

Agenda Item 6
Council – 18 January 2022
Recommendation from Cabinet
14th December 2021

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 14th December
2021

Present:	Councillor G Duggins (Chair)
Members:	Councillor R Brown Councillor K Caan Councillor P Hetherton Councillor M Mutton Councillor J O'Boyle Councillor K Sandhu Councillor P Seaman Councillor D Welsh
Non-Voting Deputy Cabinet Member:	Councillor G Hayre
Non-Voting Opposition Members:	Councillor J Blundell (Substitute for Councillor P Male) Councillor G Ridley
Other Non-Voting Members:	Councillor R Lakha Councillor C Thomas
Employees (by Service):	
Chief Executive	M Reeves (Chief Executive)
Business, Investment and Culture	D Hope, D Weir
Finance	B Hastie (Director of Finance), P Jennings
Law and Governance	J Newman (Director of Law and Governance), M Salmon
Apologies:	Councillor N Akhtar Councillor P Akhtar Councillor L Bigham Councillor B Gittins Councillor G Lloyd Councillor A S Khan Councillor P Male

RECOMMENDATION

Public Business

52. **Medium Term Financial Strategy 2022-2025**

The Cabinet considered a report of the Director of Finance that had been considered by the Finance and Corporate Services Scrutiny Board (1) at their meeting on 1st December 2021 (their minute 22/21 referred) and would also be considered by Council at their meeting on 18th January 2022, that presented a Medium-Term Financial Strategy (MTFS) for adoption by the City Council. A briefing note setting out a recommendation from Finance and Corporate Services Scrutiny Board (1) consideration of the report was circulated.

The previous strategy was approved as part of the 2021/22 Budget Report in February 2021. The Strategy set out the financial planning foundations that supported the Council's vision and priorities and the financial and policy context for the Council's current Budget process. Cabinet would consider proposals within the Pre-Budget Report in December 2021 and the final Budget Setting Report would be brought to Cabinet and Council in February 2022.

The national funding background to the MTFS was that the local government would be subject to a new settlement from Government within the financial parameters of the Autumn Budget and Spending Review 2021 (SR2021) announced in October. Although a major upheaval in the funding arrangements for all councils had been signalled at regular intervals this was once again postponed in SR2021 and there would be no structural changes to the system until 2023/24 at the earliest. In addition, SR2021 provided only indicative control totals for the sector and it would not be until the provisional local government settlement was released in December 2021 that firmer indications would be provided of the Council's outline financial settlement for the next three years. The Pre-Budget report that would be considered by Cabinet alongside this one set out the best estimate of the Council's three-year settlement financial position. Current medium-term estimates were still based on assumptions of local authorities continuing to face significant financial pressures.

The national political and financial environment had continued to be subject to fluidity and uncertainty resulting from the impact of Covid and the economic transition as restrictions had been lifted. Despite the large increase in Government borrowing incurred during the pandemic SR2021 indicated that real terms growth would be allowed across Government departments over the medium term. How this affected the financial position for local government would not be known with any certainty until the forthcoming local government settlement, although it was anticipated that demographic, societal and inflationary pressures would absorb much if not all of the indicated growth in the sector. The shorter-term impact of this was likely to be some additional funding for local government to help deal with known and growing financial pressures. The extent that the position could be forecast beyond 2022/23 would depend greatly on the detail set out in the settlement. There was every expectation that the pressure on public finances would not ease in a sustained way and that any increase in available revenue resources would be at least matched by equivalent need to meet pressures within the sector, in particular those relating to social care.

On a local level, the Council continued to be faced with challenging conditions created by the need to protect vulnerable children in the city and the pressures of delivering services for a growing city. In some sectors this had been affected by difficulties within the labour market and the need to employ external agency staffing to deliver core services. The delivery of the ambitious scale and pace of the Council's capital and transformation plans within its existing project and management capacity presented a further challenge. In addition, the elements of the Programme that were funded by future West Midlands Combined Authority (WMCA) 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 this strategy, the Council would need to maintain dynamic financial models that took account of changes in its medium-term budget position and ongoing re-evaluation of its Capital Programme. These would be set out fully at the point of decision making.

In summary, the key national and local contexts that framed this 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, in part redefined within an updated set of policy priorities;
- A comparatively high rate of local population growth causing greater demand and expenditure pressures in areas such as social care, waste disposal and housing;
- Any growth in the level of government resources within a revised local government funding framework being absorbed by spending demands, especially within social care sectors;
- A Business Rates retention system emphasising the continued importance of promoting growth in the local economy;
- A very large Capital Programme which defined the Council's aspirational outlook, but which established a major programming and logistical challenge in order to deliver it.

Taken together, these factors represented a combination of limited 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 good 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:

- An approach based on economic growth, quality of life and a commitment to delivering fundamental services as well as a greatly increased focus on actions to tackle climate change;
- 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;
- A programme of activity to deliver the One Coventry Plan which would change the way the Council worked and engaged with its customers, to achieve better outcomes and in part to achieve more efficient and cost effective services;
- 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 had the talent in place necessary to deliver the challenging agenda that it faced;
- 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 2021/22 approved budget, the initial financial gap for the following 3 years as at the start of the new Budget Setting round was:

	2022/23	2023/24	2024/25
	£m	£m	£m
Revised Revenue Budget Gap*	15.4	21.4	26.6

*The positions for 2022/23 and 2023/24 had been updated to reflect all approved decisions up to and including the 2021/22 Budget process.

The 2022/23 Pre-Budget Report which would be considered by Cabinet alongside this report, would provide the latest detailed financial position to reflect an updated financial assessment and work undertaken to balance the forthcoming budget. The scale of the financial gap shown above was not unusually large in a historical context or compared with authorities similar to Coventry and the Pre-Budget report would show measures that were likely to bring next year’s position close to balance. One of the challenges of this strategy was to move the Council towards a balanced position over the medium term although this would depend to a large degree on the content of the local government settlement. It would nevertheless require the Council to consider the need to prioritise the services that it wished to maintain in the future and identify those that may be allocated fewer resources, managed in a different way or ceased altogether.

The Cabinet noted that within the table entitled Summary of Reserve Movements in 2020/21 the closing reserve balance for the Innovation and Development Fund should be £5.549m (not £5.649m as stated), and that the corresponding figures for Other Corporate Reserves should be £13.600m (not £13.500m as stated). The two restatements cancelled each other out and the overall total was unaffected.

The Cabinet:

- (1) Agreed the recommendation from the Finance and Corporate Services Scrutiny Board (1) that Cabinet agrees the recommendations contained in the report; and
- (2) Recommended that Council approve the Strategy as the basis of its medium-term financial planning process.

RESOLVED that the Cabinet recommends that Council approves the Strategy as the basis of its medium-term financial planning process.