Coventry City Council

Public report
Cabinet

Cabinet	25th August 2020
Audit and Procurement Committee	19th October 2020

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources - Councillor J Mutton

Director Approving Submission of the report:
Director of Finance

Ward(s) affected:
City wide

Title:
2020/21 First Quarter Financial Monitoring Report (to June 2020)

Is this a key decision?
No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2020. The headline revenue forecast for 2020/21 is for net expenditure to be £28.2m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend is **£6.7m**. The Government has indicated that further funding will be available to compensate councils for the loss of income as a result of Covid which will improve this overall position. At the same point in 2019/20 there was a projected underspend of £0.6m.

Excluding the effects of Covid there are overspends in excess of £1m in each of Children's and Young People, Streetscene and Regulatory, and Highways and Transportation.

Early forecasts indicate that the Council's capital spending is projected to be £271.8m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure, Public Realm, Secondary Schools expansion and the National Battery Plant. This level of expenditure, if achieved, would exceed that reported in 2019/20.

Recommendations:

The Cabinet is requested to:

1) Approve the Council's revenue monitoring position incorporating the application of Covid emergency funding.

2) Approve the revised forecast estimated outturn position for the year of £271.8m incorporating: £10.5m net increase in spending relating to approved/technical changes, £9.3m net rescheduling of expenditure from 2021/22 and £0.1m overspend.

3) Consider any recommendations from Audit and Procurement Committee in due course.

The Audit and Procurement Committee is requested to:

1) Consider the proposals in the report and forward any recommendations to the Cabinet.

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2020/21
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

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

Audit and Procurement Committee, 19th October 2020

Will this report go to Council?

No

Report title:
2020/21 First Quarter Financial Monitoring Report (to June 2020)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £238.8m on the 25th February 2020 and a Directorate Capital Programme of £232.7m. This is the first quarterly monitoring report for 2020/21 to the end of June 2020. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.

1.2 The current 2020/21 revenue forecast is for expenditure to be £6.7m above budget. This is after applying £21.5m of emergency received or due from Government for the purpose of managing the estimated cost of COVID-19 to the Council. The reported forecast at the same point in 2019/20 was an underspend of £0.6m. Capital spend is projected to be £271.8m, an increase of £39m on the approved Capital Programme for the year.

2. Options considered and recommended proposal

2.1 This is a budget monitoring report and as such there are no options.

Revenue Position - The revenue forecast position is analysed by service area below. The position shown for each service area assumes that all Covid costs are met. However, the current position is that there is a shortfall of £4.6m within 2020/21 and this has been included as pressure at a whole-Council level towards the bottom of the table.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Less Covid Impact £m	Net Forecast Spend £m	Forecast Variation £m
Adult Social Care	78.4	82.7	(4.3)	78.4	0.0
Business Investment & Culture	5.2	5.8	(0.3)	5.5	0.3
Children & Young People's Services	72.2	75.5	(1.5)	74.0	1.8
Contingency & Central Budgets	15.5	12.0	(1.9)	10.1	(5.4)
Education and Inclusion	14.2	14.8	(0.2)	14.6	0.4
Finance	3.1	3.6	(0.3)	3.3	0.2
Housing Transformation	14.0	18.3	(3.6)	14.7	0.7
Human Resources	1.1	1.5	(0.2)	1.3	0.2
Legal and Governance Services	3.6	4.3	(0.2)	4.1	0.5
Directorate Management	1.4	1.5	0.0	1.5	0.1
Project Management & Property	(3.2)	3.4	(6.5)	(3.1)	0.1
Public Health	0.6	0.7	0.0	0.7	0.1
Streetscene and Regulatory	28.0	34.0	(4.2)	29.8	1.8
Transportation & Highways	4.6	8.7	(2.9)	5.8	1.2
Covid Grant Shortfall				4.6	4.6

Total	**238.8**	**267.0**	**(26.1)**	**245.5**	**6.7**

2.2 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1 to the report.

Directorate - Covid-Related

Most of the variations reported at quarter 1 are as a direct result of the COVID-19 impacts across the City Council totalling c£26m. Of these a significant proportion relate to income which has not been achievable under lockdown or which may not be achievable in subsequent months whilst recovery takes place. The largest of these expected pressures relates to c£6m potential rent losses and associated pressures in respect of the Council's commercial property portfolio and £2.2m in respect of significantly reduced car parking, bus gate and parking enforcement activity. Other lower but still significant Covid related income shortfalls are expected in other service areas including land charges, highways, revenues, planning, commercial waste, parks, Adult Education, the Outdoor Education Service and other school traded services which collectively are forecast to result in a c£3.7m pressure.

Covid has also resulted in expenditure pressures across all services. The largest of these is expected in Adult Social Care at £4.3m as a result of supporting providers with the additional costs of PPE, staffing and other related costs as well as the emergency provision of food to those shielding and in need. Others include the impact on looked after children and leaving care placements amounting to £1.5m; the cost of housing rough sleepers during lockdown, and expected activity increase in housing of £1.3m; purchase of emergency mortuary equipment at £1.2m; and PPE, social distancing/safe working costs of c£3m.

