

Coventry City Council
Minutes of the Meeting of Cabinet Member for Strategic Finance and Resources
held at 10.00 am on Tuesday, 4 October 2022

Present: Councillor R Brown (Cabinet Member)

Members:

Councillor T Sawdon (Shadow Cabinet Member)

Other Members:

Councillor N Akhtar, Chair, Scrutiny Co-ordination Committee

Councillor D Welsh, Cabinet Member for Housing and Communities

Employees:

Finance P Helm, P Jennings

Law and Governance S Bennett, O Aremu

Others present: M Sutherland, Coventry City of Culture Trust

Public Business

1. Declarations of Interest

There were no disclosable interests.

2. Minutes of Previous Meeting

The Minutes of the meeting held on 22 September, 2021 were agreed and signed as a true record.

There were no matters arising.

3. Coventry City of Culture Trust - Temporary Loan Funding Support

The Cabinet Member for Strategic Finance and Resources considered a report of the Chief Operating Officer which indicated that the Coventry UK City of Culture year concluded in May 2022. As planned, the programme has now entered a legacy phase that is intended to run until March 2024 under the direction of the Coventry City of Culture Trust (the Trust) which continues to operate albeit on a smaller scale than it did during the UK City of Culture year. The legacy phase is a vital element of the UK City of Culture concept, enabling the City to embed new cultural capacity and activity to maximise the value of Coventry hosting the UK City of Culture programme across its title year.

Funding and commercial income streams have been identified to support the legacy period and the Trust has approved a budget position aimed at managing the extent of its activities within the financial envelope of the resources identified. However, the challenge of hosting the UK City of Culture year during a period blighted by the COVID-19 pandemic followed by challenging trading conditions in

summer 2022 has put additional financial stress on the financial model and cashflow forecasts of the Trust. The Trust's most recent financial monitoring activity has indicated a worse than previously anticipated financial position. As a result, the Trust has found itself in the position of having over-committed its core activity programme by c5%. In addition, the Trust is awaiting payment of confirmed capital grant funding and several payments due from HMRC relating to Theatre Tax Relief and VAT. The Trust has therefore identified a need for some temporary cashflow support which will enable it to realign expenditure plans with the timing of grant support and other income flows over the coming period.

The report set out the background to this request and detailed the financial arrangements proposed. The Trust is seeking a cash-flow facility of up to £1m from the City Council to meet the short-term financing shortfall that it faces, repayable over the remaining course of the Trust's project period. The loan will be provided at a commercial rate of interest that will provide the Council with a financial return to reflect the risk incurred in an arrangement of this nature. The intention will be for this to be repaid over a short term period and before the end of the Trust's operating period in March 2024. This will minimise the amount of interest payable by the Trust but is consistent with it being able to maintain a robust cash-flow position. It is proposed that the final details of these arrangements and the ability to vary these to reflect any change in circumstances be delegated to officers, following consultation with the Cabinet Member for Strategic Finance and Resources and the Cabinet Member for Housing and Communities. The rate of interest will exceed the rate at which the Council would need to pay to secure the equivalent external funding (for instance from the Public Works Loans Board) although in reality the Council will source the temporary financing from its existing cash balances as an alternative to investing these balances through its routine treasury management activity. Overall, the Council will generate an annual return as a result of the margin applied on top of the rate of borrowing. The loan will be managed by the Treasury Team in line with the Commercial Investments Strategy.

The Council has undertaken due diligence in the Trust's financial position. The report detailed potential risks and indicated that the Trust has previously demonstrated its ability to manage within a tight financial budget and has a robust governance structure.

The Council has already provided or committed funding to date to directly support the Trust (for delivery and legacy) within an overall package of £5.25m. This does not include the City Readiness funding or Cultural Capital Programme package which have facilitated hosting the overall programme of events and wider investment into cultural and heritage assets, but which was not paid directly to the Trust.

In accordance with the Constitution, Councillor N Akhtar, Chair of the Scrutiny Co-ordination Committee attended the meeting for this item of business and agreed the need for urgency, such that call in arrangements do not apply. The reason for urgency is that the loan is required to provide immediate cashflow support to the City of Culture Trust. If the decision was delayed, this would be a threat to the Trust being able to remain in a positive cashflow position.

RESOLVED that the Cabinet Member for Strategic Finance and Resources:-

- 1) Approves a loan of up to a sum of £1m to Coventry City of Culture Trust (the Trust) on commercial terms as detailed in the report.**
- 2) Delegates authority to the Chief Operating Officer (S151 Officer) and the Director of Law and Governance, following consultation with the Cabinet Member for Strategic Finance and Resources and the Cabinet Member for Housing and Communities, to finalise and agree the detailed terms of the transaction with the Trust. The authority under this delegation shall also include the power to undertake all necessary due diligence and the entry into of the necessary legal agreements and subsequently the power to negotiate and agree any such variations as is deemed necessary to the terms of the loan facility.**

4. Any Other Items of Urgent Public Business

There were no other items of urgent public business.

(Meeting closed at 10.20am)