrally retained expenditure)	(6,471)	630	(5,841)
Total Schools Reserves	(24,521)	(1,303)	(25,824)

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 the following core elements:

- The Council Plan;
- Strategic Policy Assumptions within the MTFS;
- Strategic Financial Management Framework;
- The Efficiency Plan to 2020.

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, which was revised in July 2015. In summary these are:

- Globally Connected;
- Locally Committed;
- Delivering our Priorities with Fewer Resources.

The plan is summarised in more detail in the Efficiency Plan (Appendix 1) and the full plan is available on the Council’s website or via the following link: [Coventry Council Plan - July 2015](#)

2.3 Strategic Policy Assumptions within the MTFS

2.3.1 The policy assumptions that will drive the Council’s financial strategy are set out below, and are referred to in more detail in the Efficiency Plan (Appendix 1).

The Council’s **transformation programme** is centred on the following overlapping strategies: Connecting Communities, Kickstart, incorporating Customer Journey, Workforce Strategy and Doing Things Differently. These strategies are aligned to and are being driven by an extensive rationalisation of the Council’s office accommodation, 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. A number of capital investment projects are key components of transformation. Capital projects will only go forward on the basis of a sustainable financial model.

2.3.2 In addition to this however, the Council is moving into a new phase of Budget planning that will require a fresh look at its major areas of expenditure and how it can deliver the savings required to deliver a balanced budget. This will include a policy led consideration of which services are provided and whether it is appropriate for the Council to continue to

deliver them in the same way. At the same, a line by line review of the Council's budget is being undertaken, led by the Cabinet Member for Strategic Finance and Resources.

2.3.3 The engagement in **partnership working** is central to the delivery of the Council Plan and the MTFS, through:-

- The Council's membership of the **West Midlands Combined Authority** providing the opportunity to maximise investment in the city and work more efficiently across the region;
- Integrated working of Health and Social Care through the Better Care Fund;
- Partnership with various stakeholders in driving economic growth;
- Engaging voluntary bodies in order to develop alternative delivery models to enable local services to be delivered at a reduced cost.

2.3.4 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.

2.3.5 Through the Local Plan the Council is seeking to take the city forward by working closely with its neighbours and partners. In order to drive further growth the plan identifies land to satisfy the demand for homes, community and commercial uses, as well as addressing the need for digital connectivity and the right infrastructure. 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.

2.3.6 The capital programme will continue to be resourced from a number of sources including: prudential borrowing, capital receipts and grant. The Council will seek to minimise the revenue funding of capital, in particular where the capital expenditure is of a one-off nature.

2.3.7 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** where there is a clear business case for doing so by disposing of property and thereby providing funds for capital reinvestment in services, driving growth or making savings through the repayment of debt.

2.3.8 The Council is obliged to work towards ensuring that its pension liabilities within the West Midlands Pension Fund are funded. The current level of funding is at or around 68%. The Council's contributions to the pension fund have increased significantly up to 2016/17 and the current triennial review will see further upward pressure on contributions from 2017/18. 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.

2.4 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 and the Council's priorities. In particular, the City Council's approach is based on:
 - A policy that reserves are not to be used to: (i) meet on-going expenditure or (ii) fund capital expenditure other than for mostly short life asset rolling programmes or in exceptional circumstances, for capital schemes of major importance;
 - 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 for grant levels in line with those set out by government as part of the multi-year settlements for local authorities. The key assumptions in this are that the Council's Efficiency Plan is accepted by government and that there are no significant unforeseen financial changes to local or central government finances;
- As a technical assumption, Council Tax increases of just under 2% per annum plus a 2% Social Care precept will be built into the MTFs. This will be subject to political debate and decision as well as any changes at a national level;
- 1% p.a. pay awards will be assumed until 2019/20 in line with indicative Government announcements. Subsequent to its initial announcement of the 1% level, the Government has indicated that it expects this to be the average rate of increase, with particular pay settlements potentially being either above or below this. This will be kept under close review;
- Business Rate income will be assumed to be inflated broadly in line with recent CPI inflation levels but flexed each year where shorter term inflation expectations dictate.
- Planning on the basis of the underlying Council Tax-Base growing at 0.6% per annum in line with historical trends but flexed each year where shorter term expectations dictate;
- The budget for the Council's Asset Management Revenue Account will continue to be reviewed annually in detail as part of the MTFs, taking into account any impact of

changes in: the capital programme, cash-flow forecasts, the level of provision to repay debt through Minimum Revenue Provision (MRP) and forecast interest rates;