Directorate - Non-Covid

An underlying pressure exists in relation to car parking and bus gate enforcement where pre-Covid activity levels were already lower than budgeted income levels by some £1.2m. St Marys Guildhall income is also under achieving by £0.2m whilst the capital improvement works take place and pest control by £0.1m whilst it works towards growth aspirations. There is also a £0.2m pressure in ICT due to a worsened trading position with schools.

Significant spend pressures include the costs of looked after children placements (£1.6m) as a result of delays in the delivery of Children's placement transformation and a higher unit cost of placements partly attributable to the youth violence in the city. There is a £0.8m pressure in waste disposal caused by higher gate fees and tonnages, and the £0.4m annual cost of managing and securing the Fairfax Street site whilst an alternative use is sought following its closure. Other pressures include: accelerated demand for ICT kit and a price increase (£0.2m); agency staff and external advocacy fees in legal in order to manage higher children's services casework activity levels (£0.4m); the expected cost of maintaining Christmas refuse collections (£0.2m), and agency staff in the revenues team to reflect a higher council tax base (£0.2m). Continuing increased demand and cost within Mental Health and Learning Disability services are applying further pressure to the Adult Social Care position, with this being managed within year from a mixture of grants and reserve movements.

The council overall is forecasting an underspend against its salary budgets and turnover target which is mainly due to continuing vacancies across Children's Social Care. This is partially offset by a non-salary overspend (e.g. agency, overtime). Significant work continues to be undertaken to reduce the use of agency staff, but despite continuing recruitment the turnover rate remains high.

Contingency and Central Budgets

An £1.9m estimated under-achievement of dividends resulting from the impact of Covid has been assumed at this stage. Other than this, central budgets are forecast to underspend by

£5.4m including £2.3m on the Asset Management Revenue Account (AMRA) and £3.1m within other central budgets. The AMRA underspend is the result of lower than budgeted capital financing costs and higher than budgeted income from the Council's pooled investment funds. Within central budgets there is an expected c£2m underspend on the Council's superannuation budgets and an assumed over-achievement of Business Rates Pool income this year.

Covid-Related Grants
A range of grant funding allocations have been announced to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic. This includes £24.4m in three allocations of overall emergency funding plus grants to address specific priority areas. It is assumed that the large majority of this funding will be utilised to deliver the specific purposes highlighted by grant determinations, subject to local requirements. Most of the funding has already been received and the current list of grants is shown below.

Table 2: Covid Funding Allocations

	£000
Emergency Funding 1st Allocation	10,407
Emergency Funding 2nd Allocation	10,377
Emergency Funding 3rd Allocation	3,606
Adult Social Care Infection Control Fund	2,687
Test and Trace Support Grant	2,041
Hardship Fund	3,732
Emergency Assistance Grant for Food & Essental Supplies	479
Re-Opening High Streets Safely Fund	334
Covid Rough Sleeper contingency fund	17
Total	33,680

2.3 **Capital Position** - The 2020/21 capital outturn forecast for quarter one is a revised outturn position of £271.8 compared with the original programme reported to Cabinet in February 2019 of £232.7m. Table 3 below updates the budget to take account of a £10.6m increase in the programme from approved/technical changes, £19m of expenditure has been brought forward from 2019/20 and £9.3m now planned to be accelerated from future years, a small overspend of £0.1m This rescheduling £9.3m and a small under/overspend are discussed further in section 5.1. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2020/21 is £271.8m**.** Appendix 3 provides an analysis by directorate of the movement since budget setting.

The Resources Available section of Table 3 explains how the Capital Programme will be funded in 2020/21. It shows 76% of the programme is funded by external grant monies, whilst

17% is funded from borrowing. The programme also includes funding from capital receipts of £13.8m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2020-21 MOVEMENT	Qtr 1 Reporting £m
February 2020 Approved Directorate Programme	232.7
Net rescheduling of expenditure from 2019/20 to 2020/21	19.0
Revised Quarter One Base	**251.8**
Approved / Technical Changes (see Appendix 2)	10.6
"Net" Overspend (see Appendix 3)	0.1
"Net" Rescheduling into future years (see Appendix 4)	9.3
Revised Estimated Outturn 2019-20	271.8

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	45.0
Grants and Contributions	206.3
Capital Receipts	13.8
Revenue Contributions and Capital Reserve	6.7
Total Resources Available	271.8

2.4 Treasury Management

Interest Rates

The current Bank of England Base Rate has been at 0.10% since March 2020. The medium-term outlook is increasingly weak. While measures to counteract the impact of COVID-19 are being eased, it is likely to be some time before demand returns to previous levels. As a result current forecasts predict the base rate will remain at 0.10% for the medium term. There is a significant chance that the rate could fall lower, with negative interest rates a possibility.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2020/21 Capital Programme is £34.2m, taking into account borrowing set out in Section 2.4 above (total £45.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£10.8m). Although the Council's recent Capital Programmes have incorporated prudential borrowing as part of the overall resourcing package, no long-term borrowing has been undertaken for several years, due in part to the level of investment balances available to the authority. However, the anticipated future high level of capital spend combined with the new lower level of investment balances available mean that the Council will need to keep this under review over the next few years. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow.

