

Coventry City Council
Minutes of the Meeting of Finance and Corporate Services Scrutiny Board (1) held
at 2.00 pm on Monday, 14 December 2020
(This meeting was held remotely)

Present:

Members: Councillor R Singh (Chair)
Councillor F Abbott
Councillor J Blundell
Councillor B Gittins
Councillor G Hayre
Councillor R Lakha
Councillor T Sawdon

Other Members: Councillor R Brown
(Cabinet Member for Strategic Finance and Resources)

Employees (by Service):

Finance B Hastie (Director of Finance), P Jennings, M Rennie,
H Williamson

Law and Governance V Castree, M Salmon

Apologies: Councillor R Auluck

Public Business

12. Declarations of Interest

There were no disclosable pecuniary interests.

13. Minutes

The minutes of the meeting held on 14th October 2020 were agreed as a true record. There were no matters arising.

14. Medium Term Financial Strategy 2021-22 to 2023-24

The Finance and Corporate Services Scrutiny Board (1) received a Briefing Note and Presentation of the Director of Finance that reported on the Medium-Term Financial Strategy 2021-22 to 2023-24.

The Scrutiny Board's Work Programme included an item to review the Council's Medium-Term Financial Strategy. The Strategy has been delayed this year as a result of the Covid pandemic and the ongoing medium uncertainty in relation to Local Government finance. The draft Strategy was provided in an Appendix to the Briefing Note for their review. The final Strategy would be approved as part of the overall Budget Report at Cabinet and Council meetings in February 2021.

The Strategy (MTFS) was the base on which the revenue budget and capital programmes were built, including the policy assumptions and financial management framework which underpin these.

The Board noted that nationally, local authorities faced acute financial pressures as a result of longer-term reductions in government financial support, exacerbated by the effects of Covid-19, both on businesses and directly on local authority income and expenditure levels. In addition, local authorities must plan in an environment of great uncertainty, for example about the future course of any recessionary dip, the impact of Covid-19 and the UK's future relationship with the EU. The recent Government Spending Review primarily covered only one year rather a multi-year period.

Locally, government funding of the Council was c£120m less in 2020/21 than in 2010/11. Against this backdrop the starting point for the Council had been a large 3-year budget gap of £19m rising to £38 by 2023/24 as at February 2020 (an accumulated three-year shortfall of £88m).

The 2020/21 financial forecast at quarter 2 was for a net overspend of £3.5m, taking into account the impact of Covid-19, and prior to the implementation of measures to balance spend to budget as at the year end. Significant pressures existed across several areas including children's services, waste and highways and transport including car parking income.

The Council had revenue reserve balances of £89.9m; £32.9m of capital reserves earmarked to fund major capital schemes, and £21.3m of reserve balances belonging to or earmarked to support schools.

The Council's substantial 4-year capital programme of £470m was funded in the main by grant (£321m) and prudential borrowing (£122m), across a number of areas including regeneration, transport and infrastructure, housing and investment in school buildings.

The Cabinet Member for Strategic Finance and Resources confirmed the financial pressures faced by all Local Authorities resulting from the longer-term reductions in government financial support and the effects of Covid-19 on finances. Unemployment was rising and there was an increased demand on local services. It had been difficult to prepare a Medium-Term Financial Strategy due to future uncertainty and also that the Government had only provided a one-year settlement, but was pleased to report that the Council's finances had been well managed and Coventry was in a good position compared to many other local authorities. Looking to the future, Coventry had an ambitious capital programme and it was anticipated that this year a balanced budget would be achieved without the need to cut services.

The Board questioned officers, received responses, and discussed the following issues:

- Borrowing Limit – Self defined limit determined by capital expenditure and how much could be generated to repay loans

- Lending Streams – Need to be clear how projects were funded which could include multiple lending streams
- Municipal Bonds – credit rated and lengthy process. Public Works Lending Board preferred option
- Local investments - made if considered prudent
- Government settlement – will support the 2021/2022 funding gap and there would be further local government funding to support collection fund losses
- Transformation – assess finance and policy going forward. Item to be added to the Work Programme for consideration in 2/3 months-time.
- West Midlands Pension Fund – employer and employee contributions and benefit calculations, required employer contributions to ensure benefits for all pension liabilities now stands at 98%.
- Current Reserves of £140m – External Auditors recommended level for the Authority.

Members requested that information be circulated to the Board on Council Capital Reserves used to help fund expenditure.

Reference to the Board's consideration of the Strategy would be included in the Budget Report being submitted to Cabinet in February 2021.

RESOLVED that the Finance and Corporate Services Scrutiny Board (1):

- 1) Notes the presentation and the attached Medium-Term Financial Strategy.**
- 2) Agrees that an item be added to the Board's Work Programme on Transformation.**

15. Reserve Balances

The Finance and Corporate Service Scrutiny Board (1) received a Briefing Note and Presentation of the Director of Finance on the position of the Council reserve balances.

The Scrutiny Board's Work Programme included an item to review the position in relation to the Council reserve balances. Information was provided in an Appendix to the Briefing Note, which showed balances for each individual reserve area over a three-year period, for the Board to review. Balances were listed in the size of the balance in April 2020 (largest first) within categories, in addition, a brief description was provided for each balance.

The Board noted that the Councils total level of non-schools revenue reserves stood at £89.9m at 31st March 2020 and capital reserves were at £32.9m. The Council was also required to account for £21.2m of reserve balances that belonged to the city's schools or were funded from Dedicated Schools Grant and were therefore ring-fenced for schools' usage.

There were several reserve balances that warranted initial coverage due to their value:

- Reserve to fund Early Retirement and Voluntary redundancy costs resulting from programmes to deliver the staffing savings required to balance the budget. This currently stood at £9.3m.
- A further £9.6m of reserves were held to manage the cashflow requirements of the financial models for the Council's 3 Private Finance Initiative schemes. These reserves would be used (the balance would fluctuate) over the 25 year plus lifetimes of the schemes. As part of the 2016/17 Budget Setting a decision was taken to utilise £1m per annum for the next ten or so years before then repaying these amounts over the remainder of the schemes' lifetimes.
- Capital receipts (proceeds from the sale of capital assets) had been generated in recent years and these amounted to £31m at the end of 2019/20. These receipts had been programmed to fund several developments over the coming period include the Council's investment in the Friargate Joint Venture, and the capital investment for the City of Culture programme.
- There was a reserve to manage Business Rates volatility under the existing Business Rates Retention which was in place currently.

The Board questioned officers, received responses, and discussed the following issues:

- Pension Strain – exit costs now capped at £95,000 and includes the strain on the pension for those retiring before their state pension age, redundancy payments and pension lump sum payments. New limit, implemented by Government, will disincentivise early retirement and voluntary redundancy
- Reserve Balances – calculated against service expenditure level.
- Ministry of Justice Funding – journal raised in error, moved to business rates in 2019/2020
- Reserves Analysis – clarification of the flexibility of each individual itemised reserve

Members requested that information on how corporate capital has increased and details of grant funding for migration, be circulated to the Board.

RESOLVED that the Finance and Corporate Services Scrutiny Board (1):

- 1) Notes the presentation and the detailed reserves listing.**
- 2) Supports the proposals for one-off spends and build on reserves.**

16. **Work Programme and Outstanding Issues**

RESOLVED that the Finance and Corporate Services Scrutiny Board (1):

- 1) **Notes the Board's Work Programme for the remainder of the Municipal Year 2020/2021.**
- 2) **Agrees that an item on Transformation be added to the Work Programme for consideration by the Board in 2/3 months-time.**

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

There were no other items of public business.

(Meeting closed at 3.50 pm)