- Forward financial estimates will be guided by existing CPI inflation levels in line with practice adopted across a broad range of public sector areas. 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. A number of areas subject to external contracts are more likely to reflect inflation patterns dictated by pay inflation and this expectation will be built into Council budgets in the affected areas.
- The Council's Minimum Revenue Provision (MRP) policy will be based on an approach that is both prudent and affordable in a way that reflects the long term nature of local authority debt and assets.

2.5 The Efficiency Plan to 2020

2.5.1 The government is offering to commit to 4 year funding settlements to local authorities in order to encourage further efficiency savings. The benefit to local authorities is that they should get greater certainty in funding, with those authorities which prefer not to have a 4 year settlement being at greater risk of future reductions in central funding. However, the multi-year commitment by government will be based on there being no significant, unforeseen financial changes to local or central government. In order to qualify, each authority needs to produce an Efficiency Plan. Although the content of the Efficiency Plan is not prescribed in detail, the plan should set out how the authority intends to increase efficiency over the planning period, how greater certainty could bring about savings and demonstrate the benefits of the settlement to the authority and community.

2.5.2 The proposed Efficiency Plan is set out in Appendix A and comprises:

- A Medium Term Financial Plan (MTFP);
- Reference to the Council Plan;
- Budget and Financial Risk;
- Transformation Programme and Efficiency;
- Partnership Working;
- Organisational Structure Baseline.

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 2017/18 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 and the Efficiency Plan 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, a revised projected gap will be set out in the forthcoming Pre-Budget Report.

Moving into the 2017/18 Budget Setting process there is still a forecast gap rising to £36m in 2019/20 which is expected to rise in the years beyond that. Coventry faces the challenges and major policy choices faced by many other authorities in recent years. 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. Whilst the focus is to identify savings options that are intended to have as little adverse impact as possible on services, this will not always be possible, and it is inevitable that changes 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.

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. However, changes to the landscape of pensions regulation are expected over the few years and these may affect the way in which Early Retirement/Voluntary Redundancy programmes are managed.

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.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Michael Rennie, Lead Accountant (Corporate Finance)

Directorate: Resources Directorate

Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Resources Directorate	10/08/16	23/8/16
Lisa Commane	Assistant Director ICT Transformation and Customer Service	Resources Directorate	10/08/16	10/08/16
Barry Hastie	Assistant Director Finance	Resources Directorate	10/08/16	19/08/16
Names of approvers for submission: (officers and members)				
Legal: Carol Bradford	Solicitor	Resources Directorate	10/08/16	10/08/16
Director: Chris West	Executive Director Resources	Resources Directorate	10/08/16	19/08/16
Members: Cllr John Mutton	Cabinet Member for Strategic Finance and Resources		22/08/16	22/08/16

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

Coventry City Council Budget Efficiency Plan to 2020

The Efficiency Plan sits alongside the Medium Term Financial Strategy (MTFS) and should be read in conjunction with the MTFS.

Medium Term Financial Plan (MTFP)

The baseline financial position for the Medium Term Financial Strategy and the Efficiency Plan is:-

Revenue Programme	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Brought Forward Gap	3.07	9.42	20.16	27.31
Savings per 2016/17 Budget	-12.80	-12.83	-13.75	-13.50
Expenditure Pressures per 2016 Budget	9.73	13.86	17.77	22.03
Final 2016/17 Budget Gap	0	10.45	24.18	35.84

The Council is part-way through a £70m programme of transformation savings including a £16m step-up in 2017/18, in addition to the budget gap set out above. Within the context of increasing demands for services, the delivery of the base programme is fundamental to the MTFS. The main expenditure pressures outlined above are in the area of Adult Social Care.

