Coventry City Council

Public report

Cabinet

Cabinet	21st July 2020
Audit and Procurement Committee	19th October 2020
Council	8th September 2020

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

Director Approving Submission of the report:
Director of Finance

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2019/2020

Is this a key decision?
Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position.

Executive Summary:

This report outlines the final revenue and capital outturn position for 2019/2020 and reviews treasury management activity and 2019/2020 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- A balanced revenue position after a recommended **£5.5m** is set aside in reserves for the Council's reset and recovery following the Covid-19 outbreak.
- Capital Programme expenditure of **£216m** which represents the largest programme in the modern era.
- An increase in the level of Council revenue reserves from £82m to **£90m** including the Covid funding and the net underspend contribution.

Further detail includes:
- A revenue overspend of £3.4m relating to housing and homelessness as a result of demand for temporary accommodation and the associated costs not recoverable from Housing Benefit.
- A revenue overspend of £2.5m across services for children and young people driven principally by the number and cost of children's placements.
- A net underspend across the rest of the Council and in particular a £12m position within central budgets resulting overwhelmingly from one-off circumstances.
- Identified expenditure and income loss related to the Covid-19 situation in March 2020 of £2.85m funded by Government emergency funding provided for this purpose.

- Receipt of overall Covid-19 funding of £10.4m of which £7.55m is proposed be set aside to deal with Covid costs in 2020/21.

The underlying revenue position has improved by £3.6m since Quarter 3 when an underspend of £1.9 was forecast. In particular the overall underspend and the improved position relates to improvements within Contingency and Central budgets which are set out in the report. In overall terms the favourable outturn position shown must be put in the context of the Covid-19 crisis. The human and public health impacts of this have been widely reported and some of these can be expected to continue for the foreseeable future. Councils have been assessing the estimated additional costs and lost income that have already been incurred or are expected and this task is essential to inform the Government's pledge to ensure that such costs are fully funded.

Given the huge uncertainties, it is difficult to provide robust estimates of the forward looking financial impact on the Council although even with optimistic forecasts of the lifting of restrictions, the overall cost could exceed £30m. Notwithstanding early Government commitments, there have been subsequent indications that councils may be expected to 'share the burden' of these costs. On this basis it is important that the Council continues to maintain a strong financial position to protect itself from what could be a very challenging financial environment which will certainly be felt well beyond financial year 2020/21. The recommended proposals, put forward through the Director of Finance, the Council's Section 151 officer, are reflected in the recommendations below and explained in section 5.1.

Recommendations:

Cabinet is recommended to approve:

1) The setting aside of £5.5m (section 2.1 and Appendix 1) into a Reset and Recovery reserve available from the year-end revenue bottom line.
2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £215.9m against a final budget of £235.1m; £19.0m expenditure rescheduled into 2020/21 and a net underspend £0.2m.
3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Cabinet is requested to recommend to the Council:

4) Approval of reserve contributions of £5.5m to a Reset and Recovery reserve and £7.55m to fund costs resulting directly from Covid-19.

Audit and Procurement Committee is recommended to:

1) Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

Council is recommended to:

1) Approve reserve contributions of £5.5m to a Reset and Recovery reserve and £7.55m to fund costs resulting directly from Covid-19.

List of Appendices included:

Appendix 1	Detailed breakdown of Directorate Revenue Variations
Appendix 2	Capital Programme Changes and Analysis of Rescheduling
Appendix 3	Prudential Indicators

Other useful background papers:

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?

Yes - Audit and Procurement Committee 19th October 2020

Will this report go to Council?

Yes – 8th September 2020

Report title: Revenue and Capital Outturn 2019/2020

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position for 2019/2020 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £231.5m and a Capital Programme of £195.3m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 <u>Revenue Outturn</u>

2.1.1 Table 1 below summarises the outturn position, an underspend of £5.5m. Local Government accounting rules require this underspend to be contributed to the Council's General Fund Balance.

Table 1 Summary Outturn Position

Quarter 3 Forecast Variation £m	**Service Area**	Net Budget £m	**Outturn Position £m**	**Variation £m**	Variation %
(0.4)	Public Health	2.9	**2.1**	**(0.8)**	(28%)
0.0	People Directorate Management	1.5	**1.4**	**(0.1)**	(7%)
1.4	Education & Skills	13.9	**15.2**	**1.3**	9%
2.6	Children & Young People	72.2	**74.7**	**2.5**	3%
0.0	Adult Social Care	77.5	**77.5**	**0.0**	0%
3.3	Housing & Transformation	13.6	**16.7**	**3.1**	23%
0.4	Human Resources	1.3	**1.6**	**0.3**	23%
0.1	Place Directorate Management	2.5	**2.4**	**(0.1)**	(4%)
0.2	Business, Investment and Culture	7.9	**8.1**	**0.2**	3%
0.2	Transportation & Highways	4.6	**4.7**	**0.1**	2%
1.7	Streetscene and Regulatory	28.5	**29.6**	**1.1**	4%
(0.8)	Project Management & Property	(7.9)	**(9.0)**	**(1.1)**	(14%)
(0.6)	Finance & Corporate Services	7.3	**7.1**	**(0.3)**	(4%)
(10.0)	Contingency & Central budgets*	5.6	**(6.4)**	**(12.0)**	(214%)
	Contribution to Reset & Recovery Reserve		5.5	5.5	
(1.9)	**Total***	231.4	**231.4**	**0.0**	

*The position is shown after reserve contributions recommended in this report amounting to £13.05m of which £7.55m relates to Covid-19 Grant Funding and £5.5m reflects underspent budget across the Council's bottm line.

The quarter 3 position reflected an underspend of £1.9m. Prior to the recommended £5.5m contribution to the Reset and Recovery reserve the outturn position showed an additional favourable movement of £3.6m. This included:

- Streetscene & Regulatory - £0.6m favourable
- Contingency and Central Budgets - £2.0m favourable

The reasons for these variations are explained below.

2.1.2 **Directorate Positions**

Contingency and Central (£12.0m Underspend)
There are a number of previously reported under-spends within Contingency & Central budgets (including the Asset Management Revenue Account) and in total there was further improvement of £2.0m between quarter 3 and year-end.

The quarter 3 position included an underspend due to amounts no longer due to be paid to the West Midlands Pension Fund (WMPF). The Fund has not required employer pension contributions resulting from higher payroll figures to be paid over to it although the Council had budgeted for these. This has increased the in-year underspend since Quarter 3 and allows the Council to release resources previously set aside on the balance sheet up to a combined year-end value of £7m. Revised arrangements for 2020/21 mean that the WMPF will expect these amounts to be paid on an annual basis in future.

