

## COVENTRY CITY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2026-2029

### 1. EXECUTIVE SUMMARY

- 1.1 This Medium-Term Financial Strategy (MTFS) 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. The Strategy is consistent with the 2026/27 Budget Setting Report to which this Strategy is appended. The purpose of the MTFS is to describe the environment within which the Council operates and bring together resource and cost projections to explain how the Council plans to address any funding gaps, whilst retaining focus on the strategic priorities.
- 1.2 An introduction and the policy framework provided by the existing One Coventry Plan is provided in **Section 2**. This sets out how the Council continue to focus 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** explains the national financial context and the medium-term position that exists for local government funding. The Council has only been able to plan for a single year ahead for the last few years due to single year settlements, however as part of the (needs based) fair funding review which will be implemented from April 2026, the changes announced by the government include a multi (three) year settlement which takes us through to the end of the current CSR (comprehensive spending review) period of March 2029 (albeit this will include annual reviews as part of national government budget setting). This follows the Government announcing additional monies for the Local Government Finance Settlement for 2025/26 and doing so in a way that started to reflect relative need of Local Councils better. As an authority who has been significantly disadvantaged by the outgoing funding regime, this updated funding basis is very much welcomed, however it is important to recognise that financial benefits of the reforms will be implemented gradually over the remaining 3 year period of the CSR, which will reduce the impact in 2026/27 and 2027/28.
- 1.4 The key factors that the Council has identified as influencing current and future demand for Council services, are outlined in **Section 4**. These continue to include recurrent challenges such as the sustained demand for social care as a result of factors including the ageing population and increasing numbers of both adults and children with complex care needs. In addition, councils are faced with ongoing demand for support from citizens driven by current national financial challenges, the stubborn levels of inflation and cumulative impact of inflationary pressures, relatively high costs of borrowing and the persistent cost of living crisis. Homelessness continues to be such an impact, and our statutory obligation to place people in (often) high cost temporary accommodation therefore places significant pressure on the Council's finances.
- 1.5 **Section 5** outlines the Council's financial planning context and assumptions which draw on the information above 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 scenario is set out in **Section 6**. This sets out the Council's approach to how it will seek to set a balanced budget in future, subject to future Budget decisions and other major policy approvals.

## 2. INTRODUCTION AND POLICY FRAMEWORK

2.1 The strategic direction for the Council is set by the One Coventry Plan (OCP).

2.2 The OCP sets out a vision for One Coventry of "working together to improve our city and the lives of those who live, work and study here". The Plan describes outcomes for:

- a city with a strong and resilient economy, where inclusive growth is promoted and delivered, businesses are enabled to innovate and grow, and new local jobs are created.
- a city where our residents get the best possible start in life, experience good health and age well, in a city that embraces diversity, protects the most vulnerable and values its residents and communities.
- a city, that leads the way and invests in the green industrial revolution. Ensuring the future well-being of our residents by embedding environmentally friendly behaviours and exploring opportunities to lessen the pressures caused by climate change.

2.3 The OCP is clear that there are fundamental conditions that need to be in place in order to achieve these outcomes. These are that the Council has a strong and sustainable financial position, with resources and assets that are aligned with our priorities and that it plays a key role as a civic leader, working in genuine partnership with local residents, communities and partners. Central to the achievement of the aims set out in the OCP, a One Coventry approach will focus on the way in which the Council and its employees work, both within the organisation and collaboratively more widely, in order to improve services and make the biggest possible positive impact on people's lives.

2.4 The OCP clearly sets out the need for financial resilience in order to achieve its objectives. It is also necessary therefore, for the MTFS to reflect the principles, visions and priorities set out for the city within the OCP. The MTFS complements the Council Plan by defining the financial framework within which these priorities will be delivered. It should also ensure through appropriate resource allocation decisions that it supports the plan, alongside the fundamental aims of delivering a balanced budget and enabling the Council to fulfil its statutory duties.

2.5 The OCP sets out the Council's role as a partner, enabler and leader and the importance of partnership working to the delivery of the Plan. This approach is equally important to delivery of the MTFS and incorporates elements such as: responding to national and regional policy for local government; leading on innovative approaches to working differently; acting as a civic leader, in collaboration with local residents, communities and partners (public, private, and voluntary and community sectors); working with residents and communities to find solutions to challenges faced in local neighbourhoods; leading and co-ordinating Coventry's response on how the city tackles climate change and the necessary transition to a zero-carbon economy; and

leading the delivery of aspirational investments through national and regional partnerships such as development of the Cultural Gateway and West Midlands Investment Zone in and around Coventry. These approaches are set out more fully within the OCP.

2.6 There are a number of local factors that provide a solid foundation on which the city can build towards sustainable economic growth: two major universities; excellent transport infrastructure links; pockets of highly innovative businesses; significant infrastructure and connectivity investment including the Friargate Business district, the Coventry Very Light Rail project and now 'live' delivery of the City Centre South redevelopment. Further work continues to improve the attractiveness and desirability of the city as a venue.

2.7 However, significant challenges do exist for the city. While average pay at Coventry's workplaces is higher than average regionally and compared to similar areas, the average pay of Coventry residents in work is lower, similar to the West Midlands regional average; city residents don't fully benefit from the higher paid jobs based here. The unemployment rate is higher than average compared to a group of similar local authority areas. Coventry is home to a relatively high number of people living in multiple deprivation. The Index of Multiple Deprivation 2025 placed 36 of Coventry 203 neighbourhoods (LSOAs) within the most deprived 10% nationally (18%), ranking Coventry 48th most deprived out of 296 English local authorities in this respect. Income deprivation is one of the domains of deprivation in which Coventry ranks the worst, particularly for income deprivation affecting children and older people, ranking 29th and 35th most deprived in these respects. Inequalities in healthy life expectancy exist between areas of the city.

A more comprehensive range of factors is set out in within the [Council's Annual Performance Report 2024/25](#) and the [Coventry Joint Strategic Needs Assessment \(JSNA\)](#)

### **3. FINANCIAL CONTEXT**

3.1 Coventry City Council's revenue spending is funded from the following main sources:

- Council Tax
- Business Rates
- Business Rates Top up
- Specific grants
- Other income (fees, charges, dividends, & interest)

Following the Fair Funding review, most specific grants now form part of a simpler, consolidated funding approach which allocated each Local Authority a Relative Need Funding (RNF) share reflecting a variety of data sources which inform need. As a result, Coventry will in future receive Business Rates Top up Grant.

The following table summarises how the Council's 2026/27 revenue budget is funded.

**Table 1: Funding of 2026/27 Gross Budget**

	<b>2026/27</b> <b>£m</b>
<i>Council Tax Requirement</i>	(199.9)
<i>Business Rates Income (and top up)</i>	(223.0)
<b><i>Funding of Net Budget</i></b>	<b>(422.9)</b>
<i>Specific Grants</i>	(473.8)
<i>All Other Income</i>	(138.6)
<b><i>All Other Funding/Income</i></b>	<b>(612.4)</b>
<b><i>Total Funding of Gross Budget</i></b>	<b>(1,035.3)</b>

### **Business Rates**

3.2 The national system of retained Business Rates allows local government to retain 50% of business rates income with the remainder payable to central government for redistribution through government Revenue Support Grant. However, authorities that are part of Business Rates Pilot schemes retain a greater share of Rates. Along with the other 6 West Midlands authorities, Coventry is a member of the West Midlands Business Rates Pilot with all member councils retaining 99% of the business rates collected (with 1% going to the West Midlands Fire and Rescue Authority). Discussions held between the Ministry for Housing, Communities and Local Government and the WMCA on behalf of the WM Mets as part of the most recent devolution deal discussions, concluded in 2024 that this will be extended potentially until March 2034.