During 2020/21 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2020/21 to Q1	Maximum 2019/20 to Q1	As at the End of Q1

5 year	1.94%	2.19%	1.94%
50 year	2.33%	2.65%	2.48%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This "certainty rate" initiative provides a small reduction in the cost of future borrowing.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings.

Short Term (Temporary) Borrowing and Investments
In managing the day to day cash-flow of the authority, short-term borrowing or investments are undertaken with financial institutions and other public bodies. As at 30/06/2020 The City Council held £94m of short term borrowing from other public bodies at an average interest rate of 0.95%.

Returns provided by the Council's short-term investments yield an average interest rate of 0.83%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were: -

	As at 30th June 2019 **£m**	**As at 31st March 2020** **£m**	**As at 30th June 2020** **£m**
Banks and Building Societies	6.0	0.0	0.0
Money Market Funds	4.2	5.4	37.0
Local Authorities	0.0	0.0	0.0
Corporate Bonds	9.0	0.0	0.0
Registered Providers	10.0	10.0	10.0
Total	**29.2**	**15.4**	**47.0**

External Investments
In addition to the above investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and non-specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid as cash, can be withdrawn within two to four days, and short average duration. The Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits and Equities. These pooled funds are designed to be held for longer durations, allowing any short-term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 30th June 2019 the pooled funds were valued at £30m, spread across the following funds: CCLA, Schroders, Investec, Columbia Threadneedle and M&G Investments.

Prudential Indicators and the Prudential Code
Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30th June 2020 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2020/21. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June the value is -£60.3m (minus) compared to +£87.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June the value is £324.5m compared to £439.5m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

Revenue
The impact of COVID-19 has been dramatic and far-reaching across the whole economy and all elements of the public sector. Numerous councils have given stark warnings about the vulnerability of their financial positions and the shortfall of Government funding compared to the costs that they have incurred or the income that they have lost.

In this context, the Council is in a relatively strong position compared to that reported by some councils and on current estimates is moving towards achieving a relatively secure financial position for 2020/21. The table below shows the current position indicating an unfunded Covid pressure of £4.6m.

	£m
Confirmed Covid Emergency Funding	(24.4)
Amount Committed for 2019/20 Outturn Pressures	2.9

Remaining to Fund 2020/21 Pressures	(21.5)
2020/21 Pressures	26.1
Unfunded Balance	4.6

The Government has indicated that the sector will be able to claim further grant to recompense it for part of its income pressures and guidance on the process to be followed is awaited. Although it is not possible to give a precise estimate on the amount that the Council will be able to claim, it is a reasonable assumption that it will be at least half of the unfunded balance (somewhere between £2m and £3m).

This picture needs to be balanced by the degree of risk and uncertainty that remains. The threats of a second spike of cases or a prolonged period of continuing partial lockdown conditions remain. These would signal a continued need to incur additional expenditure, such as support to external Adult Social Care providers, or suffer continued income losses such as from Council owned car parks. Even if the public health position improves this is likely to be marked by other areas of increased cost such as SEND Home to School Transport (provided on a social distancing basis) or the emergence of additional costs of looked after children for example. This combination of possibilities threatens a heightened level of volatility in the Council's financial planning even over the very short term, meaning that financial forecasting to the end of the year will continue to be challenging.

Putting aside the impacts of Covid, the Council's overall financial position includes an overspend of £2.1m at quarter 1. Although trends in previous years provide an expectation for this position to improve as the year progresses, the interaction with Covid makes it more difficult to have confidence that same will happen for 2020/21 outturn. The position includes some issues that will be difficult to remedy, such as across car parking, enforcement and waste management and it will be important for the Council to undertake strong budget management across all areas to enable it to move the budgetary position towards balance. Cabinet is reminded that at 2019/20 outturn it earmarked £5.5m for Covid Reset and Recovery and this remains a currently uncommitted resource that could be applied to help manage the overall budgetary position if necessary.

In overall terms the financial position outlined, although not without risk, provides sufficient evidence to enable the Director of Finance to provide a clear statement that it will not be necessary to issue a Section 114 notice (which would restrict the Council's ability to make any discretionary spending decisions).

At this early stage it is important to flag that next financial year is also at a heightened position of risk. The Budget Report approved in February 2020 included an indicative gap for 2021/22 of £19m. The combination of uncertainty facing local government finance beyond the current year and the continued (and potentially permanent) impacts of Covid mean that many of the fundamental elements of the financial plan are fluid at present. One example of this is the Council Tax and Business Rates 'Collection Fund'. In accounting and financial planning terms, the impact of Covid on collection of these tax-revenues within the current year will not be felt until 2021/22. An initial planning estimate of this impact is £6m although this is likely to be revised through this year. The other elements of the Budget that could similarly be subject to significant change means that the Council will enter its most challenging budget setting process for some years.

