Coventry City Council

Public report
Cabinet

Cabinet	13th July 2021
Audit and Procurement Committee	26th July 2021
Council	7th September 2021

Name of Cabinet Member:
Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:
Director of Finance

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2020/21

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 2020/21 and reviews treasury management activity and 2020/21 Prudential Indicators reported under the Prudential Code for Capital Finance.

The 2020/21 financial year has been one like no other, with organisational and financial impacts exceeding anything experienced previously during peacetime. Some of these impacts are unseen in consideration of the Council's outturn position – for instance Business Rates reliefs provided and business grants paid out through the year – but their scale has been staggering nonetheless. The purpose of this report is not to catalogue the changes to society and Council services through the year although where these have had a financial effect on the Council this will be outlined.

The overall financial position includes the following headline items:

- A balanced revenue position after a recommended **£9.2m** is set aside in reserves to enable the city's recovery from Covid, invest in the Council's key priorities and strengthen the Council's financial sustainability.
- Capital Programme expenditure of **£194.2m** which represents the second largest programme in the modern era.
- An increase in the level of available Council revenue reserves from £90m to **£123m** including Covid funding and the net underspend contribution.

Further detail includes:

- A net underspend of £8.5m within central budgets after adjusting for the impact of Covid resulting overwhelmingly from one-off circumstances and the application of resources to fund previously approved decisions.
- A revenue underspend of £3.4m within Housing and Homelessness due in large part to the number of households living in temporary accommodation being lower than anticipated.
- Identified income loss and expenditure related to the COVID-19 of £31m funded in-part by in-year Government emergency funding and sales fees and charges compensation grants provided for this purpose.
- A shortfall in this in-year Covid funding of £2.2m.

The underlying revenue position has improved by £8.7m since Quarter 3 when an underspend of £0.5m was forecast. In particular the overall underspend (before outturn reserve contibutions) 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 position is an indication of the prudent management of the Council's financial position but there are reasons to be cautious about the financial future of local government. These are explored more fully in the financial implications section of the report but can be seen in the uncertain future for local government finance nationally, the externalised and more volatile nature of some of the Council's financial relationships and the continued and potential legacy impacts of Covid. On this basis it is entirely appropriate for the Council to maintain a robust financial position and to retain control of its own financial destiny as far as it is able. This is important not just as an internal Council matter but connects directly to the Council's capacity to improve services for residents and invest in the city and its communities.

As indicated above the financial impact of Covid on the Outturn position has been estimated at £31m. This is not a definitive figure because in many cases the Covid impact is difficult to disentangle from other trends – for instance, how much of the large reduction in car parking income might have happened without the Covid pandemic. What is known is that Government funding provided through 2020/21 has covered a very significant proportion of the cost although this doesn't take account of the loss in Business Rates and Council Tax income calculated to have been suffered.

Further financial loss due to Covid has continued into the early months of 2021/22 at a much reduced rate compared with 2020/21 although it remains difficult to provide a reliable estimate of this. The Council has been able to carry forward into 2021/22 £7.55m of Covid resources set aside as part of the 2019/20 outturn position and has been allocated £11m out of the Government's emergency Covid funding for 2021/22. Other specific Covid grants have also been announced whilst a further opportunity is likely to be available to claim compensation for lost income in the first quarter of the year. On this basis there is a strong possibility that the Council will be able to manage the large majority of the financial Covid impact from Government resources over the medium term. Given that the Covid impact will extend into 2022/23 and that a tight funding settlement is anticipated from Government next year it is important that the Council continues to maintain a strong financial position to protect itself in what could be a very challenging financial environment. The recommended proposals, put forward by the Director of Finance - the Council's Section 151 officer - are reflected below and explained in section 5.1 of the report.

Recommendations:

Cabinet is recommended to approve:

1) The final revenue outturn position including reserve contributions of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.
2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £194.2m against a final budget of £226.9m; £32.5m expenditure rescheduled into 2021/22 and a net overspend £0.2m.
3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.

Cabinet is requested to recommend to the Council:

4) Approval of reserve contribution of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.

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 contribution of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.

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 26th July 2021

Will this report go to Council?

Yes – 7th September 2021

Report title: Revenue and Capital Outturn 2020/21

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position for 2020/21 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £238.8m and a Capital Programme of £232.7m.