Other variations include previously reported uncommitted resources related to one-off social care funding (£1.1m); Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.3m); projected additional savings from the Friargate Project (£0.7m); lower than budgeted levy costs (£0.6m); and a £0.7m contribution to reserves for managing the costs of major projects approved at quarter 2.

The net Asset Management Revenue Account position is an underspend of £2.4m. The overall favourable position reflects, £2.2m higher than budgeted investment and loan repayment income, £0.4m lower than budgeted capital financing costs and a net shortfall of £0.2m in budgeted dividend income. The dividend position includes a £0.8m shortfall from Coombe Abbey Park Limited (£0.3m outstanding from 2018/19 and none of the budgeted £0.5m received for 2019/20) offset by £0.3m of Covid-19 grant and £0.3m of additional dividends from other sources.

People (£6.3m Overspend)
The People Directorate continued to face significant financial challenges in 2019/20 and this is likely to continue. The largest outturn pressure was in Housing & Homelessness (temporary accommodation) £3.4m. Work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation. This pressure is a result of the level of activity transferring to the Council from the previously outsourced contract, the additional and less costly temporary accommodation solutions not being available as early in the financial year as previously forecast and a sustained increase in activity particularly within the non-family cohort. There was also an overspend in Children's Services largely as a result of increased costs of looked after children (LAC) and leaving care placements (£2.1m). This was due to delays in the delivery of children's placement transformation and a higher unit cost of placements, partly attributable to the youth violence problems. Children's Transformation Board continues to monitor the progress of LAC placement transformation and associated budget reductions and take remedial action as necessary. There is also a £1.0m outturn overspend in Special Education Needs transport which is linked to increasing demand and changes in provision. The Budget report has identified additional resource for the above 3 areas in 2020/21. Adult Social Care is showing a balanced position, although there is increasing pressure surrounding packages of care alongside increasing demand in Deprivation of Liberty safeguards (DOLs) which are managed in year using iBCF protecting social care resources. The Public Health underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.

Place (balanced position)
The broadly break even contains a number of compensating variations. Pressures resulting towards the end of the year from Covid 19 impacts have been offset by the emergency grant funding so do not feature below.

Most spend pressures relate to a variety of service areas which have required the use of agency staff to maintain service continuity or deal with higher than normal service activity levels, including parking enforcement, streetpride, domestic refuse, Revenues and Benefits and Legal. In most cases this is offset by underspends within salary budgets. Other spend pressures are a higher than budgeted cost of waste disposal (£0.45m) and the higher cost of domestic refuse collection (£0.2m) due to higher fleet costs and collections over the Christmas period. These were offset by some large underspends, in fleet due to reduced capital financing costs (£0.3m), operational property due to a one off business rate refund (£0.4m) and fewer community support grants (£0.2m)

There were income shortfalls as follows: St Marys Guildhall commercial catering due to reduced trading (£0.2m), Bus Lane Enforcement (£0.5m) and Bereavement income (£0.3m) due to reduced activity. Commercial Waste (£0.3m) and Pest Control (£0.1m) are also still achieving less than the growth aspirations set. These were however offset by increased income in a number of areas, the largest being in car parking/parking enforcement of (£0.4m), Planning & Regulatory fees (£0.5m), Commercial Property income (£0.2m), Repair and Maintenance trading income (£0.4m) and over recovered housing benefit (£0.3m).

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2019/20 is £90m, compared with £82m at the end of 2018/19. Balances generated from capital receipts and capital grants to fund future capital projects have increased from £23m to £33m and reserve balances belonging to or earmarked to support schools have decreased from £26m to £21m. The total reserve movement in 2019/20 is summarised in the table below.

2.2.2 The reserve balances include £9m set aside as part of the Council's three long-term Private Finance Initiative models, £9m set aside to fund costs arising from early retirement and redundancy decisions, £8m set aside to provide protection against the potential future loss of Business Rates income, £6m of revenue to support future capital projects, £4m set aside for the Council's contribution to the UK City of Culture, £4m earmarked to support future commercial projects and £3m to support the Adult Social Care Better Care Fund model.

2.2.3 In line with the recommended actions within this outturn report there are also £7.55m of reserves resulting from the payment by the Government of Covid grant prior to 31st March which will be required to fund the financial impact of Covid in 2020/21. A further £5.5m has been set aside to aid the Council's and the city's reset and recovery phase as lockdown measures are eased.

2.2.4 Analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2020/21 and going forward. The outcome of this will be brought to Cabinet later in the year.

Table 2 Summary of Reserve Movements in 2019/20

	Balance at 31st March 2019 £000	(Increase)/ Decrease	Balance at 31st March 2020 £000
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(3,534)	521	(3,013)
Public Health	(788)	(568)	(1,356)
Troubled Families	(1,095)	594	(501)
Leisure Development	(1,334)	510	(824)
Kickstart Project	(1,278)	1,278	0
City of Culture	(4,750)	750	(4,000)

Potential Loss of Business Rates Income	(7,735)	0	(7,735)
Early Retirement and Voluntary Redundancy	(10,070)	747	(9,323)
Covid-19 Government Funding	0	(7,558)	(7,558)
Reset and Recovery	0	(5,467)	(5,467)
Commercial Developments	(4,000)	(419)	(4,419)
Insurance Fund	(1,698)	977	(721)
Management of Capital	(5,399)	(165)	(5,564)
Private Finance Initiatives	(10,169)	702	(9,467)
Other Directorate	(9,489)	(1,799)	(11,288)
Other Directorate funded by Grant	(1,564)	502	(1,062)
Other Corporate	(8,589)	1,243	(7,346)
Total Council Revenue Reserves	**(81,769)**	**(8,152)**	**(89,921)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(21,467)	(9,632)	(31,099)
Capital Grant Unapplied Account	(1,894)	60	(1,834)
Total Council Capital Reserves	(23,361)	(9,572)	(32,933)
School Reserves			
Schools (specific to individual schools)	(20,308)	2,301	(18,007)
Schools (related to expenditure retained centrally)	(6,084)	2,786	(3,298)
Total Schools Reserves	(26,392)	5,087	(21,305)
Total Reserves	**(131,522)**	**(12,637)**	**(144,159)**

2.3 Capital Outturn

2.3.1 The capital outturn position for 2019/20 is shown in summary below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under-spends £m	Total Variance £m
235.1	215.9	(19.0)	(0.2)	(19.2)