3.3 An update of the assessment of needs and resources used to determine individual authority funding allocations (via retained Business Rates and Business rates Top up) had been expected for several years and has now taken place. The methodology and data that fed the outgoing system was out of date and resulted in an unfair distribution of resources. The Government consulted in the summer of 2025 on a new system intended to reflect need better. The Government announced in November 2025 that the revised approach would be implemented from 2026/27, together with some detail of how it would work. The provisional Local Government settlement was announced in December 2025 containing the financial impact for individual authorities. For Coventry, due to the growth in our population, the demographic make-up of its population, updated deprivation indices, and our lower than average Council Tax base, the new system will result in a greater share of resources for the city. In order to ensure sector sustainability however, the impact of the new system will be implemented 'transitionally' over 3 years with some authorities benefiting from funding floors. This means that the full benefit for those authorities which benefit (including Coventry) will not be felt until 28/29.

3.4 Since the introduction of business rates retention in April 2013, the previous government has made a number of policy announcements affecting the amount of business rates that local authorities can collect, such as increasing the amount of relief available to certain businesses and restricting the increase in the multiplier. In order to protect councils from the impact of these decisions, local authorities were compensated for the resulting cumulative loss in income through specific non-ring-fenced grants. It is also expected that the new funding regime will also be cost neutral to Local Authorities in this regard for any future similar policy decisions.

## **Council Tax**

3.5 Council Tax remains the most significant source of Coventry's net income, funding 48% of the proposed net revenue budget in 2026/27. The Council has experienced a sustained period of growth in the Council Tax base for some time and the MTFS assumes this will continue. The Provisional Settlement received on 17 December 2025 confirmed previous government announcements that the referendum threshold for annual increases in core Council Tax will be 3%, with a further increase of up to 2% allowed in respect of the Adult Social Care (ASC) precept for 2026/27 through to 2028/29. In future years therefore, an underlying (collective) assumption of 3% Council Tax rises and 2% ASC precept will be made for planning purposes, unless there has been a specific proposal to vary. The final level of increase will be determined by full Council through the budget process for each year. For illustrative purposes, an increase of 1% in Council Tax equates to c£1.8 million of income. As Coventry has historically needed to raise Council Tax levels in order to fund service pressures, the new system of resource allocation will compare Coventry to other Councils nationally and redistribute grant from authorities who have been able to keep their Council tax low. This is called Council Tax equalisation, and forms part of the new Fair funding system which will benefit Coventry.

## **Specific Grants**

3.6 The Council has historically received a very significant level of specific revenue grant funding. Many of these grants sit outside of the funding distribution formulae, for example, schools Dedicated Schools Grant (DSG) and Housing Benefit subsidy, and these will continue to be specifically awarded. However, from 2026/27, a number of other, mainly smaller specific grants have been 'rolled into' the new 'fair funding' allocations with the largest being Social Care Grant (£45m in 25/26), which will reduce the value of grants being allocated for specific and ring-fenced purposes. As well as grants being 'rolled in', other grants have been consolidated and are therefore not directly comparable to previous years. The main specific grants which remain, by value, are Dedicated Schools Grant<sup>1</sup> (£242.3m net of estimated recoupment and other deductions), Housing Benefit Subsidy (£72.9m), Public Health (£29.5m), Children, Families and Youth Grant (£9.4m), Pupil Premium Grant (£9m), Extended Producer Responsibility (£7m), Crisis and Resilience Fund (£6.6m), Homelessness, Rough Sleeping and Domestic Abuse Grant £5.5m and Adult Education funding (£5m).

## **Fees and Charges**

3.7 The Council is budgeting in 2026/27 to receive £134 million in fees, charges, dividends, and interest. Such income supports the expenditure of individual service areas. Increases in the fees and charges set for individual services vary depending on any statutory requirements, specific market considerations and on the objectives a particular service may be trying to achieve. Overall, there is an expectation that traded services will seek to recover the full cost of services as a minimum, and reflecting external markets where relevant.

3.8 Some services are experiencing a downturn in activity as a direct consequence of the high inflationary environment affecting the economy and in turn, cost of living. Additionally, implementation of the City Centre South scheme has resulted in the

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<sup>1</sup> Indicative allocation, shown net of estimated recoupment

ceasing of income from the many properties which previously delivered rental income for the City Council, most now demolished and therefore void.

3.9 Inflation levels dipped for a short period; however levels (December 2025) have seen an uptick returning to 3.5% and well above the Bank of England target of 2%. It is expected therefore that there will be a continued impact on the cost of living for individuals, businesses and other organisations, and could continue to impact on the Council's ability to generate income from fees and charges over the short to medium term. Additionally, this could impact on the cost base of CCC owned subsidiaries, such that it could also put pressure on the level of dividends generated by Council owned companies, and potentially the repayment of loan principal and interest from organisations to which the Council has made loans.

### **Other Income**

3.10 From 2025/26, the Government introduced the 'Extended Producer Responsibility' for waste packaging, or EPR. The scheme effectively transfers the financial liability for disposal costs to the manufacturers (producers) of waste in order to incentivise waste reduction. The grant has increased for 26/27 but is expected to reduce over time to reflect behaviour. As waste disposal costs are already factored into the Councils baseline position, 'compensation' through the EPR scheme is treated as additional income of c£7m in 26/27.

### **Financial Outlook**

3.11 The Local Government Financial Settlement for 26/27 provides, for the first time in many years, a multiyear settlement through to 2028/29.

3.12 The final settlement references cash increase in Core Spending Power (CSP) for councils in England of 6.1% in 26/27, 4.3% in 27/28, and 4.4% in 28/29 (cumulatively 15.1%). These assume that Council tax and ASC precept increases are levied at their maximum allowed levels of 3% and 2% respectively. However, most Councils will be affected in some way by the introduction of Fair Funding review, such that individual increases in Core spending power for the next 3 years vary significantly depending on the type of authority they are, the location and demographic make-up. From a Coventry perspective, the Fair Funding redistribution will have a positive effect, such that the Council will receive a 12.1% increase in CSP in 26/27, 9.6% in 27/28, and 8.8% in 28/29 (33.8% cumulatively). As with the national funding position, the local increases assume that Council Tax and ASC are increased by 5% in each year. The reason for the (relatively) large increases year on year reflect the fact that transitional arrangements have been applied to the fair funding review over a 3 year period.

3.13 All of the cash impacts of the above fair funding increases for Coventry, changes to Core Spending Power, and the impact of the specific allocations to Coventry in the Final Settlement are presented within the Council's 26-27 Budget setting report.

3.14 The 3 year settlement enables a much better medium term view of the Councils finances from a resource perspective. The Government will reserve the right to review allocations each year, but indicative allocations will allow Councils to plan more effectively. Demographic pressures are still expected to continue to increase as cost-of-living issues continue to affect individuals' experience and expectations of when local authorities and Government will intervene to protect them. The next 3 years will

continue therefore to create a very challenging environment in which the City Council will need to ensure Government funding together with local taxation decisions are sufficient to cover existing cost and emerging pressures including inflation.