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, a balanced position after contributions to reserves recommended in this report of £9.2m. The final column reflects an assumption that the impact of Covid on individual services is funded by the Government grant available to the Council.

Table 1 Summary Outturn Position

Service Area	Revised Net Budget £m	Actual Spend £m	Less Covid Cost/ Income £m	Spend Over/ (Under) Budget £m
Adult Social Care	79.0	79.9	0.9	0.0
Business Investment & Culture	7.2	8.8	1.4	0.2
Children & Young People's Services	71.1	76.7	5.4	0.2
Contingency & Central Budgets	10.7	(23.7)	(25.9)	(8.5)
Directorate Management	1.4	1.4	0.0	0.0
Education and Inclusion	15.2	14.7	(0.4)	(0.1)
Finance	3.2	4.8	1.7	(0.1)
Housing and Transformation	14.6	14.1	3.0	(3.5)
Human Resources	1.3	1.3	0.1	(0.1)
Legal and Governance Services	3.6	4.9	0.7	0.6
Project Management & Property	(4.6)	(2.4)	2.2	0.0
Public Health	2.6	2.6	0.0	0.0
Streetscene and Regulatory	29.1	36.2	7.6	(0.5)
Transportation & Highways	4.4	10.3	5.7	0.2

Bottom Line Covid Adjustment			(2.2)	2.2
Contributions to Reserves	0.0	9.2		9.2
Sub-Total	**238.4**	**238.4**	**0.0**	***0.0**

*The position is shown after reserve contributions recommended in this report amounting to £9.2m which reflects underspent budget across the Council's bottom line.

The quarter 3 position reflected an underspend of £0.5m. Prior to the recommended £9.2m contribution to the Reset and Recovery reserve the outturn position showed an additional favourable movement of £8.7m. This included:

- Contingency and Central Budgets - £5.6m favourable
- Housing and Transformation - £1.4m favourable

The reasons for these variations are included in the explanations of overall budgetary varations below.

2.1.2 **Explanation of Variations**

Contingency and Central (£8.5m Underspend)
This area was forecast to underspend by £2.9m at Quarter 3. The key reason for the favourable movement relates to £3.8m lower than forecast superannuation costs payable to the West Midlands Pension Fund. The Council's up-front payment of contributions covering 2020/21 to 2022/23 can be volatile depending on overall payroll costs over this period. The actual cost in 2020/21 is towards the low end of expectations compared with a prudent budget assumption.

A similar position has also arisen relating to income from the Coventry and Warwickshire Business Rates Pool for which the year-end position reflects income above budget of £1.6m. Significant uncertainties have been present in 2020/21 around the collection of Business Rates income during the pandemic and national uncertainties over potential business rating appeals being considered by the Valuation Office Agency. In the event, these circumstances have not prevented pooling income being delivered well above the Council's prudent budget estimate.

The net Asset Management Revenue Account position is an underspend of £3.0m. The overall favourable position includes higher than budgeted interest income on the Council's investments and lower than budgeted borrowing interest costs. Consistent with the 'Non-Covid Forecast Variation' in Table 1, the position excludes the impact of not receiving budgeted dividend income of £1.9m from Birmingham Airport and Coombe Abbey Park Limited (CAPL) as a result of Covid. Further dividend loss from these sources has been planned for within the 2021/22 Budget. The Council's re-financing of CAPL agreed by Council in March 2021 is designed to enable the company continue on a secure financial basis and to honour its future rent and loan repayment commitments to the Council.

Directorate - Covid-Related
Most of the outturn variations result from an assessment of the impact of COVID-19 across the City Council totalling c£31m although differentiating between Covid and non-Covid costs can only be an estimate. These variations stood at £34m at Quarter 3.

Children and Young People's Services has accounted for a significant amount of the overspend caused both by the total number and higher average unit cost of placements plus continued reliance on agency staff to manage the increase in caseloads. Contain Outbreak

Management Fund grant of £2.7m has been applied, leaving an overspend of £5.6m. Of this **£5.4m** is judged to be the result of Covid leaving a net overspend of £0.2m. The overall overspend has reduced from Quarter 3 due to placement numbers not increasing by as much as anticipated following the ending of the January lockdown. In addition an increased amount of the overspend has been judged to result from Covid conditions.