The quarter 3 monitoring report to Cabinet on 18th February 2020 approved a revised capital budget of £215.9m for 2019/20. Since then there has been a net programme increase of c£19.1m giving a final budget for the year of £235.1m. Since February, a total of £19m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
Schools	0.4	Siginificant progress in the completion of two secondary school expansions within the Basic Need and SEND funded proejects
ICT Programme	(0.6)	There has been general delays within the programme including works at Revenue and Benefits delivered by Capita, the renegotiation of the network lease for with City Fibre and the new data centre.
Alan Higgs 50m Pool	(0.9)	The Contractor was delayed in delivering practical completion of the new 50m Pool at Alan Higgs and as a consequence there has been expenditure slippage.
Whitley Depot Redevelopment	(0.3)	The 2019/20 cashflow was based on being be able to tender the main contract works and make an award of contract by the end of Jan 2020. This has been delayed as the prices came in over budget and work continues to negotiate savings and review options.
UK Central & Connectivity	(12.2)	A46 Link Road Phase One (Stoneleigh Junction) delayed due to a need to re-tender the construction contract, delays in completing land acquisition, and in securing Technical Approvals from Highways England. Full funding approval secured from DfT in February 2020.
City Centre South and Friargate	1.3	Accelerated works on the CCC planning application and Coventry Point and design development process on Friargate
Highways, Transport and Vehicles	(6.5)	£2.2m slippage on the Arches Spon End Pinchpoint, delayed which negotiation to secure funding and Air Quality changing the scope of works. In additional this section captures £2.9m of slippage across the Highways and Transportation capital schemes including £1.4m delay in clean bus technology.
Coventry Station Masterplan	0.2	Westminster car park income and S106 added to the CSMP budget to fund car park compensation costs to the Train Operator and new funds identified for Station Square addition to the scope of works. In addition small increase from Qtr3 forecast £200,000
Growth Deal – 3rd Party Projects	(0.5)	The Duplex Investment Scheme launched in October 2019, has not seen the take up as predicted in Qtr 3. In additional the Stanks delayed by £0.2m linked to a bond agreement with new contractors
Whitley South Infrastructure	(3.7)	The project progress was slower than anticipated with inclement weather hindering site works in early spring and technical difficulties delaying the bridge installation.
Housing Infrastructure	(2.4)	There has been a delay in moving this project forward as a result of discussions with Homes England on additional secured funding (now £15.6M) and contractual reviews with the developer and their consultants.
Heatline	(0.3)	No expenditure as the outstanding balance is the final contract payment which is to be contractually retained until the works are complete. Engie have still not finalised the connection and commissioning of The wave. Until this work is complete no further payments are due.

Acquistion Costs Temporary Accomodation (Homeless)	(0.2)	Funding to be used to bring an additional 8 units in to temporary accomodation via Citizen
Battery Plant and Equipment	6.7	The project was awarded an additional £3.1m from Innovate UK in order to keep pace with technology in the battery industry, and the drawdown of existing funding was accelerated at the request of the funder so that the full £111.1m could be drawn down by the end of the financial year.
Coombe	(1.0)	This programme covers 3 aspects of works within Coombe; £0.2m reduction requirement in the loan facility, £0.6m delays in the tendering process for the adventure play and £0.2m delay in seeking planning for the car park
St Marys Guildhall	0.4	Accelerated spend for works at St Marys as part of the City of Culture programme
TOTAL	(19.0)	

Table 5: Over and Underspends in the Capital Programme

Project	Over/ (Under)spend	Explanations
Pathways to Care	(0.2)	The underspend is due to accruals in 18/19 that did not come to fruition offsetting the actual spend incurred in year.
Total	(0.2)	

2.3.2 The 2019/20 and future programme continue to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Since the orginal investment for the UK Battery Industrialisation Centre further funding has been been awarded by Innovate Uk bringing their total grant to £111m alongside a loan from the WMCA of £18m. The full £111m has been claimed from Innovate UK as at the end of 2019/20 and the legal agreement for the draw down of the £18m is in progress. This new research facility on the outskirts of Coventry will play a key national role in the emerging battery industry and is now due to open by the end of this year, delayed slightly by the shipment delays due to COVID19. Extensive forecasting and analysis has been undertaken for the new budget and the finances are being robustly monitored.

- Te Wave City Centre Destination Leisure Facility opened during 2019/20 as did the 50m Swimming Pool at the Alan Higgs Centre. Plans are also progressing on new indoor bowls facilities within the city.

- In July 2016 the Council approved the site at Whitley South to be used to develop the expansion plants of JLR by developing the public infrastructure to accommodate the proposed research and development campus, accommodate a number of small and medium sizedenterprises together with a hotel and car show room. The contract for the construction in in place and works are progressing, with completion due in 2020.

- The Council has also invested in the B&M property adding to its commercial property portfolio and acquired 100% of the ordinary share capital of Tom White Waste Ltd (TWW) following the decision by Cabunet on 25th February.

- Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2019/20 £19.3m of spend has been incurred within the Programme including the A46 link road, Very Light Rail and Coventry Station Master Plan. The primary source of funding going forward with be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment

- Public Realm City of Culture works continue at a pace, with significant works happening around the Retail and Leisure Quarter. The £45m programme continues with capital works at Upper Precinct and Bull Yard that will include highly aesthetic fountains, open space and a creative play area. Works already completed at Hertford Street include re-locating the street traders amongst a spacious new surfaced area

- Demolition of the Coventry Point building is well under way as part of the City Centre South (CCS) regeneration project designed to transform the southern part of Coventry city centre. The scheme has undergone several delays over several years, affected by the changing nature of city centres and retail environments in particular. The current Covid-19 impact on these environments is a further factor that will need to be addressed as the Council seeks to take the project forward in 2020/21.

- During this year the Coventry One Strategic Plan and Education Capital Programme set out the pupil forecast for primary and secondary across the city between 2019-2024 with 2019/20 being the first year of the secondary expansion programme. The Council has received confirmation recently of overall funding of up to c£60m over the coming 5 years.

2.3.3 The funding in respect of this capital expenditure of £215.8m is summarised in Table 6 below The Programme has been resourced c62% from capital grants and where possible the use of these grants has been maximised to defer the Council's requirement for prudential borrowing in year.

Table 6: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	66.1	66.1	0
Grants and Other Contributions	132.9	126.4	(6.4)
Revenue Contributions	6.4	6.4	0
Capital Receipts	8.2	39.3	31.0
Capital of Management Reserve	2.1	7.7	5.6
Total Resourcing	**215.8**	**246.0**	**30.2**

2.4 Treasury Management Activity

2.4.1 The bank of England held interest rates steady at 0.75% for much of the year, however, COVID-19 swiftly changed interest rate policy decisions and as such rates were cut to 0.25% in March, quickly followed by rates being cut to a historic low of 0.1%

COVID-19 has meant that the global economic outlook is extremely weak and it is likely to be some time before demand returns to pre-crisis levels. As such current forecasts indicate that interest rates will remain at 0.1% with more interest rate cuts looking more likely than a rate rise. As such zero or negative interest rates cannot be ruled out.