Capital

The Council's capital programme plans continued to be progressed despite the lockdown conditions in place during the first quarter. Although there was an impact on some areas of the programme (in particular some city centre public realm works) most schemes worked at or approaching full capacity. The programme continues to reflect major schemes that are being delivered over several years such as the UK Battery Industrialisation Centre, Whitley South Infrastructure, Public Realm and the Coventry Station Masterplan, all of which now have a very visible physical presence in the city. Other areas of the programme which have been in an earlier planning stage such as the City of Culture Capital Programme and the second Friargate building should see significant project progress during 2020/21. The current forecast programme, if achieved, will surpass the very large programme achieved in 2019/20.

The largest areas of rescheduling in the first quarter involve some of the strategic projects which will help to change the face of the city. Some key projects are accelerating their programmes; including the Coventry Station Masterplan and the school's secondary schools' expansion programme funded through Basic Need Grant. None of the rescheduled programme will result in any funding being lost to the Council.

A small overspend of £0.1m is being predicted against the Salt Lane Car Park. In addition, external contractor delays in revisiting incorrectly installed ductwork has put time and costs into the program of works. The Council is seeking where possible to recover these fees. These costs are currently under review by the Project Team and will endeavour to reduce the financial risk.

5.2 Legal implications

None

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount in managing this risk and this report is a key part of the process. The impact of Covid has represented a heightened level of financial risk over this period. The Council has sought to take a proportionate approach to supporting key sectors, partners and vulnerable groups ensuring that a fundamental safety net is provided but doing so in a financially sustainable way, ensuring that the Council can maintain legacy support within the broad financial envelope indicated by Government emergency funding announcements.

6.3 What is the impact on the organisation?

It remains important for the Council to ensure that strict budget management continues to the year-end. The Council continues to monitor any systemic changes to the financial position represented by Covid and these will be reflected in the forthcoming Budget process.

6.4 Equalities / EIA

No impact.

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

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

6.6 Implications for partner organisations?

No impact.

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Appendix 1 <u>Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position</u>

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Directorate	**Revised Budget**	**Forecast Spend After Action/ Use of Reserves**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Net Forecast Variation**	**Less Covid Impact**	**Other Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Adult Social Care	78.4	82.7	0.1	4.2	4.3	4.3	0.0
Business Investment & Culture	5.2	5.9	0.2	0.4	0.6	0.3	0.3
Children and Young People's Services	72.2	75.5	(2.2)	5.5	3.4	1.5	1.8
Contingency & Central Budgets	14.1	10.6	0.0	(3.5)	(3.5)	1.9	(5.4)
Education and Inclusion	14.2	14.7	(0.5)	1.1	0.6	0.2	0.4
Finance	3.1	3.6	(0.1)	0.6	0.5	0.3	0.2
Housing & Transformation	14.0	18.3	0.1	4.3	4.3	3.6	0.7
Human Resources	1.1	1.5	0.2	0.2	0.4	0.2	0.2
Law and Governance	3.6	4.4	(0.0)	0.8	0.7	0.2	0.5
People Directorate Management	1.4	1.5	0.0	0.0	0.1	0.0	0.1
Project Management & Property Services	(3.2)	3.4	0.0	6.6	6.6	6.5	0.1
Public Health	0.6	0.7	(0.0)	0.1	0.1	0.0	0.1
Streetscene & Regulatory Services	28.0	34.0	0.1	6.0	6.0	4.2	1.8
Transportation & Highways	4.6	8.8	(0.0)	4.2	4.1	2.9	1.2
Total Spend	**237.3**	**265.6**	**(2.1)**	**30.3**	**28.2**	**26.1**	**2.1**
Ringfenced_Funding	1.4	1.4	0.0	0.0	0.0	0.0	0.0
Net Budget Resources	(238.8)	(238.8)	0.0	0.0	0.0	0.0	0.0
Covid Grant Shortfall					4.6		4.6
Total	**0.0**	**28.2**	**(2.1)**	**30.3**	**32.8**	**26.1**	**6.7**

	Explanation	£m
Total Non-Controllable Variances	The council overall is forecasting an underspend against its salary budgets and turnover target which is mainly due to continuing vacancies across Children's Social Care.	(2.1)