3.15 As table 2 in section 2.2 of the budget report sets out, indicative allocations provided by the Government in this year's settlement, together with the 3 year impact of assumed changes to cost pressures and policy recommendations, the medium term outlook is positive, with potential future 'headroom' in 27/28 and 28/29. However, it is a reality that there are many economic factors affecting public sector finances, such that each year will still need to consider based on prevailing circumstances, such is the volatility in recent years. The cumulative severity of such volatility in recent times have caused some Local Authorities to be unable to afford the cost of providing services, such that prudence and financial discipline will continue to be paramount in order to ensure medium term sustainability and protect reserves.

3.16 Nationally a number of authorities have faced acute financial difficulties, with s114 reports being issued as some councils struggle to set balanced budgets with insufficient reserves to manage the transition to greater financial stability, and others receiving 'Extraordinary Financial Support' to prevent a S114 notice being issued. It remains critical that Coventry continues to observe sound financial management principles, strict budgetary control practice, prudent budget setting and a level of reserve balances that provides adequate protection against financial risks and shocks.

3.17 Commercialisation across local government through investment in property, shares and loans has come under national scrutiny, particularly where such investment is funded through borrowing. As some authorities have encountered problems with a number of their commercial investments there has been an increased focus on the regulatory framework in which authorities operate. As a result, the rules governing the Public Works Loans Board – the Government's main vehicle to provide long-term lending to local government, changed in 2021 in order to limit investment in commercial assets where this has the prime purpose of achieving a financial return or yield.

#### **4. SERVICE DEMANDS AND DEVELOPMENTS**

4.1 Local authorities have faced many financial and service pressures over recent years incorporating significant historic central government funding reductions, increasing service demand particularly across social care services and housing for the homeless, severe inflationary pressures across all areas of budgets, and the knock-on impact that inflation has had on individuals, families and businesses.

##### **4.2 Inflation**

4.2.1 Like all organisations and individuals, the Council has been affected by high inflationary pressures since 2022, and this has had a very material impact on both current and future costs. This has been caused by a range of over-lapping factors including but not limited to higher direct (and indirect) energy prices, labour shortages in some aspects of the UK jobs market, and other global political issues, the effects of which have impacted over several financial years, and some of which are still ongoing.

4.2.2 The Consumer Price Index (CPI) inflation measure ranged between 3.2% and 3.8% during 25/26, currently at 3.5% and is proving difficult to reduce to the Bank of England target of 2%. This means that the rate of price increases is continuing to have a significant cumulative impact on all Council costs including a range of Council contracts, particularly high value social care contracts. The inflation rate is also instrumental in the agreement of staffing pay awards for most local government employees. It is expected that these will continue at above optimum levels which will require budgetary provision in all financial years.

#### **4.3 Adult Social Care**

4.3.1 The financial cost of delivering Adult Social Care is driven by a number of factors which are primarily influenced by the level of need that people present with and how those needs change and develop over time. As well as the care and support needs of individuals, demand for services, and therefore the cost of Adult Social Care is also influenced by demand from the health system (including hospital discharge and contributions towards joint funded packages of care), people's own ability to contribute/pay for social care, people's pre-existing support networks including the presence of informal carers, and of course demographic changes including life expectancy. These costs are expected to be met from funding available for Local Authorities to meet their Adult Social Care responsibilities. In establishing the budget for Adult Social Care within the MTFS, the impact of national changes to the care market, such as National Living Wage uplifts and price increases driven by inflation are considered as most of social care is delivered by organisations contracted to the City Council.

4.3.2 Whilst capacity to service demands for social care and market sustainability pressures are a long-standing issue in Adult Social Care, these have been exacerbated by the additional costs outlined above alongside ongoing challenges in recruitment and retention. These issues largely derive from the terms and conditions that social care providers can offer for a skilled job that requires both intelligence and compassion, as well as changes to the International Recruitment policy for care workers. Although the large increases in inflation that have been seen during the past several years are slowing, costs are still increasing with cost pressures expected to continue for the foreseeable future, adding further strain to a market already heavily under pressure. Due to the scale of the market even a relatively small percentage change can have a significant financial impact.

4.3.3 The Adult Social Care financial landscape remains subject to shifts in upcoming national policy changes. Emerging Government policy priorities - including the expected closer alignment of the Better Care Fund with 'Neighbourhood Health' and the proposed adult social care Fair Pay Agreement (FPA) - have the potential to impact future net expenditure. The Government has sought to reassure LAs by announcing that total funding available for social care will not be impacted by future decisions around the Better Care Fund, and also that £500M will be provided nationally in 2028/29 in relation to the FPA; it will however be necessary to continue to evaluate the position as more policy details are confirmed.

#### **4.4 Housing**

4.4.1 The financial cost of delivering Housing and Homelessness support is driven by the number of people presenting to and requiring support from the Housing and Homelessness service, which is largely a result of national external issues that are

impacting locally regarding supply and affordability of social, affordable and private sector housing.

4.4.2 During 2025/26, the service has continued to feel the impact of the rise in demand for housing and homelessness services that was felt nationally in 2023/24 and persisted through 2024/25. The number of households seeking assistance has shown no meaningful reduction, and pressures on the system remain significant. These trends have been driven by a combination of factors, including the ongoing cost of living challenges, a highly competitive private rented sector, and the continued shortage of affordable social housing. Together, these pressures have contributed to sustained high levels of homelessness presentations and demand for support in Coventry.

4.4.3 Despite a similar demand in the number of people placed into temporary accommodation during the 2025/26 financial year, Coventry has seen a reduction in the number of households accommodated by 6.7%. The reductions achieved so far reflect the continued impact of Coventry's targeted Temporary Accommodation reduction plan and the strengthened focus on temporary accommodation move on and prevention. While pressures on the system remain, these improvements demonstrate encouraging progress to continue during 2026/27.

4.4.4 The Council has continued to implement a range of mitigations aimed at reducing reliance on high-cost forms of Temporary Accommodation, such as increasing its portfolio of family properties through ongoing property acquisitions and commissioning an additional 200 bedspaces for single people who have ongoing support needs.

4.4.5 As we move into the 2026/27 financial year, the service will continue to monitor trends. This will be particularly important as the new Homelessness Prevention Team is established and as the implications of the recently published cross-Government homelessness strategy 'National Plan to End Homelessness' become clearer. Ongoing monitoring will ensure that our approach remains responsive and financially cost-effective.

## **4.5 Children's Social Care**

4.5.1 The Council has experienced cost pressure over a number of years driven by demand across social care services for children and young people, alongside steep inflationary increases in the cost of homes for Children in Care (CiC). The requirement to safeguard vulnerable children and young people remains a fundamental priority for the Council, and it has continued to make the necessary budgetary provision through this period.

4.5.2 The number of CiC in the city excluding unaccompanied asylum-seeking children has decreased from 735 in March 2021 to 631 in December 2025. However, the financial benefit from this reduction in activity has been more than offset by steep inflationary increases in the cost of individual homes for children, particularly external residential. This is a local, regional, and national issue. Whilst Coventry will continue to take steps to manage this risk there is a critical role for central government to play in addressing the broken market for private provision. Coventry's established Family Valued ethos is to empower families to identify family led solutions through Family Group Conferencing and network meetings, supporting Kinship arrangements when needed and reunifying CiC back to their families when it is safe to do so. This echoes central

government's direction of change under the Families First Partnership Programme, alongside taking steps to address the challenges with the market for homes for CiC in terms of sufficiency and tackling significant profiteering by some private providers.