Longer term rates, at which local authorities borrow from the Public Works Loans Board (PWLB), were:-

Table 7: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2019/20	Maximum in 2019/20	Average in 2019/20
5 year	1.20%	2.65%	1.97%
20 year	1.85%	3.40%	2.69%
50 year	1.77%	3.25%	2.60%

Given the above rates it has continued to be cheaper for local authorities to use short rather than long term funds for financing.

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority’s underlying need to borrow for capital purposes, has increased by £53.3m:-

Table 8: 2019/20 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2019	440.3
Borrowing required to finance 2019/20 Capital Programme	66.2
PFI & Finance Leases liabilities	0.2
Donated Assets	(0.2)
Provision to Repay Debt (Minimum Revenue Provision)	(11.5)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.3)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1st April 2020	**493.6**

No new long term borrowing was actually taken out during 2019/20, however, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2020/21. Within 2019/20, the movements in long-term borrowing and other liabilities were:-

Table 9: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2019 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2020 £m
PWLB	196.6	(6.2)	0	190.4
Money Market	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
Other	0.4	0	0	0.4
sub total ~ long term borrowing	**247.0**	**(6.2)**	**0**	**240.8**
Other Local Authority Debt	13.1	(1.4)	0	11.7
PFI & Finance Leasing Liabilities	67.7	(2.5)	0	65.2
Total	**327.8**	**(10.1)**	**0**	**317.7**

This long term borrowing is repayable over the following periods:-

Table 10: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	38.4
1 – 2 years	0.0
2 – 5 years	9.7
5 – 10 years	12.0
Over 10 years	180.7
Total	**240.8**

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £131.5m of short term borrowing was taken out during the year at an average interest rate of 0.89%, with £60m still outstanding at 31st March 2020. This borrowing was all taken out with other local authorities & public sector bodies and was required to manage short term cash flow shortages throughout the financial year. During the year the Council held significant short term investments, as set out in Table 11. The average short term investment rate in 2019/20 was 1%.

Table 11: In House Investments at 31st March 2020

	At 30th June 2019 £m	At 30th Sept 2019 £m	At 31st Dec 2019 £m	At 31st Mar 2020 £m
Banks and Building Societies	6.0	5.0	0.0	0.0
Local Authorities	0.0	0.0	0.0	0.0
Money Market Funds	4.2	0.4	5.2	5.4
Corporate Bonds	9.0	9.0	5.8	0.0
Registered Providers	10.0	10.0	10.0	10.0
Total	**29.2**	**24.4**	**21.0**	**15.4**

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short term fluctuations in return due to volatility to be smoothed out.

Table 12: External, Pooled Investments as at 31st March 2020

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	12.0	12.13	4.71%
Schroder Income Maximiser	Aug 2018	4.5	2.78	6.41%
Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.42	2.68%
Investec Diversified Income Fund	Aug 2018	4.5	4.06	4.07%
M&G Optimal Income Fund	Aug 2018	1.5	1.34	3.00%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	2.73	3.58%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.35	4.13%
Total		**30.0**	**26.81**	**4.41%**

In placing investments the authority manages credit risk within the parameters set out in the investment strategy, approved as part of the budget setting report. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Whilst the fears of systemic banking failures may have receded, the development of "bail-in" make it almost certain that unsecured and corporate investors would suffer losses in the event of a bank default. Credit risk remains an issue for local authorities.

These pooled investments saw a significant drop in value incurred mostly during the period covered by the Covid event towards the end of the financial year. As at 31st March 2020 the accumulated deficit on these pooled funds is £3.2m. Some of this value was recovered in the early weeks of the new financial year and there is every expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow these 'losses' to be held on the Council's balance sheet and not counted as a revenue loss although this is due to change in April 2023. These investments will continue to be monitored closely. The annualised return %s shown in the table above refer to an income return that has continued to be received fromthese investments despite the drop in capital value.

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury 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.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 12.84%, as against 13.43% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators
These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £372.3m was within the limit of £487.6m.

- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not 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. Borrowing plus PFI and finance lease liabilities at £372.3m was within the boundary of £467.6m.

- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2021/22 CFR limit of £472.7m.

- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators 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 Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 31.9% of total debt that needs to be refinanced in 2020/21, compared to the PI limit of 50% in the 2020/21 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

2.4.5 Commercial Investment Strategy

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares.

During 2019/20 commercial investment through the Council's capital programme totalled £20.6m primarily through the purchase of shares in TWW (£14.6m) and commercial property acquisition within the city (£5.4m).

As at the end of 2019/20, the council had cumulatively invested the following sums in commercial assets, each being within the limits set in the strategy: loans provided £17.4m (2019/20 strategy limit £32m) and shares £46.1m (2019/20 strategy limit £50m).

The Council's investment in commercial assets is proportionate, with commercial income totalling £22.2m in 2019/20 (equivalent to 3% of the Council's gross spend in 2019/20) and commercial assets valued at £350m (24% of the Councils total asset base of c£1,440m). However, whilst this level of exposure is proportionate to the size of the Council, the financial impact of Covid19 will be significant in budgetary terms with income inevitably falling in 2020/21, as organisations struggle to pay dividends and others face pressure in paying rents. Identifying and managing this impact has been central to budget monitoring in the early stages of the current financial year, and will continue to be so as budget monitoring progresses.

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 Director of Finance and Director of Law and Governance

5.1 Financial implications

The final revenue outturn picture for 2019/20 is balanced after making a year-end contribution of underspend of £5.5m to a Reset and Recovery reserve. In overall terms the favourable outturn position must be put in the context of the emerging Covid-19 crisis. The human and public health impacts of this have been widely reported and some of these can be expected to continue for the foreseeable future. Councils have been assessing the estimated additional costs and lost income that have already been incurred or are expected and this task is essential to inform the Government's pledge to ensure that such costs are fully funded. Given the huge uncertainties, it is difficult to provide robust estimates of the forward looking financial impact on the Council although even with optimistic forecasts of the lifting of restrictions, the overall cost will exceed £30m. Notwithstanding early Government commitments, there have been subsequent indications that councils may be expected to 'share the burden' of these costs. On this basis it is important that the Council continues to maintain a strong financial position to protect itself from what could be a very challenging financial environment which will certainly be felt well beyond financial year 2020/21.