Capital Programme	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Capital Expenditure	115.69	107.78	41.20	19.85

The capital programme includes key projects to stimulate regeneration and support the Council's transformation programme.

The Council's reserves stood at £95.4m at the end of 2015/16:

Reserves	At 31 March 2016 £m
General Fund Balance	3.82
Schools Related	25.82
Other Earmarked	53.34
Capital receipts and grant	12.40
Reserves	95.38

In developing the 2017/18 budget and establishing the base position up until 2019/20, the Council will adopt a number of approaches as part of the MTFS, including:-

- A policy led consideration of which services are provided and whether it is appropriate for the Council to continue to deliver them in the same way. This work is in its very early stages and will be developed through the 2017/18 Budget Setting process;
- A line by line review of the Council's budget, led by the Cabinet Member for Strategic Finance and Resources;
- A review of existing reserves to identify any that are no longer required for a previously stated purpose;

- Maximising income, including from fees and charges and through the generation of capital receipts;
- Maximising economic growth in order to expand the local income base, including respect of the business rates and council tax bases;
- The strategic use of reserves on a one off basis in order to support efficiency savings and the drive for growth;
- The reduction of staffing costs through early retire/voluntary redundancy programmes.
- Seeking to maximise the value that can be driven from the Council's existing external shareholdings, tactical application of capital receipts to repay borrowing or invest in income earning assets and the alignment of Minimum Revenue Provision payments with asset usage.

Council Plan and Local Plan

The MTFP rests on the principles, visions and priorities set out within the **Council Plan**, which was revised in July 2015. 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 residents;
- Delivering our Priorities with Fewer Resources:
 - Making the most of our assets;
 - With active citizens and strong and involved communities.

The full plan, together with reports setting out actual performance against the plan, are available on the Council's website or via the following links: [Coventry Council Plan - July 2015 & Performance Report 2015/16](#)

The **Local Plan** sets out the Council's blueprint for taking the City forward. In order to build on the growth that the city has recently achieved, the plan identifies land to satisfy the demand for more homes within the city, as well as for jobs, retail and community uses. Further objectives that support growth address the importance of strong digital connectivity and developing the right infrastructure. The full plan is available on the Council's website or via the following link: [Coventry Local Plan 2016](#)

Budget and Financial Risk

The Council faces a number of financial risks. These are summarised below and are managed through existing processes, including in year financial monitoring:

- A number of **Local Government Finance Changes** will increase the level of risk that all authorities face. The localisation of 100% business rates from 2020 will transfer risk from central to local government and the together with uncertainty surrounding programmes such as the New Homes Bonus presents the Council with both opportunities and risks going forward;
- Demand pressures in **Children's Care Services and Health and Adult Social Care**, as well as the increasing complexity of care packages continue to represent a large service and budget pressure;

- In common with many local authorities the **delivery of the base programme**, which includes significant transformation savings, as well as the on-going need to manage budgets in a complex and dynamic environment, present risks and challenges that the Council's must manage;
- Large and complex **Major Projects**, including capital investment schemes contributing to the Council's transformation programme set out below, carry a series of financial, legal, operational and reputational risks;
- The cost of **Pensions** is an increasing burden, particularly as the Council becomes smaller and interest rates remain depressed. Volatility in investment returns adds a layer of uncertainty to that burden.

The Council will manage these risks in a number of ways including, by:

- Growing the local income base, including in respect of business rates and council tax;
- Maintaining strong corporate capital and revenue planning and monitoring processes, and project management arrangements;
- Managing demand through, for example, digital working and community engagement;
- Maintaining adequate reserve balances;
- Proactively engaging with the West Midlands Pension Fund;
- Maximising funding certainty, through for example the proposed four year financial settlement;
- Maximising funding, from sources such as growth monies and other grants.