4.5.3 In addition, there is an observed increase in the complexity of care needs leading to a consequent increase in the average cost of each individual home. The availability of homes for CiC (placements) able to support these children with complex needs has come under increased pressure on a national basis throughout and since the Covid pandemic, with a resulting impact on price. Unit costs have risen significantly from an average residential unit cost of £3.3k per week in 2021/22 to an average residential cost of £7k per week in 2024/25. Coventry City Councils Residential Children's Homes strategy commits to opening new homes for our CiC, enabling them to remain close to their families, communities and school, whilst offering best value in terms of costs and meeting the needs of some of our children with the highest level of need within the city.

4.5.4 Over recent years Children's Services has undertaken initiatives as part of its Workforce Strategy to stabilise the workforce. This includes an expansion of the Social Worker Academy and implementation of a clinical supervision programme. The Workforce Strategy has also introduced a social worker progression pathway to promote staff development and retention as well as consideration of market supplements / retention payments alongside job re-evaluations where the Council's rates were deemed no longer competitive with comparable Local Authorities. These measures have had a positive impact with a reduced reliance on agency staff; however, it is important that the service continues to promote Coventry as a good place to practice social work so that progress can be sustained.

4.5.5 Given the pattern of children in care numbers and socio-economic trends in recent years, set alongside significant central government reforms, it is difficult to predict overall demand and when the inflationary pressure on the cost of homes for children will begin to ease. This will continue to be an area that is kept under close scrutiny both as an individual service and as part of wider strategies to increase the economic prosperity of the city and reduce the harmful effects of issues such as deprivation, poor education attainment and poor levels of public health in parts of the city.

## **4.6 Education Services (including Special Educational Needs & Disability (SEND))**

4.6.1 National policy changes such as increased attendance duties alongside local in-year pressure on school sufficiency and impact on related local authority (LA) services, coupled with funding reductions continues to put pressure on the ongoing commitment element of the Central School Services Block (CSSB) within the Dedicated Schools Grant. There will be further reductions to the historic commitment element of the CSSB over the next 2 years, resulting in a pressure that has needed to be managed via the Council's budget setting process.

4.6.2 In line with national trends, the number of SEND pupils within Coventry continues to grow. Children with the most complex SEND are issued with an Education Health and Care Plan (EHCP). In January 2016 the total EHCP cohort in Coventry was 1,559, by January 2025 this had increased to 3,477. Alongside significant growth in overall numbers, Coventry has also seen an increase in the number of initial requests for assessments from 329 in 2016 to 1,144 in 2024. This results in a continuing increase in the number of commissioned specialist placements, and consequently more

children and young people requiring transportation to school, including transport to education settings outside of the city as in-city specialist provision is full. An increasing post 16 SEND population remaining in education settings for longer has also put pressure on provision and transport costs. However, a cross-cutting review of transport has been undertaken, with a view to ensuring continued efficient and effective delivery.

4.6.3 The High Needs Block of the Dedicated Schools Grant which funds educational provision for pupils with SEND continues to be an area of pressure. The allocation for Coventry in 2025/26 is £76.9M. National and local SEND spending has increased significantly in recent years with many authorities across the country now reporting DSG deficits. The main factors underlying this position stem from the consequences of reform including the expanded offer, rising demand and shortage of specialist provision creating an increased reliance on the independent sector. Ordinarily, authorities would be responsible for meeting any deficit position from other council funding, but currently due to the significant national deficit the Treasury have enacted a national statutory override ringfencing the DSG position away from LA's until March 2028.

4.6.4 Coventry continues to experience growth in the number of children and young people with Education, Health & Care (EHC) Plans but currently has an overall DSG surplus reserve balance. This growth resulted in Coventry setting an in-year deficit budget against the High Needs Block in 2025/26, and the resulting overspend will be funded from the DSG reserve. The government announced in December 2025 that the High Needs National Funding Formula will be suspended for 2026/27. 2026/27 allocations will therefore be based on 2025/26 with no inflationary uplift applied.

4.6.5 Continued growth in demand alongside static spending power will increase pressure on Coventry's High Needs Block budget in 2026/27 and beyond, and DSG reserves will be required to fund all of Coventry's increase in budget for 2026/27. Due to shortages in the availability of specialist places we are therefore seeing an increase in top-up funding being provided to mainstream schools due to increases in activity (additional children with plans) and unit cost (higher levels of banded funding).

4.6.6 In the Autumn 2025 budget statement it was announced that future funding implications will be managed within the overall government Departmental Expenditure Limits (DEL) envelope, such that the government would not expect local authorities to need to fund future SEND costs from general funds, once the statutory override ends at the end of 2027/28. Further information on how this will be funded within overall government spending is expected in the 2027 Spending Review.

4.6.7 The government has confirmed they are committed to supporting local authorities who have accrued High Needs DSG deficits as the sector transitions to a reformed SEND system. The first phase of support will address historic deficits accrued up to the end of 2025/26. All local authorities with a SEND deficit (not applicable to Coventry) will be eligible in 2026/27 to receive a High Needs Stability Grant covering 90% of their High Needs related DSG deficit accrued up to the end of 2025/26. Payment of this grant will be subject to each local authority submitting and securing the DfE's approval of a local SEND reform plan. The government will confirm at a later stage what support will be provided for deficits arising in 2026/27 and 2027/28 ahead of when the statutory override ends and funding implications become part of

overall government spending. The government has said they will continue to take an appropriate and proportionate approach, though support in these years will not be unlimited. Local authorities will need to plan to be able to meet the cost of any residual deficit from their own resources in 2028/29, including setting aside appropriate reserves in the preceding years.

4.6.8 It is therefore key that the Council monitors the position and manages resources effectively to ensure that it remains within funding allocations (including use of the DSG reserve) as far as is possible up to March 2028. The SEND Transformation Strategy is fully embedded and is focusing on mainstream school inclusion through workforce strategy and sharing best practice, developing appropriate support for children with additional needs through alternative provision, and creating additional specialist provision (places in special schools and enhanced resource provision places in mainstream schools). The government has announced that a Schools White Paper will be published early in 2026, which will detail changes to the SEND system, and a requirement for Local Authorities to have a SEND Local Reform plan. There will be funding to support this change programme, however it is currently unknown how this will be allocated and distributed across local authorities.

#### **4.7 Other Services, Demographics, and the Cost of Living**

4.7.1 A combination of events including the impact of continued inflation on household incomes and the effect of financial uncertainty on all sectors, has resulted in an increased demand for Council services. The actual impact on the financial circumstances of individuals, businesses and third sector organisations, has changed some expectations on the timing and level of Council interventions in some service areas.