The Council continues to face some volatility in several service areas and recurring overspends in Children's and Housing services are indications of the demand pressures that have existed in recent years. Early indications in 2020/21 are that these services will also come under budgetary pressure during the period marked currently by the Covid-19 pandemic although additional budgetary resource has ben provided in these areas through the 2020/21 Budget Setting process.

There have been some significant budgetary underspends in particular within Contingency and Central budgets. Many of these relate to areas that are difficult to predict, are awaiting the progressing of future projects or which are one-off in nature. Where any of these indicate savings within the 2021/22 budget preparations then these will be captured. The overall level of underspend at £5.5m (prior to the final reserve contribution) still represents a relatively modest % variation on the Council's net budget and as a favourable variance is clearly preferable to the Council overspending it's budget.

Looking ahead, the Covid reserve contributions and the wider increase in reserve balances are significant elements of the outturn position. The emerging financial position in 2020/21 is evidence of the type of event that can impact upon an organisation such as the Council and provides justification for the careful management of the its financial position and the strength of its balance sheet. Further reports in 2020/21 will set out this position as it develops.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. The largest programme of spend within the modern era has been 62% funded from external grant whilst the £66m of prudential borrowing that has been applied to the programme will be funded by financially sustainable models. The programme's coverage of projects affecting the city centre skyline, transport infrastructure and local economic circumstances continues to be something that the Council is keen to continue although circumstances over the next 12 months will bring new challenges.

Although the Council has undertaken some borrowing to fund its capital expenditure this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. The Council's Capital Financing Requirement (one measure of the need to borrow) has increased in the year which reflects the Council's planned investment in schemes that are funded from business case based prudential borrowing. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget. The impact of Covid poses a financial risk to a number of aspects of the operations of local government and in this context strong due diligence will continue to be vital in any future investment activity.

5.2 Legal implications

There are no specific legal implications in relation to this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

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 we will try to deliver better value for money in the services that we provide in the context of managing 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 to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the uncertainty being faced with regard to the level of funding available to local government over the next few years and the immediate impact and aftermath of the Covid-19 situation.

6.4 Equalities / EIA

No specific impact

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

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 controlled centrally rather than at this local level. The centralised forecast under-spend shown below is principally the effect of unfilled vacancies.

Directorate	**Revised Budget** **£m**	**Spend After Action/ Use of Reserves** **£m**	**Centralised Variance** **£m**	**Budget Holder Variance** **£m**	**Net Variation** **£m**
Public Health	2.9	2.1	(0.1)	(0.7)	(0.8)
People Directorate Management	1.5	1.4	0.0	(0.1)	0.0
Education and Inclusion	13.9	15.2	(0.1)	1.4	1.3
Children and Young People's Services	72.2	74.7	(2.0)	4.5	2.5
Adult Social Care	77.5	77.5	(0.4)	0.4	0.0
Housing & Transformation	13.6	16.7	(0.5)	3.6	3.1
Human Resources	1.3	1.6	0.2	0.1	0.3
Total People Directorate	**182.9**	**189.2**	**(2.9)**	**9.2**	**6.3**
Place Directorate Management	2.5	2.4	0.0	(0.1)	(0.1)
City Centre & Major Projects Development	7.9	8.1	0.1	0.1	0.2
Transportation & Highways	4.6	4.7	0.1	0.1	0.2
Streetscene & Regulatory Services	28.5	29.6	(0.2)	1.3	1.1
Project Management and Property Services	(7.9)	(9.0)	0.0	(1.1)	(1.1)
Finance & Corporate Services	7.3	7.1	(0.1)	(0.2)	(0.3)
Total Place Directorate	**42.9**	**42.9**	**(0.1)**	**0.1**	**0.0**
Total Contingency & Central Budgets	5.6	(0.8)	0.0	(6.4)	(6.4)
Total Spend	**231.4**	**231.4**	**(3.0)**	**3.0**	**0.0**
Resourcing	(231.4)	(231.4)	0.0	0.0	0.0
Total	**0.0**	**0.0**	**(3.0)**	**3.0**	**0.0**

The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

	Centralised Variance Explanation	£m
	These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services although the level of vacancies has been reducing. Some of these vacancies will be covered from agency and overtime to ensure services can be maintained. These costs are included within the service positions described below.	(3.0)
Total Centralised Variance		**(3.0)**

Budget Holder Variance

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.7)
Public Health			**(0.7)**
People Directorate Management			**0.0**
Education and Skills	SEND & Specialist Services	The 2019/20 academic year, brought a significant increase in the number of pupils entitled to home to school/college travel assistance. The average unit cost of journeys were further exacerbated, by an increase in the number of pupils attending special schools both within and outside of the City. Consequently, the capacity of the Council's in-house fleet was temporarily exhausted, requiring an interim response of short term taxi commissions to meet demand. This resulted in inflating mid-year unit costs, which were subsequently mitigated by a further investment in fleet expansion. The requirement to provide personalised arrangements for children who are unable to travel safely on a mini-bus has also increased significantly, all reasonable measures were put into place to monitor and challenge this element of provision whilst, ensuring the Council continues to meet its statutory duty and secure the safety of pupils and staff. It is envisaged that Covid19 safety measures, will place further pressure on fleet capacity throughout 2020. The Educational Psychology Service offers both a statutory and traded function. During the 2019/20 financial year the service experienced significant staffing challenges partly through vacancy and recruitment challenges which have now been addressed but predominately because of a disproportionate level of maternity/paternity absence. It was therefore necessary to secure agency psychologists to secure the statutory function. This cost, led to an overspend which was offset by a corresponding under spend against centralised salaries resulting in an overall balanced budget.	1.2
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver a £200k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes.	0.2
Education and Skills	Other Variances Less that 100K		(0.1)
Education and Inclusion			**1.3**