People Directorate			
Service Area	Reporting Area	Explanation	£M
Education and Inclusion	SEND & Specialist Services	The Qtr. 1 forecast for SEN Home to School Transport is projecting a £959k under spend for 2020/21. The forecast includes reduced spending during the spring/ summer term due to Covid-19. It includes a contingency for any supplier relief claims from private providers holding contracts with the Council and assumes a return to normal numbers from September 2020. The forecast also assumes a return to our standard operating model for delivering transport from September, i.e. the ratio of journeys provided via in house routes, taxis and personal transport budgets returns to normal. A percentage has been built into the forecast to account for a slight increase in special school places from September 2020. SEND Support Services are forecasting an over spend of £221k which is offset in part by a centralised under spend of £129k. Due to social distancing measures resulting from Covid-19, the SEND Support Service has not been able to deliver in full on its traded offer to schools during the Summer Term. The Council is working with schools to recover the full cost of the Service Level Agreement, but there is a risk that this will not be possible and income for Q1 will therefore be reduced. A 20% reduction in traded income has therefore been included in the budget position to reflect this possibility.	(0.7)
Education and Inclusion	Education Entitlement	Plas Doly Moch is forecasting an over spend of £620k as a result of Covid-19. The centre is currently closed and is therefore not able to generate income via fees & charges. Government support has been accessed where possible and all expenditure has been reviewed to reduce spending. Avenues are currently being explored in relation to other forms of income generation. The budget for Bus Passes which are provided as part of the LA's home to school transport responsibilities is forecasting an over spend of £115k. This is due to an increase in the number of pupils who are eligible. The Education Welfare service is forecasting an over spend of £65k. This is due to a reduction in income from Fixed Penalty Notices relating to non-attendance as a result of Covid-19. The budget for the Woodlands site is reporting an over spend of £40k because of reduced income from leisure activities due to Covid-19. Other traded services within Education Entitlement are forecasting	1.0

		over spends as a result of an expected reduction in school and / or parental income due to Covid-19. Work is ongoing to explore options to mitigate this.	
Education and Inclusion	Employment & Adult Education	To date it has not been possible to deliver the outstanding £189k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes. Due to the impact of Covid-19 and the resulting switch to virtual learning Adult Education are forecasting a £130k reduction in income generated via fees and charges. The Employment Service are forecasting an over spend of £441k but this is fully offset by a corresponding under spend against centralised salaries.	0.8
Education and Inclusion			**1.1**
Children and Young People's Services	LAC & Care Leavers	The largest element of this variance is as a result of the placement pressures (£2.7M net overspend). Children in external children's homes are above projected numbers and there have been some high cost placements and remand costs as a consequence of youth violence. £1.1M of this variance has been attributed to COVID as a result delays in delivery of the placement transformation programme. Supported accommodation is forecasting an overspend of £0.3M, which is all attributable to COVID, and is linked to delays in being able to move care leavers on to their own tenancies during the lockdown period. There are a number of other variances across the service as a result of activity pressure (including Children's Disability Service, care leavers, permanence allowances and agency costs totalling £1.2M). These are partially offset by a centralised salary underspend. Work is underway looking into these pressures to understand how they can be managed over the medium term.	4.2
Children and Young People's Services	Help & Protection	The budget holder variance largely relates to an overspend in the costs of agency staff covering vacancies across the service, which is more than offset by underspends across centralised salary budgets. We continue to recruit permanent social workers, but the turnover rate continues to mean we have a need for agency workers. The Workforce Board continues to focus on this issue to ensure we can reduce agency staffing levels as part of workforce transformation.	1.2
Children and Young People's Services			**5.5**
Adult Social Care	Strategic Commissioning (Adults)	£0.2m underspend relates to Carers budgets. Work is underway to enhance the support offer to carers for the next 12 months. £0.3m underspend relates to transport following the suspension of day opportunities as result of COVID-19.	(0.4)
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs, recruitment to posts is ongoing.	0.3

Adult Social Care	Internally Provided Services	Additional costs of other pay and overtime have been offset by savings in centralised costs due to vacancies. During the period affected by COVID-19, some staff recruitment has been put on hold due to staff from services which have been suspended being redeployed to cover vacancies.	0.1
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Demand for Mental Health services, specifically residential and nursing placements, continues to apply pressure to the budget. Work is underway to identify alternative commissioning options that will help redress the trend. In Learning Disability, work continues to seek ways to reduce expenditure across commissioned services, particularly residential and nursing provision. Reviews of high cost transition packages are reducing long term costs.	4.7
Adult Social Care	Adult Social Care Director	There are 2 significant variations which make up the budget holder variance. A £4.1m overspend due to specific COVID-19 related spend which wil be resourced alongside other corporate covid related expenditure as well as a £3.5m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial financial position. Whilst ibcf grant has been provided to assist with managing the position, it is unlikely to be sufficent to manage the longer-term cost impact of the pandemic. The contributory factors that make up the overspend are reflected in the explanations below.	0.6
Adult Social Care	Older People Community Purchasing	Although numbers of new starts in residential/nursing provision have been impacted by the Covid 19 outbreak it is expected numbers will begin to increase, which will lead to further cost pressures. Therefore strategies to reduce admissions will continue to be a focus for the rest of the year.	(1.2)
Adult Social Care			**4.2**
Customer Services & Transformation	Customer and Business Services	The Budget Holder forecast overspend relates to the following: a net loss of income for Post & Fastprint £56K as a result of lockdown and £45K agency cover needed re delayed recruitment dring a staffing review (£10K of this was due to delays resulting from Covid). There have also been some costs for the Contact Centre relating to home-working equipment, planned additional security for re-opening and staffing costs for additional community support provided. The net impact of these is relatively low (£4K) as they have been offset against all possible cost reductions.	0.2
Customer Services & Transformation	Housing and Homelessness	A combination of additional budget resource and a number of strategies that we are putting in place to reduce the unit cost of temporary accommodation (e.g. caradoc, acquisitions, market negotiations) means that we are forecasting a balanced position for 20/21 despite significant activity increase over the last year. The overspend relates to forecast COVID-related expenditure including the additional costs of housing rough sleepers from April to July and additional activity that the service expects to see as a result of restrictions on evictions being removed and increased financial hardship.	1.4
Customer Services & Transformation	Procurement	The Budget Holder forecast overspend mainly relates to cross-Council PPE expenditure of £2m - all relating to Covid 19 and under-achievement on both streams	2.0