A significant proportion of Covid impacts relate to income which has not been achievable under lockdown or which may not be achievable in subsequent months whilst recovery takes place. This includes **£5.4m** in respect of significantly reduced car parking, bus gate and parking enforcement activity and **£1.8m** potential rent losses and associated pressures in respect of the Council's commercial property portfolio. Other lower but still significant Covid related income shortfalls have been reported in other service areas including land charges, court costs, planning, commercial waste, parks, the Outdoor Education Service and other school traded services.

Covid has also resulted in expenditure pressures across a range of other services including; waste disposal and safe working costs within Waste and Street Services of **£3.5m**, Personal Protective Equipment costs of **£1.7m**; Adult Social Care costs of **£1.6m**, provision of emergency mortuary capacity of **£1.3m**; and the impact on the cost of housing rough sleepers during lockdown and expected activity increase in housing of **£1.0m**.

Directorate - Non-Covid

The year-end position also includes a small number of variations which are separate from those attributable to Covid.

The non-Covid £3.5m underspend within Housing and Homelessness reflects a lower than anticipated number of households living in temporary accommodation. In part this has been the result of the Council's efforts to provide cheaper and more suitable temporary accommodation with additional robust management processes in place for contracts, voids, preventions and move-ons. It is likely that the continued Covid related evictions ban will have been helpful in this respect in 2020/21 and it will be important to monitor the degree to which the reduction in temporary accommodation numbers is sustained into the new financial year.

The £0.6m overspend within Legal and Governance Services reflects additional agency staff cost and the cost of external legal fees for care proceedings.

Covid-Related Grants

The Government has announced a range of grant funding allocations to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic. The top two lines amounting to £28.8m have been applied to mitigate financial impacts described in Table 1. The remainder have been applied as specific grant which nets off the relevant expenditure within service areas.

Table 2: Covid Funding Allocations*

	2020/21 Grant Income In-Year
	£000
Emergency Funding**	(22,783)

Sales, Fees and Charges Income Loss	(6,024)
Contain Outbreak Management Fund	(3,198)
Hospital Discharge Scheme	(1,355)
Infection Control Fund (Round 1 and 2)	(1,381)
Community Testing (Lateral Flow Testing)	(1,346)
Catch-Up Premium	(1,089)
Covid Winter Grant Scheme	(1,010)
ASC Workforce Capacity Fund	(766)
Local Authority Test and Trace Service	(626)
Next Steps Accommodation Programme (CCC revenue element)	(533)
Coronavirus Job Retention Scheme	(503)
Community Champions Funding	(499)
Emergency Assistance Grant for Food & Essental Supplies	(479)
Clinically Extremely Vulnerable	(425)
Re-Opening High Streets Safely Fund	(285)
Compliance and Enforcement (Surge) Grant	(222)
Additional Dedicated Home to School and College Transport	(195)
Adult Social Care Rapid Testing Fund	(152)
Holiday Activities and Food Programme	(151)
Business Improvement Districts Support Funding	(21)
	(43,043)

* A further £8.3m has been received but is treated as receipts in advance in accounting terms and is not available to spend until grant conditions have been met. This includes £6.1m for the Contain Outbreak Management Fund.

**A further £7.55m was carried forward from 2019/20.

The table includes grant funding to fund the Council's expenditure on the Covid response or to compensate the Council for the financial impact on its expenditure and income in the delivery of services. A further £15m of funding has been received to fund locally determined support programmes for businesses and individuals including the Additional Restrictions Grant to businesses and the Council Tax Hardship Grant. It is envisaged that Scrutiny Board 1 will receive a report setting out more fully the financial impact of Covid on the Council within 2021/22.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2020/21 is £122m compared with £90m at the end of 2019/20. Balances generated from capital receipts and capital grants to fund future capital projects have decreased from £33m to £27m and reserve balances belonging to or earmarked to support schools have increased from £21m to £27m. The total reserve movement in 2020/21 is summarised in the table below.