Children and Young People's Services	Children's Services Management Team	The service has delivered savings as a result of service changes and review. These support the delivery of the Children's Services Transformation programme in the current and future years.	(0.9)
Children and Young People's Services	Help & Protection	The budgetholder variance 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 and reduce agency staff levels as part of workforce transformation. Other significant variances are an underspend on Section 17 costs (£0.4M), as a result of a review of procedure and process, and an overspend in Children's Disability Team (£0.4M) largely as a result of activity pressure on packages of support.	0.8
Children and Young People's Services	Commissioning, QA and Performance	The budget holder variance relates to an overspend in the costs of agency staff covering vacancies across the service, which is offset by underspends in the centralised staffing budget. The staff posts being covered by agency spend are Independent Reviewing Officers which perform a statutory function on behalf of the LA, these posts are currently being recruited to permanently.	0.2
Children and Young People's Services	LAC & Care Leavers	The variance is largely as a result of the placement pressures (£1.9M net overspend). Children in external children's homes are above projected numbers and there have been some high cost placements as a consequence of youth violence, and an overspend on LAC transport. Supported accommodation continues to show an overspend as a result of activity and high cost placements (£0.2M), but there has been significant work in year to move care leavers into their own accommodation. Work is underway to understand the impact of this on 20/21 financial year in the context of the Children's Transformation Programme. There are a number of other variances across the service as a result of activity pressure (care leavers, permanence allowances of £0.3M) and agency costs of in excess of £0.5M partially offset by a centralised salary underspend. Work has been done to realign staffing resource across the whole service, which should reduce this pressure moving forward.	4.3
Children and Young People's Services	Other Variances Less that 100K		0.1
Children and Young People's Services			**4.5**
Adult Social Care	Strategic Commissioning (Adults)	The majority of the underspend relates to Carers budgets. Work is underway as part of the Carers Strategy to maximise the Carers offer within the resources available.	(0.2)

Adult Social Care	Adult Social Care Director	The majority of the underspend represents the use of iBCF resources to manage the financial position. These resources are available to manage Adult Social Care pressures. The level of demand is increasing at higher than levels estimated at the start of the year. The contributory factors to this are described in the specific sections below. This rising demand on the grant, which is cash limited, will reduce the ability to absorb further increases in subsequent years.	(2.7)
Adult Social Care	Older People Operational	Additional costs of agency staff pending recruitment but overall staffing slightly underspent.	0.1
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.	0.6
Adult Social Care	Older People Community Purchasing	Although numbers of new starts in residential/nursing provision are decreasing, the overall length of stay of residents has been increasing and continuing to build financial pressure. Strategies to reduce admissions are working and this will continue to be a focus in the coming year.	0.3
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Demand for Mental Health services continues to apply pressure to the budget. Additional costs have been incurred following an ordinary residence claim being awarded against Coventry City Council. In Learning Disability, work continues to seek ways to reduce expenditure across commissioned services, particularly residential and nursing provision..	2.4
Adult Social Care	Other Variances Less that 100K		(0.1)
Adult Social Care			**0.4**
Housing & Transformation	Customer and Business Services	Vacancies were held post Business Services change to align the work and understand where best to place the resource, recruitment was under way and was planned to be staggered however this activity ceased in light of the recent challenges, it will be reviewed again once things are more stable. Some of the posts have recently been handed back to services. There is a restructure of the PA function underway which will introduce new roles and will result in some redundancies, again recruitment to the new positions is on hold and notice periods have been extended based on the current position.	0.3
Housing & Transformation	ICT & Digital	Work has been undertaken around both mobile and fixed line telephony which has resulted in some one-off reductions in spending in 2019-20. In addition there have been some "windfall" benefits mostly one-off.	(0.3)
Housing & Transformation	Housing & Homlessness	The overspend of £3.4m is due to a combination of increase in activity as a result of demand and activity transferring to the council from the previously outsourced contract, and the delays in less costly Temporary Accommodation solutions being available. The majority of this overspend is driven by the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. Although an additional £3.4m was allocated to the service in 2019/20 in recognition of the increased demand, this has been further exacerbated by an increase in activity in the last 12 months particularly in the number of non-families in temporary accommodation, which has increased 3-fold during the financial year, and	3.6

		stands at 386 households at the end of March 2020. Family households also increased and stands at 385 households at the end of March 2020. We are now in a position where we understand the causes of the long standing financial pressures, and have a number of strategies in place to significantly reduce the cost over the medium-term. This is through a combination of increasing prevention, reducing activity and considerably decreasing the cost of provision. For example, Caradoc Hall (102 units) is now open and fully occupied and Frank Walsh House (44 units) will be available to house families later in the year. We have Cabinet approval to implement a charging policy and purchase further properties to provide lower cost temporary accommodation options for non-families, with the aim of them opening later in the 2020/21 financial year.	
Housing & Transformation			**3.6**
Human Resources	**Workforce Transformation**	The HR service continues to faces challenges with external income from both schools and other contracts particularly within Employment Practice and Occupational Health.	**0.1**
Total Budget Holder Forecast Variances - People			**9.2**

Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
Place Directorate Management	Directorate & Support	Recovery of salary costs from capital projects	(0.1)
Place Directorate Management			**(0.1)**
Business, Investment & Culture	Other Variances Less that 100K		0.1
Business, Investment & Culture			**0.1**
Transportation & Highways			**0.1**
Streetscene & Regulatory Services	Planning & Regulatory Services	Additional income primarily due to increased Planning Application fees, increased activity in the Building Control service due to the collapse in the Approved Inspector Insurance Market, recovery of enforcement costs in Environmental Health and s106 Monitoring Fee income	(0.5)
Streetscene & Regulatory Services	Streetpride & Parks	There have been a number of pressures across this service, primarily income and agency cover related. Bereavement Services income was £340k lower than budget due to falling death rates. Failing equipment resulted in Coombe Car Parking income and enforcement pressures of £130k. Trees & Woodlands spent an extra £54k due to emergency works following the storms in Jan - March. Streetpride experienced higher Fleet costs of £276k due to an ageing fleet and the need to spot hire to cover maintenance issues. Overtime and agency costs of £217k were incured to cover vacancies, this was more than offset by vacancy savings of £442k	1.0

Streetscene & Regulatory Services	Waste & Fleet Services	There are a number of variations in this area as follows: £288k in Commercial Waste whilst it continues towards its growth aspirations. £354k in Domestic Waste, primarily due to increased casual / agency costs to cover vacancies / sickness, additional bin purchases & the cost of Christmas cover (£537k) in Fleet due to lower capital financing costs (£321k), over achievement of income on disposals and training and other savings on Vehicle Hire and Fuel. £149k in Passenger Transport, mainly due to staff shortages and the need to use casuals / overtime to cover these. £451k in Waste Disposal, due to higher tonnages disposed of and higher gate fees and loss of rebate income for the co-mingled recycling contract, there were also additional costs in relation to the CSWDC shutdown and diversion.	0.7
Streetscene & Regulatory Services	Environmental Services	Primarily an income shortfall against budget in Pest Control whilst it continues its drive to grow together with some low level overtime & agency costs to cover vacancy and sickness absence.	0.2
Streetscene & Regulatory Services	Other Variances Less that 100K		(0.1)
Streetscene & Regulatory Services			**1.3**
Project Management and Property Services	Project Management	This variation reflects an underperformance against the income target due to vacancies	0.2
Project Management and Property Services	Commercial Property	This reflects additional income resulting from a £120k charge for time spent on property acquisition and disposals and £50k Commercial Property income above target.	(0.2)
Project Management and Property Services	Facilities & Property Services	Building compliance and Repair and maintenance collective trading surplus's of £562k together with a £434k back dated business rate refund	(1.0)
Project Management and Property Services	Other Variances Less that 100K		(0.1)
Project Management and Property Services			**(1.1)**
Finance & Corporate Services	Legal Services	This reflects the cost of agency and external cover for vacant posts and the use of external counsel in Legal Services, together with underlying cost pressures within coroners due to price and volume increases.	0.6
Finance & Corporate Services	Revenues and Benefits	There is a surplus as a result of an increase in housing benefit overpayment recovery. This is offset by additional costs required to administer an increasing council tax base and a reduction in court cost income. In addition there was a lower than anticipated demand for community support grants resulting in an underspend.	(0.3)