4.7.2 Compared with the national average, Coventry's population has increased at a faster rate over recent years and has a lower age profile. Since 2010, Coventry has consistently been in the top 10 authorities for population increases, and such growth puts considerable pressure on transport, housing, education and public service infrastructure, and there is a shortage of housing and affordable homes across the city. A range of demographic and socio-economic trends, in part linked to the city's steady population growth and relatively high levels of deprivation, has continued to cause increases in demand or expenditure pressures in areas such as waste collection and disposal and the costs of housing homeless individuals and families in addition to some of the social care and education related changes. These have required very significant additional budget allocations each year which can be expected to continue in future years and have prompted policy responses in areas such as housing and recycling facilities to help manage costs going forward.

4.7.3 The Council's public health services are aimed at improving well-being and reducing health inequalities across the city and maximising the wider work of the Council to improve the health of its residents. This includes universal health, wellbeing, and preventative services, such as health visiting and school nursing, and a range of more targeted services such as drug and alcohol services, domestic violence, and sexual health plus statutory responsibilities around health protection. Funding for Public Health activity is primarily provided from within the ring-fenced Public Health Grant from Government and the Council's financial planning assumption is that this will broadly continue going forward. As part of the Governments changes to grants, this

is one of the grants where other separate but public health related grants are being consolidated with it moving forward from 26/27.

4.7.4 The continued difficult economic circumstances for many, resulting from trends including changes to the Government's welfare reforms, the legacy impact of energy price rises, and general inflationary pressures, have all affected the number of people seeking to access local government and voluntary sector services. A greater degree of intervention by the Council and specific Government support in some areas over this period have changed perceptions and increased expectations about the timing, nature and level of support that may be available in times of economic hardship compared with those that existed previously, which is a financial risk.

4.7.5 The role of economic regeneration, economic support, skills, and employment investment, remains paramount particularly in the light of the importance of business rates (retention) to the Council's resource base and current financial challenges facing local economies and citizens. The Council's existing programmes for regenerative investment schemes, include commencement of City Centre South development, City Centre Cultural Gateway, works to facilitate the West Midlands Investment Zone project and Coventry's Very Light Rail demonstrator, all of which will support the City's regeneration aspirations.

4.7.6 The most recent Devolution Deal in 2024 for the region agreed with the Government by the WMCA on behalf of the 7 Mets resulted in the regional Investment Zone (IZ) initiative, which for the West Midlands, will be located primarily on the former Coventry Airport site (together with other smaller regional sites), on the border of Coventry and Warwick districts. This initiative, named 'Green Power Park' attracts significant regional funding and tax incentives, together with agreement to retain business rate (growth) for reinvestment in the sites over a 25-year period. The investment will attract 'advanced manufacturing' related private sector investment that will take advantage of the City and Regions history in the automotive industry to further the prospects of inward investment and job creation in the region.

4.7.7 The move towards net zero emissions in 2050 presents a major challenge to all sectors of the economy. The precise role of local government in meeting that challenge and the financial dimension of doing so is emerging over time. Coventry City Council's One Coventry Plan has already taken a strong stance on the issues around climate change and the Council's Climate Change Strategy was approved in November 2024. A significant development to further this agenda, which is already demonstrating progress towards the Council's net zero ambitions by bringing forward some significant projects, is the Council's Strategic Energy Partnership with Eon.

4.7.8 The Council is obliged to work towards ensuring that its pension liabilities within the West Midlands Pension Fund are funded. The Council's currently reported funding level stands at 120% as at 31<sup>st</sup> March 2025, indicating that the Council has a valuation based surplus (notional). Its contributions to the pension fund are 21.2% as a proportion of the superannuable payroll in 2025/26. The Council has worked closely with the West Midlands Pension Fund in recent months to agree a more appropriate (lower) employer pension contribution for 26/27 through to 28/29, that strikes a balance between ensuring that Council costs are kept as low as possible and maintaining the funding sustainability over the medium to long-term. As a result, a lower employer contribution of 14.1% will be payable from April 2026, saving the Council over £7m per year for the next 3 years.

## 5. FINANCIAL PLANNING CONTEXT AND ASSUMPTIONS

### 5.1 Revenue Position

5.1.1 The initial revenue position for the Council's MTFS is the forecast multi-year revenue programme carried forward from 2025/26 including all approved future years' budget decisions known at that time. The current planning process started with significant opening forecast deficits. At the point of the pre-budget stage, reported to Cabinet in December 2025, the 26/27 settlement and the impact of the Fair Funding review were not known. However, sector intelligence indicated that the local impact would be positive, such that no new savings proposals would be required for 2026/27, and financial headroom could potentially be available such that some form of policy investment might be possible.

5.1.2 On this basis, Cabinet approved a consultation process which sought views on investment options across 7 key Strategic themes. Proposals in the 26/27 Budget report to which this MTFS is appended have been categorised in these themes. Table 2 below summarises the resourcing position, expected pressures and technical savings, together with policy proposals for which approval is sought by Council.

Table 2: Financial Position 2026/27 to 2028/29

	2026/27 £m	2027/28 £m	2028/29 £m
<b>Opening Budget Position – Deficit/(Surplus)</b>	<b>3.0</b>	<b>10.6</b>	<b>16.0</b>
Resources	(38.3)	(68.3)	(99.9)
Service & Technical Pressures	35.3	45.9	59.8
Technical Savings	(7.7)	(7.2)	(7.2)
Policy Investments	7.7	6.6	6.9
<b>Final Budget Position – Deficit/(Surplus)</b>	<b>0.0</b>	<b>(12.4)</b>	<b>(24.4)</b>

5.1.3 The above table provides a summary of the impact of proposals in the Budget report for 2026/27 through to 2028/29. More detail is provided in Appendix 2 to the budget report. Policy proposals set out in the Report propose a lower than maximum Council Tax increase of 3.95%, together with investment proposals to make improvements in a number of key Council services. The impact of these proposals, together with (assumed) other costs and savings projected forward, set out a medium term financial position for the next 3 years. Financial planning estimates will be reviewed in due course which will determine the degree to which future financial headroom exists.

### 5.2 Reserves

5.2.1 The Council holds significant reserves totalling £207 million as at April 2025. Reserves need to be maintained at a sufficient level to protect the Council against risk and to meet the needs of the organisation. The Council maintains a General Fund Working Balance of £10.3m which is held to cushion the impact of uneven cash flows or unexpected events. Additionally, as part of the Council's approach to financial sustainability and resilience, a specific contingency reserve is maintained to further protect against financial risk in the current climate. The majority of remaining balances are held as specific reserves which are earmarked for a particular purpose or held on behalf of Schools and other partners.