Table 3 Summary of Reserve Movements in 2020/21

	1st April 2020	(Increase)/ Decrease	31st March 2021
	£000	£000	£000
Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(3,017)	(9,651)	(12,668)
Private Finance Initiatives	(9,467)	(1,527)	(10,994)
Early Retirement and Voluntary Redundancy	(9,323)	0	(9,323)
Potential Loss of Business Rates Income	(7,735)	0	(7,735)
Covid-19 Government Funding	(7,558)	0	(7,558)
Innovation and Development Fund	(5,549)	0	(5,649)
Reset and Recovery	(5,467)	0	(5,467)
City of Culture Readiness	(1,842)	(3,122)	(4,964)
Air Quality	(641)	(3,876)	(4,517)
Commercial Developments	(4,419)	0	(4,419)
Management of Capital	(5,564)	1,536	(4,028)
City of Culture	(4,000)	1,500	(2,500)
Insurance Fund	(721)	(1,327)	(2,048)
Public Health	(1,356)	(398)	(1,754)
Other Directorate	(11,187)	(3,962)	(15,149)
Other Corporate	(1,797)	(11,803)	(13,500)
Total Council Revenue Reserves	**(89,920)**	**(32,630)**	**(122,550)**
Extra-Ordinary Item - Covid Business Rates Relief	**0**	**(48,302)**	**(48,302)**

Council Capital Reserves		0	
Useable Capital Receipts Reserve	(31,099)	6,363	(24,736)
Capital Grant Unapplied Account	(1,834)	6	(1,828)
Total Council Capital Reserves	**(32,933)**	**6,369**	**(26,564)**
School Reserves			
Schools (specific to individual schools)	(18,007)	(4,289)	(22,296)
Schools (related to expenditure retained centrally)	(3,298)	(1,509)	(4,807)
Total Schools Reserves	**(21,305)**	**(5,798)**	**(27,103)**
Total Reserves	**(144,158)**	**(80,361)**	**(224,519)**

2.2.2 It should be noted that the Council's reserve balances include an extra-ordinary balance of £48m at the end of 2020/21. Government Covid Business Rates reliefs announced in 2020/21 had the effect of reducing the amount of Business Rates payable in-year causing a deficit within the Business Rates Collection Fund. Accounting rules mean that the corresponding grant (from Government) cannot be applied to the Collection Fund until 2021/22 and must be carried forward within General Fund reserves. This treatment will be common to all billing authorites across England. To ensure like for like comparisons this balance is treated as an extra-ordinary item here.

2.2.3 The main increases in the Council's revenue reserves stem from the £9m recommended as part of this report, £9m in relation to grant funding which will sustain the medium term Adult Social Care financial model, £4m to continue air quality measures across the city and £3m to complete the existing City of Culture city readiness programme.

2.2.4 In addition to these, the revenue reserve balances include £15m set aside as Funding For The Future approved within the recent Budget Report, £14m set aside as part of the Council's three long-term Private Finance Initiative models, £9m of Government Covid grant required to fund the financial impact of Covid in 2021/22, £9m set aside to fund costs arising from early retirement and redundancy decisions, £8m to provide protection against the potential future loss of Business Rates income and £4m of revenue to support future capital projects.

2.2.5 In line with recent practice, analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2021/22 and going forward.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2020/21 is shown in summary below and in greater detail in Appendix 2:

Table 4: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under-spends £m	Total Variance £m
226.9	194.2	(32.5)	(0.2)	(32.7)

The quarter 3 monitoring report to Cabinet on 16th February 2021 approved a revised capital budget of £230.9m for 2020/21. Since then there has been a net programme decrease of c£4m giving a final budget for the year of £226.9m. Since February, a total of £32.5m 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 5: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
Schools	(1.4)	This is primarily related to 3 live projects, due to delays in the tender process and access to site due to COVID pandemic has made it difficult to schedule in works.
ICT Programme	(0.4)	The rescheduling is largely in relation to projects not progressing as quickly as would have been expected primarily due to the impact of COVID both from a supplier point of view and capacity with them or from a Coventry City Council point of view in terms of shifting or changing priorities as a result of managing the pandemic
Sport and Leisure (alan Higgs and Indoor Bowls)	(0.4)	Alan Higgs £0.2m final retention payment due in 21/22 will see the end of the defects period and financial close. The indoor Bowls £0.2m has been delayed until September 21 due the completion of the leasing agreement
Whitley Depot Redevelopment	(0.8)	Update on cashflow to match the contractor predictions
UK Central & Connectivity	(5.7)	This covers two main element – Coventry South Package (CSP) and Coventry Very Light Rail (VLR). CSP while some slippage in year £3.5m the programme is still on target to complete in summer 2022. VLR has experienced delays in procurement due to COVID
City Centre South and Friargate	(3.0)	Some delays in the purchase of land and completion works has delay the City Centre South scheme; Friargate experiences some fincancial slippage with the JV shareholder and updated cashflow with the contractor for Building 2
Highways, Transport and Vehicles	(5.9)	Service Road treatments and Air Quality programme have been impacted by the restrictions due to COVID19 and government lockdown measures and factors outside the LA control. Swanswell Viaduct & Integrated Transport Block now on target to complete in September 2021.
Coventry Station Masterplan	(1.2)	The Network Rail fees for NUCKLE 1.2 have slipped in 2021/22 as the Council are awaiting the signed contract from Network Rail to enable invoicing to commence. Wider changes to the programme of the main works are now slipping into 2021/22 from orginally planned
Getting Building Fund – 3rd Party Projects	(1.7)	The projects within this programme have all been impacted by delays, primarily due to the pandemic, and initial financial forecasts which were set in early 2020/21
Acquistion Costs Temporary	(0.5)	Plans to purchase potential supported temporary accommodation in 2019/20 and 2020/21 did not go ahead as planned and a phase 3 programme is currently being drafted for future use of funds