		of rebate income of £90K - £80K of which is Covid related.	
Customer Services & Transformation	ICT & Digital	The current forecast position is largely a result of the following factors: some COVID-19 related pressures (circa £140k), a general increase in demand for ICT kit and services and price increase (circa £225k) and a worsening income position from traded services (circa £200k). Management action is being taken to look to address these pressures although it is recognised that the COVID-19 situation has accelerated an already growing demand for ICT kit and services such as laptops, mobile phone and user accounts. The increase in unit price for equipment such as laptops is due to the global demand and some supply chain issues. Work is being done to re-baseline the organisations core requirement for ICT kit aligning closely with organisational design activity as a result of COVID-19. The worsening position on income from traded services may be impacted further by the COVID-19 situation. This hasn't been reflected in the Quarter 1 position as work to manage the impact is underway.	0.5
Customer Services & Transformation	Other Variances Less than 100K		0.1
Customer Services & Transformation			**4.3**
Legal & Governance Services	Legal Services	"COVID-19 lockdown has had a negative impact on income streams within the Register Office and the Records & Land Charges services with income reductions estimated at c£200k. Other variations reflect a £200k cost of agency staff to cover vacancies within the Legal Services team, a £220k cost of external legal fees for care proceedings, and an underlying pressure of £100k in the Coroner's Service as a result of increased costs and volumes. It is too early to assess the impact of lockdown on the cost and volume of legal care proceedings, so no pressure is being reported. However, this needs to be closely monitored."	0.8
Legal & Governance Services			**0.8**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	"Covid 19 has resulted in the closure of the Wave water leisure facility which in turn has an impact on the profit share arrangements causing the majority of this pressure. Other variations are as a result of the closure of St Marys Hall catering facility whilst the capital improvement works are carried out.	0.4
Business Investment and Culture			**0.4**

Finance & Corporate Services	Revenue & Benefits	COVID-19 impact has resulted in an estimated 25% reduction in court cost income of around £250k due to the suspension of liability order applications, and an increase in off-site processing required to cope with extra demand of £40k.	0.6
Finance & Corporate Services			**0.6**
City Centre & Major Projects Development			
Transportation & Highways	Traffic	The majority of pressures are largely due to a significant reduction in parking and enforcement income during the Covid 19 lockdown period, based on an assumed phased return to normal levels of activity over the coming months. Other variations reflect a combination of the delayed implementation of a new fee structure for residents' parking permits, an underlying pressure in bus gate enforcment as a result of a downturn in the number of PCNs being issued, and the temporary closure of a bus gate for railway station works.	3.6
Transportation & Highways	Highways	This is primarily the impact of DLO being stood down in April, May and early June due to Covid 19 as during this time the service was unable to recover its direct costs and overheads totalling £650k. This is expected to be offset slightly during the remainder of the year from fees earned on external works	0.5
Transportation & Highways	TH Management & Support	"Other Temporary management arrangements"	0.1
Transportation & Highways			**4.2**
Streetscene & Regulatory Services	Streetpride & Parks	The majority of pressures are income related due to COVID. Coombe car parking and shop income is c£86k down, various parks events and activities were cancelled (£244k), and memorialisation income of £42k was lost. Additional costs of £164k have also been incurred to enable safe working. Other pressures relate to the delayed implementation of the WMP car park charging of £120k, streetpride fleet costs due to ageing fleet of £124k, traveller Incursion costs of £40k and agency staff costs (offset by vacancies) of £167k.	1.0
Streetscene & Regulatory Services	Planning & Regulatory Services	The main pressures in this area are a reduction in planning income estimated at £400k due to Covid, plus some agency, consultancy and other one-off resourcing costs totalling £127k	0.5
Streetscene & Regulatory Services	Waste & Fleet Services	The main pressures are COVID related including loss of Commercial Waste contract income of £364k, reduced passenger transport activity charges of £1,171k and taxi Licensing income of £110k. In addition, COVID related costs in Domestic Waste of £272k were incurred to ensure continuity of service, largely staffing related and some loss of income in Fleet Services £152k.	2.8