5.2.2 The Council's specific reserves include **revenue reserve balances** of £119m (this includes the General Fund Working Balance); £48m of **capital reserves** earmarked to fund major capital schemes; £40m of reserve balances belonging to or earmarked to support **schools**. The Council's reserves are reviewed to assess their adequacy for current known liabilities, approved policy commitments and financial risk, including that arising from commercial investments. The level of available reserves is important in maintaining the financial resilience of the Council. The make-up of the Council's reserves as at 31st March 2025 is set out in the table below:

**Table 3: Council Reserve Balances**

	1st Apr 2024	(Increase)/ Decrease	31st Mar 2025
	£000	£000	£000
<b><u>Council Revenue Reserves</u></b>			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(20,551)	5,802	(14,749)
Financial Risk Contingency	(11,472)	(1,796)	(13,268)
Commercial, Reset & Innovation	(12,203)	0	(12,203)
Business Rates Income Reserve	(5,026)	(4,163)	(9,189)
Early Retirement and Voluntary Redundancy	(7,242)	0	(7,242)
Management of Capital	(5,803)	(562)	(6,365)
Public Health	(4,026)	(530)	(4,556)
Private Finance Initiatives	(5,301)	1,164	(4,137)
Refugee Resettlement Programme	(2,866)	(752)	(3,618)
Air Quality Early Measures	(2,375)	209	(2,166)
Homes for Ukraine	(1,275)	78	(1,197)
Insurance Fund	(923)	143	(780)
Other Directorate	(19,775)	(1,642)	(21,417)
Other Corporate	(8,580)	346	(8,234)
<b>Total Council Revenue Reserves</b>	<b>(117,695)</b>	<b>(1,703)</b>	<b>(119,398)</b>
<b><u>Council Capital Reserves</u></b>			
Useable Capital Receipts Reserve	(11,733)	(3,434)	(15,167)
Capital Grant Unapplied Account*	*(40,737)	8,131	(32,606)
<b>Total Council Capital Reserves</b>	<b>(52,470)</b>	<b>4,697</b>	<b>(47,773)</b>

School Reserves

Schools (specific to individual schools)	(23,993)	97	(23,896)
Schools (related to expenditure retained centrally)	(14,205)	(1,925)	(16,130)
<b>Total Schools Reserves</b>	<b>(38,198)</b>	<b>(1,828)</b>	<b>(40,026)</b>
<hr/>			
<b>Total Reserves</b>	<b>(208,363)</b>	<b>1,166</b>	<b>(207,197)</b>

5.2.3 The Council will as ever, seek to optimise the use of its reserve balances in delivering priorities, making decisions on a corporate basis, and observing opportunities to maintain an appropriate balance between short term expenditure and long-term investment in support of the MTFS.

More specifically, the approach will be informed by:

- The need to maintain, and where possible build working balances to mitigate the key risks faced by the Council including those expressed in the Council's corporate risk register.
- The requirement to hold some earmarked reserves to protect against specific known or potential liabilities but kept to a minimum consistent with adequate coverage of those liabilities and reviewed annually as part of the budget process.
- A general assumption, to be applied flexibly subject to specific financial circumstances that one-off resources will not be used to support on-going expenditure.
- The awareness that there is an opportunity cost of holding reserves (in that these funds cannot then be spent on anything else) – it is therefore critical that reserves continue to be reviewed each year to confirm that they are still required and that the level is still appropriate.
- The awareness that balances help protect the Council from exposure to the external borrowing market at times when rates are high

5.2.4 There are no plans to use working balances over the period covered by this strategy and as a result the anticipated balance at the end of each year is expected to remain at c£10m throughout. We will endeavour however to review the Financial Risk Contingency reserve to reflect prevailing risk, and as such a provision has been made within the 26/27 budget setting proposals to build reserves to cover future financial risk.

5.2.5 The Council also maintains capital reserves:

- The capital receipts reserve holds all receipts from the disposal of non-current assets, which can only be used to finance new capital investment or to repay debt.
- The capital grants unapplied reserve holds capital grants without conditions, or where conditions have been satisfied but the grant has yet to be used to finance capital expenditure.

5.2.6 Considering the risks outlined above, and the proposal in the 26/27 budget setting report to strengthen the Financial Risk contingency further, the current level of

reserves is currently considered adequate in the view of the Director of Finance and Resources (Section 151 Officer).

### 5.3 Capital

5.3.1 The current capital programme for approval in February 2026 includes the following expenditure profile:

**Table 4: Capital Expenditure Profile per 2026/27 Budget Report**

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m
<b>TOTAL PROGRAMME</b>	<b>165.9</b>	<b>110.8</b>	<b>50.4</b>	<b>38.4</b>	<b>71.5</b>	<b>437.0</b>

5.3.2 The programme reflects the Council's ambitions for the city and include: extensive highways infrastructure works including specific schemes relating to continued delivery of the City Region Sustainable Transport Settlement (CRSTS) programme that include London Road corridor transport packages, the construction and operation of an 800m long twin-track 'City Centre Demonstrator (CCD) from the main Coventry Rail Station to the Coventry University Technology Park.; the continuation of City Centre Cultural Gateway; progressing the City Centre South redevelopment; and the completion of Woodlands School. Over the next 5 years the Capital Programme is estimated at a total of £437m as part of on-going investment delivered by and through the City Council.

5.3.3 Funding for the non-WMCA funded capital programme consists primarily of a combination of specific capital grants, prudential borrowing, revenue funding and capital receipts from the sale of council assets. Delivery of the programme requires the effective prioritising and management of capital resources and investments, taking into account the level of funding both from government and future capital receipts and the identification of self-funded business cases that can justify the use of prudential borrowing to pay for schemes.

5.3.4 The Council will continue to seek to maximise the amount of funding identified in order to deliver its priorities. It will actively seek external grant funding opportunities both on a stand-alone basis and in partnership with other Councils and partners including the WMCA. It will seek to optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets. This will work within the limitations on its ability to purchase assets, and specifically not to do so purely for commercial return.

5.3.5 Where prudential borrowing is identified as a potential source of funding for capital projects, it is essential that funding is identified to pay the principal and interest costs of the borrowing. This can come either from new income generated from the project, service savings delivered as a result of the investment or an existing revenue budget which can be switched to this purpose as a result of the expenditure made. A clear business case must be provided which incorporates these elements and which will form part of any approving report.

5.3.6 The level of prudential borrowing funding has increased in recent years, as significant sums have been invested through the capital programme. Whilst the authority has

usually been able to cashflow investment through temporarily using other balances, for example grant monies received up-front prior to spend, this will not be the case on a permanent basis. External borrowing will increasingly be required in line with the underlying Capital Programme. The short term/long term mix of any borrowing will be determined by the Council's cashflow needs and the interest rate environment.

#### **5.4 Risk Management and Financial Resilience**

5.4.1 In setting the revenue and capital budgets, the Council takes full account of the known key financial risks that may affect its plans in setting its revenue and capital budgets. The corporate risk register is reviewed by the Strategic Leadership Board on a regular basis and is considered bi-annually by the Audit and Procurement Committee. Where the risks contained within the register are considered to have a financial dimension this is reflected in the Council's Budget process.

5.4.2 Risks around children's and adults' social care continue to be the most significant ones reflected in changes to the budget in recent years and this will be true again for 2026/27 and subsequent years. Other significant risks include housing and homelessness.

5.4.3 The current register incorporates a financial risk that the Council will be unable to deliver a balanced budget in the medium term. The detailed risk is that the Council will not be able to achieve its priorities whilst at the same time balancing its budget because of a combination of increased pressure on all sources of funding, increased demand, and complexity in services, including in adults and children's social care and the recently heightened impact of inflationary pressures across many areas of the budget. This has resulted in difficult decisions over many years having to be made by Members about which services to support, or support less, with consequences for citizens and the city. Whilst this risk will continue, the updated fair funding system will benefit Coventry's financial position over the next 3 financial years, and as such the risk will be reviewed in light of this. For 26/27, whilst robust financial discipline is still required, a balanced budget will be possible without new savings, or for the first time in many years, service reductions, and with the ability to invest to improve some key services in the City. It would appear that the unwinding of the full benefit over 27/28 and 28/29 will provide similar opportunity to set a balanced budget without new savings, however this will depend on updated reviews in future years.