Accomodation (Homeless)		
Battery Plant and Equipment	(3.3)	There have been delays in completion of the project due to the Covid-19 pandemic.
City of Culture	(1.9)	There have been a few delays due to the combination of COVID and Brexit which has meant some rescheduling of £3.1m, netted off by the inclusion of the acquisition of the Collection Centre in 2020/21 of £1.2m
Public Realm Phase 5 – City of Culture	(5.4)	The programme was effected by COVID 19 and lockdown measures, meaning that scheme completion has slipped into the first quarter of 2021-22.
Other	(1.0)	Smaller schemes
TOTAL	(32.5)	

Table 6: Over and Underspends in the Capital Programme

Project	Over/ (Under)spend	Explanations
Loop Line	(0.2)	Approval to award a loan facility in September 2018 has not been taken up.
Total	(0.2)	

2.3.2 The 2020/21 programme continued to maintain a significant investment in the city's transport and public infrastructure, its preparations for the City of Culture year, schemes demonstrating an increasing engagement with environmental initiatives and a range of other projects showing the Council's desire to make Coventry an attractive place to live, work and do business:

- £37m has been spent on transport and highways infrastructure across a range of both major and minor schemes. These included Whitley South infrastructure to support a proposed research and development campus and adjoining small and medium sized enterprises, works to advance the A46 link road, further research and development investment in Very Light Rail and schemes to improve and maintain the city's highways via the highways investment and Integrated Transport Block programmes.

- A further £32m has been invested in UK Battery Industrialisation Centre (UKBIC) in 2020/21 with a £18m loan from the WMCA having been drawn down in the year alongside the grant from Innovate UK which is funding the majority of the project. 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 shortly having suffered delay due to COVID19.

- Further programme spend of £30m has been made in 2020/21 on the Coventry Station Masterplan Plan which is fundamentally remodelling Coventry Rail Station. The new facilities have taken clear physical form over the course of the year and are due to become operational by December 2021.

- Public Realm works amounting to nearly £24m have been undertaken across the city centre which has been substantially remodelled to coincide with the City of Culture celebrations. These works have continued into the new financial year with most areas now being completed or approaching completion.

- There have been works totalling £17m across the schools property estate as part of the One Coventry Strategic Plan. There is an increasing focus now on providing additional capacity in secondary schools across the city to meet the growing numbers amongst the secondary intake.

- City of Culture capital programme spend of £15m has occurred in the year updating a range of Coventry's cultural capital assets, building a legacy for the city following the City of Culture year.

- External grants have been utilised to allow nearly £10m across a range of greener travel options including the cycle schemes, clean bus and electric vehicle technology and charging points.

- A range of smaller scale but significant schemes have advanced including the redevelopment of Whitley Depot and the initial development expenditure for the Material Recycling Facility which will begin emerge in the form of Sherboune Recycling Limited in 2021/22.

2.3.3 The funding in respect of this capital expenditure of £194.2m is summarised in Table 7 below The Programme has been resourced c80% from capital grants.