		Other forecast pressures relate to the expected cost of service continuity over the Christmas period of £225k and delayed achievement of sales growth in commercial waste of £90k. Waste Disposal costs are also forecast as higher than budget by c£800k due to a combination of increased tonnages and gate fees, but both are offset by lower Fleet capital financing costs.	
Streetscene & Regulatory Services	SSGS Management & Support	This relates to the cost of providing temporary regional mortuary facilities for the COVID-19 response.	1.2
Streetscene & Regulatory Services	Environmental Services	Covid related income losses are forecast at £130k, primarily pest control related. Other variations relate to unbudgeted staffing costs of covering maternity leave and some project work, and the under achievement of pest control and MRS income targets (non Covid related) whilst growth aspirations are being worked towards.	0.4
Streetscene & Regulatory Services			**6.0**
Project Management and Property Services	Commercial Property and Development	Expected rental income loss and cost of vacant property due to COVID, less a small surplus from recovery of fees relating to asset disposals	5.7
Project Management and Property Services	Facilities & Property Services	£450k is PPE and other similar costs to make buildings COVID compliant. £427k pressure is also expected relating to Fairfax street (leisure centre) holding costs following closure	0.8
Project Management and Property Services			**6.6**
Ringfenced Funding	SEND & Specialist Services	DSG - An over spend of £1.4M is currently being forecast against SEN Placements, which is partially offet by under spends against other services. There has been an increase in the number of children and young people with EHC plans and in the complexity of need. This has resulted in more pupils with EHC plans being supported in both mainstream and special schools. The LA have commissioned additional numbers in special schools this year to meet the demand in placements across primary and secondary schools. In addition, more pupils are requiring a higher level of financial support to meet their complexity of need. Due to the complexity of need for an increasing number of children and young people and the capacity issues in meeting some of the more complex needs within our maintained schools, there has been an increase in both the commissioned number of independent specialist placements and the costs of those placements due to the bespoke provision that is required to be in place. There has also been a rising cost in supporting the educational provision for LAC with special educational needs placed in various residential settings out of Local Authority. An increase of circa £700k in forecast spend for post 16 educational placements is predicted for 2020/21. This is largely attributable to increased provider costs and a group of complex young people leaving school this year requiring high cost placements. All reasonable measures are in place to monitor and challenge this	1.0

		element of provision whilst ensuring the Council continues to meet its statutory duty.	
Ringfenced Funding	Schools	DSG - £1.9M High Needs Unallocated Resource, £0.3M Growth Fund & £0.1M Early Years Provision	(2.3)
Ringfenced Funding	Education Entitlement	DSG: The budget for the Early Years team is forecasting an under spend of £227k. This is due to vacancies within the team and a delay in the implementation of a proposed restructure. The New Arrivals fund is forecasting an under spend of £75k due to a reduction in the number of pupils being admitted to schools due to Covid-19. Coventry ELC is forecasting an under spend of £71k, however it should be noted that £51k of their 2020/21 budget is a one-off contribution from reserves. There are other small under spends across a number of different budgets within Education Entitlement.	(0.5)
Ringfenced Funding	Education Improvement & Standards	DSG: Planned use of Education Standards De-Del and Primary Steering Group reserves	0.1
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variance from corporate position	1.6
Ringfenced Funding			**0.0**
Total Non-Controllable Variances - Contingency & Central Budgets			**30.3**

Appendix 2

Approved / Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Woodlands Feasibility	Additional funding for the feasibility phase.	0.1
Disabled Facilities Grants	Reconciling estimated budgets to the real allocation in 20/21.	0.3
Condition Programme	S106 funding identified to support identified improvements to previously expanded schools. Also the grant from the DFE was £102,000 less than anticipated when budgets were set.	0.8
Integrated Transport Programme	An estimated funding value in the amount of £1.4m to be secured from the WMCA was included in the Transportation & Highway Maintenance Capital report on the 10th March 2020, which has been approved by cabinet .The £1.4m included in the cabinet report was based on initial estimates, however, more accurate costs have since been obtained and the new total of the grant funding which has been secured now stands at £1,628k	1.6
Coventry Station Masterplan	Funding set aside from CSMP for Friargate Bridge liability.	(3.8)
Whitley South Infrastructure	Agreed variation to Buckingham's contract for additional works funded by the CWLLP.	2.9
MRF	Funding from other Local Authorities for the development phase, not previously budgeted for.	(0.5)
Purchase of Welfare Unit Lower Ford Street	New purchase of Welfare Unit.	0.1
Oak House Binley Business Park - Long Lease Purchase	Cabinet on 10th March 20, for the purchase of Oak House long lease.	1.8
Homelessness - Phase 2	Cabinet on 10th March 2020 to improve the provision of temporary accommodation for single homeless people - this forms part of a wider £6m approval.	3.6
Cathedral Lanes Loan	Loan agreement with Shearer Property Ltd amended from August 2016 - drawn down funds.	1.0