Finance & Corporate Services	Democratic Services	A combination of one-off savings whilst restructures were implemented and additional income from schools appeal works.	(0.2)
Finance & Corporate Services	Other Variances Less that 100K		(0.3)
Finance & Corporate Services			**(0.2)**
Total Budget Holder Forecast Variances - Place			**0.1**
Contingency & Central Budgets	Corporate Finance	Underspend of £7m due to amounts no longer due to be paid to the West Midlands Pension Fund (WMPF). The Fund has not required employer pension contributions resulting from higher payroll figures to be paid over to it although the Council had budgeted for these. Other variations include previously reported uncommitted resources related to one-off social care funding (£1.1m); Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.3m); projected additional savings from the Friargate Project (£0.7m); lower than budgeted levy costs (£0.6m); and a £0.7m contribution to reserves for managing the costs of major projects approved at quarter 2. The net Asset Management Revenue Account position is an underspend of £2.4m which reflects, £2.2m higher than budgeted investment and loan repayment income, £0.4m lower than budgeted capital financing costs and a net shortfall of £0.2m in budgeted dividend income. The dividend position includes a £0.8m shortfall from Coombe Abbey Park Limited (£0.3m outstanding from 2018/19 and none of the budgeted £0.5m received for 2019/20) offset by £0.3m of Covid-19 grant and £0.3m of additional dividends from other sources.	(6.4)
Total Budget Holder Forecast Variances - Contingency & Central Budgets			**2.9**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING) / ACCELERATED SPEND £m	(UNDERSPEND) / OVERSPEND £m	EXPLANATION
Condition		(0.2)		This is due to difficulties with completion of a couple of projects, where there were access restrictions, so works have been programmed for Summer 2020 and the works added to the 2020/21 Condition Programme
Basic Need		0.4		Two secondary expansion projects and the Keys project have completed (with accounts for these being finalised) and some costs for the larger secondary expansion projects (including two which kickstarted in January 2020), thought to be seen in the next financial year, were seen in the final quarter. There have also been programme pressures within a couple of the secondary projects, which have incurred additional design fees (still within project budget but not forecast to be spent within the financial year).
SEND		0.2		Project completion within this financial year (and accounts finalised for these projects) and progression of other projects since January. There have been pressures within a couple of projects, which have incurred further works (still within project budget but not forecast to be spent within the financial year).
Superfast Broadband		(0.2)		This is part of the renegotiation of the network lease agreement with City Fibre. The payment schedule was only agreed/finalised towards end of FY19/20 hence this reschedule amount which will be required FY20/21
ICT		(0.3)		The bulk of the reschedule relates to some work to move the Revenues and Benefits system to be hosted by Capita. There have been several delays on the project and this was compounded – towards the end of last year, by the COVID 19 situation. Expected full spend in 2020/21
Whitley Depot ICT Hub		(0.2)		We are currently finalising the lease for a new data centre. There was a possibility that this would have been done before year end but will now take place 2020/21 hence the rescheduling.
Growing Places		(0.1)		The Commonwealth Games Project (CWG) which consists of improvements in Leamington Spa for the hosting of the Bowls Competition has not drawn down as much funds as previously forecasted due to unforeseen delays with the project, such as

				inclement weather delaying works on the greens.
Vehicle & Plant Replacement Leasing		(0.1)		4 vehicles were due to be delivered in 2019/20. These have been delayed because of COVID-19 lockdown.
Alan Higgs		(0.9)		The Contractor was delayed in delivering practical completion of the new 50m Pool at Alan Higgs and as a consequence there has been expenditure slippage and works taken out the contract to provide the client with programme and cost certainty, which will now be undertaken post practical completion i.e. in the next financial year.
Pathways to Care			(0.2)	The underspend is due to accruals in 2018/19 that did not come to fruition and not as many projects in 2019/20 being undertaken by Foster Carers
Whitley Depot Redevelopment		(0.3)		The 2019/20 cashflow was based on being be able to tender the main contract works and make an award of contract by the end of January 2020. This would have enabled two months valuation payments to be made for the construction works by the year end.The tendering contractors all requested more time to tender and the tender return date was put-back. The tenders submitted all greatly exceeded the approved budget. Time has been spent to date identifying and negotiating savings with the tendering contractors. It has still not been possible to make an award of contract within budget and approval is now required to be obtained to secure additional funding.
UK Central & Connectivity		(12.2)		A46 Link Road Phase One (Stoneleigh Junction) delayed due to a need to re-tender the construction contract, delays in completing land acquisition, and in securing Technical Approvals from Highways England. Full funding approval secured from DfT in February 2020.
City Centre South		0.8		Variance is due to accelerated spend on the CCS planning application and Coventry Point
Friargate		0.5		Variance is due to accelerated spend on the Two Friargate design development process
Highways Investment		(0.6)		Four schemes not completed due to third party clashes and other operational issues, these schemes will be completed in 2020-21. Also continuation of RFCC flood aleviation project delivery for Butt /Washbrook Lane/The Windmill Hill.