Transformation Programme

The Council's existing transformation programme is a cornerstone of the Efficiency Plan and the delivery of a balanced budgets over the 4 year term of the MTFP. The key elements of the programme are:-

- **Kickstart** provides a platform for modernising the way the Council works, in a more streamlined and efficient way. The construction of a new base for 2000 Council staff in the Friargate business district will kickstart wider economic regeneration in the area. This will allow the rationalisation and consolidation of the Council's property portfolio with the closure and disposal of a number of older buildings. The relocation of staff on one site is also central to the continued move to more flexible, agile, digital based ways of working.
- **Customer Journey** is changing the way that Council services are accessed, with decreasing dependence on face to face services except for the most vulnerable. The rolling out of digital solutions for contacting and transacting with the Council such as via My Account, together with a consolidated Customer Services Centre within the city centre will increasingly support the provision of accessible, efficient services at a reduced cost.
- **The Workforce Strategy** has already driven a series of voluntary redundancy programmes. These continue, and together with the redesign of services, have reduced staffing numbers, with full time equivalent staff levels reduced by 270 in 2015/16. The Council's management structures have also been rationalised, with fewer posts required at senior levels, consistent with services being consolidated within a smaller number of Directorates. In addition, processes changes are focusing on staff development through new training opportunities, simpler appraisal systems and a new behaviours framework.

- **Doing Things Differently**, entails changing the relationship between the Council and its citizens, so that whilst those that are able to, do more for themselves, the Council can concentrate scarce resources on the most vulnerable. Partnership working, in particular the involvement of groups across the city interested in doing more in their communities, is crucial in this respect.
- The **Connecting Communities** review focuses on changing our library, children's and youth services so they are delivered together in one place in the communities and neighbourhoods where there is most need, within the resources available. A key element of the approach is to encourage community involvement in running the services

A number of major capital investment projects are key components of the transformation programme and they will be crucial in modernising services as well as working practices, reducing the cost of services and helping drive economic growth. The major capital investment schemes include:

- The **Friargate Regeneration** District, in which the construction of a building for Council staff will help kickstart the broader development of the Business District and complement investment in the adjacent train station site. This scheme is being pursued in partnership with the West Midlands Combined Authority (WMCA);
- The **City Centre Leisure** development, which will see the replacement of older more expensive facilities with a modern, much more extensive and more cost effective leisure offer, representing a regional destination facility;
- The **City Centre South** scheme to regenerate and revitalise a significant part of the City Centre through a multi-use development including retail, leisure, residential and hotel facilities. This scheme is being pursued in partnership with the West Midlands Combined Authority (WMCA);
- **Transport** and infrastructure investment to improve connectivity across the city and within the region. A number of these projects are being pursued in partnership with the West Midlands Combined Authority (WMCA).

Partnership Working

The Council is engaged in **Partnership working** with a variety of organisations at different levels, with this being fundamental to the delivery of the Council Plan and the Medium Term Financial Strategy:-

- Membership of the West Midlands Combined Authority (WMCA) provides the Council with the opportunity to work with its partner authorities across the region in order to maximise regeneration investment within the city and across the region, as well as more efficiently co-ordinate sub-regional services;
- The operation of a Better Care Fund pooled budget between the Council and the Coventry and Rugby Clinical Commissioning Group (CCG) helps the further integration of health and social care services within Coventry. In the light of the nature of the care services and their demand pressures, as well as the wider context of the CCG being in special measures and the development of local Sustainability and Transformation Plans (STPs), the effective working of the partnership arrangements is ever more important;
- The drive for economic growth through regeneration relies on the effective and close working with partner organisations, including the Coventry & Warwickshire LEP, neighbouring local

authorities, for example in respect of the Local Plan and key stakeholders, in delivering major projects;

- In seeking to do things differently, for example in respect of Connecting Communities, the Council is actively engaging voluntary bodies in order to develop alternative delivery models, that ensure that local services are delivered at minimum cost.

Organisational Structure:

The way the Council is organised continues to be modernised in order provide a cost effective structure that is fit for purpose. Management structures have been slimmed down and the directorate structure reshaped to ensure that services are provided in the most effective and efficient way. The base structure is set out below:

