

Council – 14th January 2020

Recommendation from Cabinet 19th November 2019

Coventry City Council

Minutes of the Meeting of Cabinet held at 2.10 pm on Tuesday, 19 November 2019

Present:

Members:

Councillor G Duggins (Chair)
Councillor A Khan (Deputy Chair)
Councillor K Caan
Councillor P Hetherton
Councillor K Maton
Councillor J Mutton
Councillor M Mutton
Councillor J O'Boyle
Councillor P Seaman

Deputy Cabinet Members

Councillor P Akhtar
Councillor R Ali
Councillor B Gittins
Councillor G Lloyd

**Non-Voting Opposition
Members:**

Councillor A Andrews
Councillor G Ridley

Other Members:

Councillor N Akhtar
Councillor R Brown
Councillor J Clifford
Councillor R Lakha
Councillor J McNicholas
Councillor K Sandhu
Councillor R Singh
Councillor C Thomas
Councillor S Walsh

Employees (by Directorate):

People

G Quinton (Deputy Chief Executive (People)), P Fahy

Place

M Yardley (Deputy Chief Executive (Place)), B Hastie,
G Hood, P Jennings, R Moon, J Newman, M Salmon

Apologies:

Councillor T Khan

RECOMMENDATION

53. **Medium Term Financial Strategy 2021-2023**

The Cabinet considered a report of the Deputy Chief Executive (Place), which presented the Medium-Term Financial Strategy (MTFS) for adoption by the Council.

The Cabinet noted that the MTFS sets out the financial planning foundations that support the Council's vision and priorities and the financial and policy context for the Council's forthcoming Budget process. Cabinet considered proposals within the Pre-Budget Report (Minute 52 above refers) and it was further noted that the final Budget Setting Report would be brought to Cabinet and Council in February 2020.

The national funding background to the MTFS was that the Council was currently within the final year (2019/20) of a four-year funding settlement from Government. A major upheaval in the funding arrangements for all councils that had been signalled for the period from 2020/21 onwards had been postponed until 2021/22 at the earliest. The Pre-Budget report that was considered by Cabinet, set out the impact of the one-year settlement proposed for 2020/21. Current medium-term estimates were still based on assumptions of local authorities continuing to face significant financial pressures.

The national political environment was currently subject to much fluidity and uncertainty, resulting from deliberations over the UK's exit from the European Union and the dynamic political situation that flowed from this. The likelihood or otherwise of the Government's ability or intention to adhere to its fiscal rule (that borrowing should remain below 2% of Gross Domestic Product) had been widely questioned by commentators. The short-term impact of this was some short-term additional funding for local government but with no guarantee that this would continue beyond 2020/21. Therefore, concern remained that the pressure on public finances would not ease in a sustained way and that real reductions in available revenue resources and spending levels were likely to continue.

On a local level, the Council continued to face challenging conditions affected by shortfalls in achievement of a small number of existing savings plans and financial pressures in particular within services for children, housing and homelessness. Although the Council had some ambitious Capital Programme plans, the scale and pace of these represented a significant challenge in terms of the Council's ability to deliver them to the required timescales and within its existing project capacity. In addition, the elements of the Programme that were funded by future West Midlands Combined Authority grant approvals would not be able to proceed until resourcing for these grants had been secured through the WMCA.

Notwithstanding the approaches set out in the strategy, the Council would need to maintain dynamic financial models that take account of changes in its medium-term budget position and ongoing re-evaluation of its Capital Programme. This may include adopting some measures which would have a shorter-term focus or which re-evaluated the Council's approach to financial risk. These would be set out fully at the point of decision making.

In summary, the key national and local contexts that frame the Strategy included:

- A paramount need to protect the most vulnerable people in the city;
- Expectations on the Council to maintain service levels and standards across a wide range of core services;
- A comparatively high rate of local population growth causing greater demand and expenditure pressures in areas such as housing, social care and waste disposal;
- Future real-terms reductions in government resources within a revised local government funding framework;
- A Business Rates retention system emphasising the continued importance of promoting growth in the local economy;
- A very large Capital Programme which defines the Council's aspirational outlook but which establishes a major programming and logistical challenge in order to deliver it.

Taken together, these factors represented a combination of reducing resources, challenging underlying economic and demographic conditions, increased demand, pressure to sustain the quality of services and new challenges represented by government reform and local structural and governance relationships. In these circumstances it was crucial that the Council's financial strategy was both robust and flexible. This would provide the financial foundations required to ensure that Council services were 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 Council's strategic financial approach to the demands that it faces included:

- A Council Plan focusing on economic growth, quality of life and a commitment to delivering fundamental services despite fewer resources being available;
- A Local Plan setting the blueprint for taking the City forward, identifying land for new homes, new jobs and new retail and community uses;
- A fundamental commitment to protecting the city's vulnerable children, adults and older people;
- Managing the demand for services selectively, through digital working and community engagement;
- Transformation projects to change the way the Council works and engages with its customers in part to achieve the delivery of savings;
- A programme of major capital schemes to drive regeneration and economic growth in 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.
- Growing the city's local income base, within the environment of increasing localisation of funding sources, including Business Rates;
- Partnership working, including as part of the West Midlands Combined Authority, together with voluntary organisations and other partners;
- A continued drive towards income maximisation, including investment in commercial ventures within the context of robust risk management arrangements and mindful of sector guidance;

- A continued Workforce Strategy requiring a 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 funding available to support social care and health;
- Seeking to modernise, rationalise and prioritise services, consider alternative service delivery models and work in tandem with partners and neighbouring authorities;
- Strong corporate financial planning, monitoring and project management arrangements;

Based on the 2019/20 approved budget, the initial financial gap for the following 4 years as at the start of the new Budget Setting round was £16.7m for 2020/21, rising to £34.4m by 2023/24.

The position from 2020/21 onwards was based on early estimates and could be subject to major change depending on the outcome of the forthcoming changes in the local government finance regime which would not emerge until 2020. The scale of the financial gap was not unusually large in a historical context or compared with authorities similar to Coventry. It would nevertheless require the Council to consider further reductions in services and the need to prioritise the services that it wished to maintain in the future and identify those that may be allocated fewer resources or ceased altogether.

The Cabinet noted that the report had been considered by the Finance and Corporate Services Scrutiny Board (1) and received a briefing note indicating the Board's support of the proposals within the report.

RESOLVED that, the Cabinet recommend that Council approve the Strategy as the basis of its medium-term financial planning process.