Whitefriars Housing Estates		0.7		Accelerated spend to ensure work continuity for the DLO workforce.
Clean Bus Technology Fund		(1.4)		Some delays in bus companies procuring and completing the works, but all work is in hand and will be completed Summer 2020.
Early Measures Fund		(0.4)		Implementation of Ball Hill junction improvement partially completed, but remaining element on hold pending completion of scheme review.
ULEB		(0.5)		Awaiting for the signed agreement from National Express [NX]. Once this is in place claim 1 will be processed, antipated early in 2020.
Integrated Transport Programme		(0.5)		Schemes that are currently in development stage and will move to delivery in early part of 2020-21.
Better Street Community Project		(0.3)		The funding agreement for the Better Streets Community Fund projects is now in place and projects are progressing towards implementation in 2020-21.
Coventry Station Masterplan	0.2	0.2		Westminster car park income and S106 added to the CSMP budget to fund car park compensation costs to the Train Operator and new funds identified for Station Square addition to the scope of works. In addition small increase from Qtr3 forecast £200,000
GD08 - Business Innovation Fund (Duplex Fund)		(0.3)		The Duplex Investment Scheme launched in October 2019. A formal PR launch was delayed due to the December General Election so take up of the scheme was not as high as predicted in Q3. This was compounded by contractual obligations and a grant agreement for each business requiring completion before Grant funding from Local Growth Fund could be drawn down. The Duplex project will claim its full LGF allocation in quarter 1 of 2020-21.
GD14 - A46 N-S Corridor (Stanks)		(0.2)		The Stanks project rescheduling is a result of a number of issues linked to confirmation of a bond agreement with the new contractors, delay to expenditure following a revised schedule of works and issues with unchartered utilities on site. The project's initial completion date of May 2020 was also delayed to September 2020.
Whitley South Infrastructure - Facilty A and B (Roxhill)		(3.7)		The project progress was slower than anticipated with inclement weather hindering site works in early spring and technical difficulties delaying the bridge installation. The delays resulted in less spend than anticipated within the year.

Housing Infrastructure Fund		(2.4)		There has been a delay in moving this project forward as a result of discussions with Homes England on additional secured funding (now £15.6m) and contractual reviews with the developer and their consultants. This was to ensure that there is no risk to the Council for any level of overspend on the project. The planning application being submitted by the developer, which was a key item to progressing to tender stage, was delayed by 3 months and in turn delayed an award of contract which would have seen a substantial payment (circa £800k) being paid out to secure a manufacturing slot for the bridge beams. The scheme is moving forward, however the impact of Covid-19 is slowing the process down.
Public Realm 5 - City of Culture	1.9	(0.6)		This is the impact of COVID-19 on the programme and Eurovia closing the Precinct site down in March 2020. Eurovia as of week commencing 4th May have re-opened the site and commenced work. Analysis of the impact on the programme is being worked through currently.
Heatline		(0.3)		No expenditure as the outstanding balance is the final contract payment which is to be contractually retained until the works are complete. Engie have still not finalised the connection and commissioning of The wave. Until this work is complete no further payments are due.
Acquistion Costs Temporary Accomodation (Homeless)		(0.2)		Funding to be used to bring an additional 8 units in to temporary accomodation via Citizen
Battery Plant and Equipment		6.7		The project was awarded an additional £3.1m from Innovate UK in order to keep pace with technology in the battery industry, and the drawdown of existing funding was accelerated at the request of the funder so that the full £111.1m could be drawn down by the end of the financial year.
Coombe Loan		(0.2)		Reduction in the antcipated drawn down of the loan facility
Coombe new Play facility		(0.6)		The tendering timetable for the adventure play facility has been delayed due to the COVID-19 crisis as prospective providers have been unable to work up and submit tenders. The situation is being constantly reviewed and the procurement process will be initiated as soon as possible following Government Advice.

Coombe CarPark Remodelling		(0.2)		This is linked to the development of the proposed Adventure Play facility at Coombe Park. The remodelling of the car park requires planning permission from Rugby Borough Council and early outline submissions have been rejected and has needed the drawing up of revised layouts to meet Rugby Planning requirements and allow the submission of a full planning application. This has resulted in the delay and prevented the scheme from being undertaking as planned . The scheme will be going ahead and capital funding will need to be rescheduled into the 20/21 financial year.
The Arches Spon End Pinchpoint		(2.2)		In isolation this scheme received funding to deliver the project and should have proceeded, however the speed at which the Air Quality Forward Funding project came along promoted a joined up scheme with the section of Spon End/The Butts down to Junction 7. The works have now evolved into a larger project which will bring forward efficiencies and reduced impact on the highway. The current Spon End scheme is currently out for consultation with the Air Quality. Land acquisition discussions are currently taking place and should see some significant spend August 2020 and onwards.
St Marys Guildhall		0.4		Accelerated spend for works at St Marys as part of the City of Culture programme
OLEV Onstreet Residential Chargepoints - Phase 2	0.3			£0.3m awarded in Quarter 4 from the Office for Low Emission Vehicles (OLEV) for installing onstreet residential chargepoints.
Share Purchase of TWW Ltd	14.6			Cabinet approval on 25th February 20, for the commercial acquistion of shares
Interest Capitalisation	2.5			This is in respect to the accounting policy referring to the prudential borrowing costs associated with schemes: City Centre Destination Facility, Whitley South, Coventry Station Masterplan and Salt Lane Car Park. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Miscelleanous	(0.3)			
TOTAL CHANGES	**19.2**	**(19.0)**	**(0.2)**	

Appendix 3

Summary Prudential Indicators

		Per Treasury Management Strategy 19/20 £000's	Actual 19/20 £000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	31,122	29,775
	(b) General Fund net revenue stream	231,815	231,815
	General Fund Percentage	13.43%	12.84%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	403,900	372,259
	Capital Financing Requirement (forecast end of 21/22)	472,677	472,677
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	403,900	372,259
	less investments	-75,000	-61,995
	less transferred debt reimbursed by others	-14,300	-11,870
	Net Debt	314,600	298,394
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	196,170	215,867
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	479,238	493,613
	Capital Financing Requirement excluding transferred debt	467,564	481,743
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	422,350	422,350
	+ authorised limit for other long term liabilities	65,213	65,213
	= authorised limit for debt	487,564	487,564
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	402,350	402,350
	+ Operational boundary for other long term liabilities	65,213	65,213
	= Operational boundary for external debt	467,564	467,564
7	**Actual external debt**		
	actual borrowing at 31 March 2020		306,979
	+ PFI & Finance Leasing liabilities at 31 March 2020		65,205
	+ transferred debt liabilities at 31 March 2020		11,870
	= actual gross external debt at 31 March 2019		384,054

8	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	422,350	290,335
	Variable Rate		
	Upper Limit for Variable Rate Exposures	84,470	-45,352
9	**Maturity structure of borrowing - limits**	**upper limit**	**actual**
	under 12 months	40%	31.9%
	12 months to within 24 months	20%	0.5%
	24 months to within 5 years	30%	5.1%
	5 years to within 10 years	30%	4.6%
	10 years & above	100%	57.9%
10	**Investments longer than 364 days: upper limit**	30,000	0