Heritage Assets - City Walls & Gates	New funding for City Walls and Gates covering Swanswell, Cook and Lady Herbert's Garden, remedial works 80% funded by Historic England.	0.1
City Centre South	Additional funding, where costs are not eligible for WMCA grant to cover project support.	0.4
Highways Investment	Department for Transport confirmed additional funding allocations on the 15th May 2020 for the Highways Maintenance Challenge Fund to the WMCA area. This has resulted in £2.1m additional funding. £0.5m is being utilised to support the revenue reactive programme.	1.6
OLEV Connected Kerbs	Office for Low Emission Vehicles (OLEV) has awarded Coventry City Council, a grant with a maximum value of £74,550 for On-street Residential Chargepoint Scheme	0.1
Alan Higgs	The saving on the Alan Higgs Centre 50m Swimming Pool project reflects the contract settlement figure and targeted project saving for the project.	(0.3)
City Centre Destination Leisure	The increase on the City Centre Destination Facility reflects the contract settlement figure and associated costs to reach that position. There are also some additional post construction works that were required that are included within that increase.	0.6
Misc	Programme changes less than £0.1m	0.1
TOTAL APPROVED / TECHNICAL CHANGES		**10.5**

Appendix 3

DIRECTORATE	BASE BUDGET plus 18/19 RESCHEDULING £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 20-21 £m
PEOPLE	29.2	1.1	0.0	(0.5)	29.8
PLACE	222.6	9.4	0.1	9.8	242.0
TOTAL	**251.8**	**10.5**	**0.1**	**9.3**	**271.8**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
Basic Need	COVID contingency of £1.25m and additional projects identified (Whitmore Park refurbishment and additional associated works for Phase 1 secondary expansions).	1.6
Condition	Due to COVID-19 some Primary School works have been rescheduled to 21/22	(0.4)
SEND	Programmes of work further ahead than anticipated.	0.2
Disabled Facilities Grants (Better Care Fund)	Additional OT in housing (12 month). Work underway to attract new contractors (leaflet around city) and commencement of DPS framework should increase pool of contractors and allow more jobs to be completed. However, we still have to consider we our three months behind due to Covid. Increased spend will likely be realised next year.	(1.9)
Growing Places	Remaining allocated funds within Growing Places are a contribution to the Duplex Investment Fund, totalling £2.6m. The anticipated drawdown of these funds is uncertain as take up for the Duplex Fund has been impacted by COVID-19. There is also £1.1m of unallocated funds within Growing Places Fund and CWLEP have not yet indicated to the accountable body as to when these will be awarded to a recipient.	(3.7)
Vehicle & Plant Replacement	The variant is due to rescheduling 16 passenger transport buses and 3 refuse collection vehicles into next year. The condition of the existing vehicles has meant we have been able to prolong their life a bit longer and save purchasing new vehicles this year. The condition of these will be reviewed again next year	(1.1)
ESIF - Business Support Phase 2	We have had more demand for Capital grants than was forecast, hence we have increased the budget by £157k to reflect the amount of grant that has been paid to businesses. We have also had a further approval for more ERDF grant from MHCLG	0.2
Superfast Broadband	The rescheduling of £239k to next year is as a result of finalising the payment profile for the network lease extension with City Fibre. There has been some cross over with work regarding the secondary data centre project which is also being negotiated with City Fibre hence why this rescheduling is taking place in year and not at budget setting.	(0.2)
Whitley Depot Redevelopment	The project has been delayed due to a value engineering exercise that was carried out with the tenderers to reduce costs and approval to proceed is being sought.	(0.2)

Purchase of Containers - Commercial Waste	Less spend anticipated due to servicing less customers due to COVID impact and expected revenues dropping. Essentially less customers, so less bins needed.	(0.2)
Coventry Station Masterplan	The Station Masterplan expenditure profile has been revised to reflect the current programme, whereby construction will be substantially complete by Q4. The profile reflects the latest contractual activity schedules and milestone payments accordingly. Impact of Covid 19 on works has been limited and while there has been some in year reprofiling to reflect delayed activities it hasn't impacted on the overarching programme target of completion in Spring 2021.	14.9
City Centre South	Opportunity to purchase Victoria Buildings has come forward this is accelerated form 21/22 and switch from CPO purchase to Market Price	2.0
Friargate	Stage 4 costs paid in one lump sum instead of spreading over two quarter	0.5
City of Culture	Due to the current pandemic within the Country, following guidance and advise from the UK government, capital programmes were unable to continue to work following the 2 metre guidance. The City of Culture programmes, all with the exception of Daimler were tools down and therefore had an impact on their spend and claim within the quarter. We are pleased to confirm all projects have returned on site and works are being carried out. We are hopeful this will now bring the spend back on profile	(1.2)
Coombe Park new Play Facilities	Delays in tendering due to COVID-19	(0.5)
Coombe Loan Facility	Loan facility not expected to be required in 20/21	(0.8)
TOTAL RESCHEDULING		**9.3**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2020
Ratio of Financing Costs to Net Revenue Stream (Indicator 1), illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	14.16%	14.16%
Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 2), illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £531.4m	£411.3m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5), representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£502.3m	£411.3m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6), representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£482.3m	£411.3m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9), highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£439.5m	£324.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£87.9m	-£60.3m
Maturity Structure Limits (Indicator 10), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 30% 0% 2% 15% 52%
Investments Longer than 364 Days (Indicator 11), highlighting the risk that the authority faces from having investments tied up for this duration.	£30m	£0.0m