5.4.4 A further potential revenue risk relates to equal pay claims. A number of claims have been received from employees which, if successful, would result in a one-off revenue cost to the Council. This crystallisation of the issue is very much dependent on the outcome of legal advice, and subsequent to that advice, potential negotiation should claims prove to be valid. Given the significant uncertainty around whether a financial obligation exists, or the value of any obligation, we are not at this point able to make any accurate financial assumptions in the medium-term financial strategy. We are however, acting prudently with a strategy of building reserves should a liability be the eventual outcome.

5.4.5 To mitigate the risks, the Council has in place a rigorous structure to oversee budgetary processes and continues to seek out opportunities which identify flexibility in existing budgets and undertake technical analysis to identify alternative options to alleviate budgetary pressure. Specific programmes are in place to identify commercial opportunities and optimum service delivery models to produce a medium-term programme of transformation and ensure future financial sustainability.

5.4.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains an index of financial resilience for English councils which assesses each authority against a number of indicators, including levels of reserves, external debt and auditors' judgements, in order to illustrate each council's financial position relative to that of comparator authorities. The index was developed with the intention of highlighting areas of potential risk to councils' financial stability and informing the judgement of the chief finance officer on the robustness of budgets. CIPFA acknowledges that the index (most recently updated using 2023/24 data) should not however be viewed in isolation and its interpretation will depend to a large degree on the local context specific to each authority. Coventry's results suggest that for most of the indicators used, the authority does not fall into a higher risk category in relation to comparable authorities. However, Coventry's level of children's social care costs and its relatively low level of unallocated reserves are indicators of a higher perceived level of risk. There are a number of actions in relation to Coventry's children's social care costs which do not yet factor into the resilience index data sets, which we would expect to contribute to an improved position in future years relative to other Local Authorities.

## **5.5 MTFS Assumptions**

5.5.1 The Council's prospective Budget plans for 2026/27 onwards will continue to face financial pressure, particularly from social care and ongoing general inflation which impacts pay and indirect pay through the National Living wage, and the wider population in the City. From a resourcing perspective, 2025/26 was a single year settlement whilst the Government took stock of the national financial position. Since then, the most recent settlement, which was provisionally announced in December 2025, and confirmed in February 2026 confirmed that the settlement would be multiyear to take us through to the end of the financial year 28/29, marking the end of the current comprehensive spending review (CSR).

5.5.2 The financial management framework that underpins the MTFS includes:

- Overall direction undertaken by the Leadership Board which covers transformation programmes, quarterly monitoring, development of Budget proposals, and savings delivery governance,
- A corporate planning and monitoring process that considers capital and revenue together,
- A framework founded on delegation and clear accountability, with budgets managed by the designated budget holder, reported through Service Management Teams, the Leadership Board, Cabinet and Audit and Procurement Committee,
- A drive to identify efficiencies and achievable savings to enable the Council to optimise delivery of its policy priorities,
- Strong project management approaches, including a specific focus on cost control and programme delivery,
- Where feasible, the establishment of a balanced revenue budget and capital programme over the medium-term planning period.

5.5.3 The Council's approach is to manage its reserves in a way that supports the MTFS and the Council's priorities. In particular, this is based on:

- A policy that reserves are not to be used to: (i) meet on-going expenditure or (ii) fund capital expenditure other than for mostly short life asset rolling programmes other than in exceptional circumstances or for capital schemes of major strategic importance,
- The classification of reserves as a corporate resource, with Cabinet via Leadership Board considering the application of budgeted amounts unspent at year end,
- Holding reserves for a clearly identifiable purpose. This will include protecting against known or potential liabilities, at a minimum level consistent with adequate coverage of those liabilities, considering the overall level of risk faced by an organisation of the City Council's size.

#### 5.5.4 The key financial or technical assumptions that underpin the MTFS are:

- Whilst we expect that the Government will review their 3 year settlement each year, assumptions regarding government funding in the medium term will reflect indicative allocations as set out in the final 26/27 settlement
- The next comprehensive spending review (CSR) will be set out during 2028 to take effect from 2029/20 onwards
- For strategic financial planning purposes Council Tax and Adult Social Care precept increases will be assumed to match the maximum level advised by Government. These have been confirmed as 3% for Council Tax and 2% for the precept in financial years 2026/27 through to 2028/29. Subsequent years (29/30 onwards) will be reduced to 3% until such time as the next CSR provides updated information. As is normal, this will be subject to political debate and decision as well as any changes at a national level
- Business Rate income (plus compensating Government grants) will be assumed to be inflated broadly in line with Government dictated Business Rates multiplier inflation levels. Income will be amended for trends in Business Rates tax-base, collection performance and appeals
- Planning based on the underlying Council Tax-Base growing at 0.5% per annum in line with historical trends but flexed each year where shorter-term expectations dictate,
- Increases in pay budgets of 3% in 2026/27 through to 28/29, reflecting current stubborn levels of inflation. This area will be kept under close review particularly whilst inflation levels are impacted by national and global economic factors. It is expected that the Council will continue to reflect sector agreed pay awards and guideline National Living Wage levels
- An intention to review the need to make provision for budgetary growth as a result of significant demographic or service demand, subject to optimisation of service operation, review of alternative methods of service delivery, review of Council policy to ensure that it reflects current conditions and recognition of overall financial constraints
- The budget for the Council's Asset Management Revenue Account (AMRA) will be managed in line with the Council's Treasury Management Strategy, updated annually as part of the Budget Report. The AMRA position will take into account any impact of changes in the size and composition of capital programme, cash-

flow forecasts, the level of provision to repay debt through Minimum Revenue Provision (MRP), and prevailing/forecast interest rates. The Council's Minimum Revenue Provision (MRP) policy will be based on an approach that is both prudent and affordable in a way that reflects the long-term nature of local authority debt and assets

- Forward financial estimates will be guided by existing CPI inflation levels in line with practice adopted across a broad range of public sector areas. Specific contractual agreements on inflation will be honoured where these are in place. CPI will provide the financial planning benchmark for increases in fees and charges and any areas of expenditure subject to specific inflation requirements assessed by the Section 151 Officer. Actual increases in fees and charges will depend upon local factors such as the need to generate enough income to meet the cost of trading services and other market conditions where relevant. Contractual inflation has been applied where required along with notional inflationary rises in discretionary areas. Although assumptions will be made for the medium term, this will be reviewed on an annual basis to ensure that additional costs for external contracts which reflect patterns dictated by pay inflation or other significant inflationary pressures are built into Council budgets in the affected areas on an accurate basis.

