
Scrutiny Co-ordination Committee
Cabinet
Council

8th February 2023
14th February 2023
21st February 2023

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:

Interim Chief Executive (Section 151 Officer)

Ward(s) affected: All

Title:

Medium Term Financial Strategy 2023-26

Is this a key decision?

Yes - Cabinet and subsequently Council are being recommended to approve the Medium-Term Financial Strategy incorporating decisions which have financial implications in excess of £1m.

Executive Summary:

This report presents a Medium-Term Financial Strategy (MTFS) for adoption by the City Council. The previous strategy was approved in January 2022. The Strategy, which is included in full as a separate appendix, sets out the financial and policy context for the Council's medium term financial plans.

Cabinet considered separately the detailed proposals for 2023/24 within the Pre-Budget Report in December which included the best estimate of the Council's three-year settlement financial position available at that time. The final Budget Setting Report will be brought to Cabinet and Council in February 2023.

The national funding background has been set out in the Autumn Statement published by the Government in November 2022 with further detail included in the 2023/24 Provisional Local Government Finance Settlement on 19th December 2022. This confirmed the position that there will be no structural changes to the funding arrangements in the coming financial year.

The Council's existing financial position has been characterised by several fundamental financial challenges including a long period which saw the real value of Government financial settlements reduce, an increase in the demand for services such as social care and the emergence of inflationary pressure on a wide range of costs. In response the Council has been able to balance its budget through the receipt of significant time-limited Government grant allocations and approval of maximum permitted Council Tax rises. The Council still faces significant budget gaps in the medium-term and one of the purposes of the MTFS is to set out the Council's approach to managing this position. Notwithstanding, the Council will 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. These will be set out fully at the point of decision making.

The Strategy has at its heart the need to deliver the priorities set out in the One Coventry Council Plan with a paramount need to protect the most vulnerable people in the city and deliver expectations on the Council to maintain service levels and standards across a wide range of core services.

Taken together, these factors represent 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 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 good quality core services for every citizen in the city in line with the Council's aspiration to deliver its One Coventry Plan.

Recommendations:

Scrutiny Co-ordination Committee is recommended to

- (1) Consider whether there are any comments/recommendations that it wishes to make to Cabinet.

Cabinet is recommended to:

- (1) Consider any comments/recommendations from Scrutiny Co-ordination Committee; and
- (2) Recommend that Council approve the Strategy as the basis of its medium-term financial planning process.

Council is recommended to:

- (1) Approve the Strategy as the basis of its medium-term financial planning process.

List of Appendices included:

Appendix 1 - Medium Term Financial Strategy 2023-26

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

Yes - Scrutiny Co-ordination Committee – 8th February 2023

Has it been or will it be considered by any other Council Committee, Advisory Panel or any other body?

No

Will this report go to Council?

Yes - 21st February 2023

Medium Term Financial Strategy 2023-26

1. Context (or Background)

- 1.1 This Strategy, attached at Appendix 1 sets out the financial planning foundations that support the setting of the Council's revenue and capital budgets, including the policy assumptions and financial management framework that underpin the strategy.
- 1.2 The MTFS contains an introduction and the policy framework in section 2 provided by the existing One Coventry Plan which sets out how the Council is focused on increasing the economic prosperity of the city and region, improving outcomes and tackling inequalities within Coventry communities and tackling the causes and consequences of climate change.
- 1.3 Section 3 of the Strategy explains the national financial context and the medium-term uncertainty that exists around local government funding. Although recent Government announcements broadly consolidate the existing level and pattern of local government resources there is significant uncertainty over the future path funding.
- 1.4 The key factors that the Council has identified as influencing current and future demand for our services, are outlined in Section 4. These continue to include recurrent challenges such as sustained demand for social care as a result of the ageing population and increasing numbers of children with complex care needs. In addition, councils are faced with increasing demand for support from citizens driven by current national financial challenges, the greatest inflationary pressures witnessed in a generation and the consequent cost of living crisis.
- 1.5 Section 5 outlines the Council's financial planning context and assumptions which draw on the information set out in the remainder of the Strategy and provide the foundations of the medium-term financial position. This includes the key spending forecasts, inflation expectations and planning assumptions in areas such as Council Tax.
- 1.6 The Council's response to the current financial gap is set out in Section 6. This sets out the Council's approach to how it will seek to balance its Budget in future, subject to future Budget decisions and other major policy approvals.

2. Options considered and recommended proposal

- 2.1 The remainder of the report and in particular the details set out in Appendix 1 contain the proposed updated Medium Term Financial Strategy for the Council. The recommended proposal is for Cabinet and Council to adopt this Strategy in replacement of the existing Strategy.

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 This MTFS is broadly reflected in the Budget proposals that will be considered by Cabinet and Council in February 2023 and will underpin the proposals and approaches in the subsequent Budget process for 2024/25.

5. Comments from the Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer

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 balance its budget over the medium term.

Moving into the next phase of financial planning the initial position shows forecast gaps rising to £42m in 2025/26 although this will be updated within the Budget Report. In addition, there are further developments which could affect the Council's Budget position adversely over this period: challenges in delivering its remaining savings targets, growth in demand pressures across several major services and the uncertainty surrounding the local government finance regime.

It is clear that Coventry faces similar challenges and major policy choices to many other authorities and the size of the gap makes it inevitable that areas not previously considered will now need to be reviewed with some services being delivered differently or quite possibly not at all. The Council will seek to identify medium-term measures linked to the One Coventry approach and set out in this report and will continue to review other measures of both a one-off and on-going nature to help balance future budgets. These approaches may include but will not be restricted to; the use of reserves, the use of Capital receipts, repayment of debt, investment in property and other investment assets, application of the Council's Minimum Revenue Provision policy and updating estimates of the Council's Business Rates and Council Tax resources.

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 Plan?

The Council will continue to be faced with challenging resource constraints in the coming years. This will demand that there continues to be a focus to identify additional income generation and commercial options but in a way that takes a balanced approach to financial risk. The Council's activity will be focussed on a One Coventry approach, working with partners and the community and identifying synergies between services. This may result in different ways of delivering some services although the ultimate goal will be to deliver better outcomes for the citizens of Coventry. Within these parameters, the MTFS is closely aligned to the One Coventry Council Plan priorities.

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 continue to be faced with some decisions about which are its core priorities, which services it may no longer be able to afford and the best mechanisms through which to deliver its services.

6.4 Equality Impact Assessment and Consultation Analysis

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

6.5 Implications for (or impact on) climate change and the environment

The extent to which Climate Change is an emerging priority for the Council is reflected in the revised draft of the One Coventry Council Plan and can be expected to figure more prominently in the Council's policy and financial planning activities over time.

6.6 Implications for partner organisations

Implementation of the Council's financial plans continue to affect the way it works with some of its partners and the implications of these changes need to be managed in consultation with partners as individual changes are identified.

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