## 6. MEDIUM TERM FINANCIAL STRATEGY APPROACH

- 6.1 The MTFS supports the medium-term policy and financial planning process which is central to the setting of the Council's revenue and capital budgets. The MTFS approach is crucial to providing a stable financial base from which to deliver the Council's priorities as set out in the One Coventry Council Plan. As part of this the Council will seek to maintain a sustainable financial position over the course of the planning period, with detailed proposals reflecting the impact for all years set out in the annual Budget Report.
- 6.2 In order to ensure that Council financial plans are robust in the medium term the Council's MTFS continues to cover a 3-year period. Contrary to the last few years, the starting point for the Council in this MTFS is that it has indicative financial headroom across the planning period. This reflects the gradual unwinding of the full benefit of the fair funding review over a 3 year transitional period.
- 6.3 The recent Pre-Budget Report to Cabinet included proposed investment themes on which to consult, in the event that there was headroom to facilitate policy choice. The Budget setting report for 26/27 makes a number of proposals, which if approved, will use the financial headroom in 26/27, setting a balanced budget for that year. The proposals have an ongoing effect which will reduce financial headroom in subsequent years. In recent years the Government has increased the level of grant payments made to local authorities to support the costs of social care. This funding has now been rolled into the updated fair funding distribution.
- 6.4 Cumulative historic and ongoing inflationary pressures and a rise in both the numbers and needs of social care clients mean that the Council will still likely be significantly challenged in subsequent years, and assumptions have been made in the MTFS for this. Within this environment of pressure on resources, the Council has delivered very

significant savings and identified other sources of income in order to balance its overall budget. The remainder of this section sets out the separate strands of financial policy which together are designed to ensure that the Council continues to deliver a balanced short-term and medium-term revenue budget and sustainable and affordable capital programme.

## **6.5 The One Coventry Approach**

6.5.1 The One Coventry Plan recognises that the Council may need to change the way that it works to meet the challenges of delivering services efficiently and supporting a sustainable financial position. This will mean building on good practice where it exists but doing things differently elsewhere, building and sustaining genuine partnerships and city-wide collaboration, actively seeking creative opportunities, considering if the Council is working in the right way, investing resources with other public sector partners if appropriate and working flexibly across roles, services, and organisations. This will involve reviewing some services to see if they can be delivered differently, potentially embracing latest technologies including A.I. This will work in different ways for different services but, for instance, may involve an approach of enabling independence with individuals and organisations being encouraged to do as much as possible for themselves.

6.5.2 Subject to the other component parts of the Budget process, the One Coventry approach is intended to offer the Council a means of identifying efficiency opportunities to help balance its overall Budget and maximise service benefit. This could involve a wide range of different solutions including delivering services more efficiently or with fewer resources and delivering services in partnership, with partners doing more or levering in more external resources.

6.5.3 In addition, Council managers and budget holders will continue to be expected to manage their service areas in a way that pays due regard to delivering economy, efficiency, and effectiveness. Delivering services as cost effectively as possible enables the Council to maximise the impact that it can have within a finite level of resources and managers will continue to be held to account for the financial performance of their areas.

## **6.6 Commercialisation**

6.6.1 The Council will seek to maximise income and pursue commercial opportunities where these are consistent with its role and legal powers as a local authority, are proportionate, and subject to a responsibility to maintain a robust financial position. The Council's view is that by not acting in this manner, it leaves itself in a more financially vulnerable position and that to do nothing is not a viable option.

6.6.2 The Council will maintain a default position that fees and charges should increase annually in line with inflation and that income earning services should seek to at least cover their costs. Any movement away from these principles should be based on an understanding that such increases would be harmful to the overall trading position or sound policy or 'market led' reasons for not increasing prices.

6.6.3 The Council will generate capital receipts where there is a clear business case for doing so by disposing of surplus and/or poor performing property/assets and thereby providing funds for capital reinvestment in services, driving growth or making savings

through the repayment of debt. Such an approach will be undertaken in compliance with the Prudential Code for capital finance, Statutory Government Investment Guidance, and the borrowing requirements of the Public Works Loans Board.

6.6.4 The service dimension of commercial investments is important including in facilitating local regeneration, addressing market failure, accelerating the local response to the climate change agenda, and supporting local organisations. These investments could also provide financial returns which help to underpin the Council's budget. The Council will continue to consider opportunities to make investments in a selective, and business cased based manner in commercial ventures to secure a financial return and achieve service policy objectives where this is consistent with its priorities, the One Coventry Council Plan, Commercial Investment Strategy and PWLB requirements. Such investment, for example in the further development of Friargate Business District and Strategic Energy Partnership Projects could potentially include property schemes, share purchase and the provision of loans to external organisations, and would be designed to meet strategic, service, and financial objectives.

## **6.7 Council Tax and Business Rates**

6.7.1 The Council will seek to maximise the income it generates from Business Rates and Council Tax. There is an expectation that the Council tax-base will continue to be buoyant as the Council seeks to facilitate the provision of local housing, including affordable housing, for its citizens. In addition, the Revenues and Benefits Service will seek to maximise the Council Tax collection rate (currently set at 97.6% for 26/27) and take steps to ensure compliance with the applicability of discount and exemption policies.

6.7.2 The One Coventry Plan priority to promote a strong and resilient economy, where inclusive growth is delivered, businesses are enabled to innovate and grow, and new local jobs are created, also enshrines a parallel aim of ensuring that the Business Rates tax-base is resilient. The Revenues and Benefits Service will seek to maximise the Business Rates collection rate, taking steps to identify all relevant taxable properties and to ensure compliance with the applicability of discount and exemption policies.

## **6.8 Treasury Management and Capital**

6.8.1 The Council's treasury management function seeks to ensure that cash is available when needed to meet the Council's obligations. The Council's Treasury Management Strategy is clear that the primary objectives of investing cash balances are to maintain the capital security of sums invested and to ensure adequate liquidity. After these, a third objective is to maximise return. The treasury role also extends to maximising revenue benefits by seeking the optimum balance between retaining external investments, repaying existing loans and avoiding new borrowing as appropriate given prevailing and forecast interest rates. Although the Council has an underlying need to borrow as a result of large Capital Programmes funded in part from borrowing, it has continued to avoid the need to undertake new long-term borrowing by utilising cash from reserve balances and grant funding received in advance of the need to spend. This approach seeks to optimise the financial benefit by avoiding unnecessary borrowing costs, particularly whilst prevailing rates are relatively high.

6.8.2 The Council will seek to maximise capital programme funding from external sources such as capital grants and Section 106 contributions in order to protect and sustain existing Council resources. Where appropriate the Council may use revenue funding of capital for on-going programmes of expenditure. In the absence of other funding and if the use of prudential borrowing is not appropriate, the Council will seek to utilise capital receipts to fund capital projects and will only commit capital receipts that have been achieved and are available on the Council's balance sheet.

6.8.3 Any remaining schemes that have a sustainable business case that justifies borrowing as a funding source will be resourced from prudential borrowing. In this manner, the Council will avoid putting any additional burden on Council taxpayers or seeking contributions from service budgets which reduce the net level of resources to fund services. When borrowing, the Council will look for the most cost-effective source of funding, either PWLB or alternative funders.

## 6.9 **Reserves**

6.9.1 The overwhelming majority of the Council's reserve balances are held to provide a one-off resource to meet service objectives and fund specific projects that have been identified and/or approved in advance. A small number but significant balance of other reserves is held to provide protection against risk. These resources are a one-off source of funding that are not available on an ongoing basis. It is not the intention that the Council's reserves should be used to balance its Budget position in normal circumstances.

6.9.2 Within this context it is also true however, that in exceptional circumstances the Council could divert resources from reserve balances in order to manage a difficult budgetary position. There is significant flexibility which could be applied through delaying projects or service proposals or by cancelling them altogether which could free up reserves to balance the budget. This is not a course of action that would be recommended by the Council's Section 151 Officer except in the most difficult of financial circumstances, but it is important to hold this as a measure of last resort to set against the other tools available as part of a medium-term strategy.