Table 7: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	24.4	24.4	0
Grants and Other Contributions	155.1	174.8	(19.7)
Revenue Contributions	5.3	5.3	0
Capital Receipts	7.4	32.1	(24.7)
Capital of Management Reserve	1.8	5.8	(4.0)
Private Finance Initiative (PFI)	0.2	0.2	0
Total Resourcing	**194.2**	**242.6**	**48.4**

2.4 Treasury Management Activity

2.4.1 The Base Interest Rate was maintained at 0.10% by the Bank of England throughout 2020/21. The medium-term outlook is increasingly weak. Whilst the strict initial lockdown measures put in place to protect against COVID-19 were eased, the second wave of infections over Winter 2020 prompted more restrictive measures on a regional and national basis. The current forecasts predict the base rate will remain at 0.10% until at least the first quarter of 2024.

Long Term (Capital) Borrowing

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In November 2020 the rules governing local authority access to PWLB changed, as interest rates were reduced by 1%, making PWLB more competitive than was previously the case. However, with some limited exceptions, PWLB loans are no longer available to local authorities that plan to buy investment assets primarily for yield, such as property purchased for a financial return, where they are not clearly serving some other significant service objective. The restrictions apply even if an authority doesn't plan to fund the investment by borrowing and decides to use other resources, such as capital receipts. Under the Treasury Management Strategy 2021/22 approved by Cabinet on 23 February 2021 it was agreed the Council will not buy investment assets primarily for yield.

Taking into account the 1% reduction in PWLB rates referred to above, interest rates for local authority borrowing from the Public Works Loan Board (PWLB) for 2020/21 have varied within the following ranges:

Table 8: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2020/21	Maximum in 2020/21	Average in 2020/21
5 year	0.92%	2.19%	1.70%
20 year	1.67%	3.00%	2.47%
50 year	1.52%	2.91%	2.34%

With short-term interest rates remaining much lower than long-term rates, it has been more cost effective in the short-term to either use internal resources or to use short-term borrowing instead. By doing so, the Council has reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.

2.4.2 At outturn, the Capital Financing Requirement (CFR), which indicates the Council's underlying need to borrow for capital purposes, has increased by £9.6m:-

Table 9: 2021/22 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2020	493.6
Borrowing required to finance 2020/21 Capital Programme	24.4
PFI & Finance Leases liabilities	(2.4)
Donated Assets	0.0
Provision to Repay Debt (Minimum Revenue Provision)	(10.9)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.5)
Reduction of Provision and other restatements	0.0
Capital Financing Requirement at 1st April 2021	**503.2**

During 2020/21 the Council undertook £18m of borrowing from the West Midlands Combined Authority (WMCA) as part of the funding package of the UK Battery Innovation Centre. The Council has no immediate plans to take any further new long-term borrowing, however, this will be kept under review. Within 2020/21, the movements in long-term borrowing and other liabilities were:-

Table 10: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2020 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2021 £m
PWLB	190.4	0	0	190.4
Money Market	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
West Midlands Combined Authority	0.0	0	18.0	18.0
Other	0.4	0	0	0.4
sub total ~ long term borrowing	**240.8**	**0**	**18.0**	**258.8**
Other Local Authority Debt	11.7	(1.6)	0	10.1
PFI & Finance Leasing Liabilities	65.2	(2.4)	0	62.8
Total	**317.7**	**(4.0)**	**18.0**	**331.7**

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

Table 11: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	10.4
1 – 2 years	12.7
2 – 5 years	43.0
5 – 10 years	9.0
Over 10 years	183.7
Total	**258.8**

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.

<u>Short-Term Borrowing and Investments</u>

2.4.3 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 £89.0m of short-term borrowing was taken out during the year at an average interest rate of 0.86%, with £54m still outstanding at 31st March 2021. This borrowing was all taken out with other local authorities and was primarily required to facilitate an upfront payment of pension contributions at £97.8m. It was also used 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 2020/21 was 1%.

Table 12: In House Investments at 31st March 2021

	At 30th June 2020 £m	At 30th Sept 2020 £m	At 31st Dec 2020 £m	At 31st Mar 2021 £m
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	0.0	5.0	5.0	0.0
Money Market Funds	37.0	67.8	35.0	15.0
Corporate Bonds	0.0	0.0	0.0	0.0
Registered Providers	10.0	10.0	10.0	10.0
Total	**47.0**	**82.8**	**50.0**	**25.0**

Pooled Investments

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.

In order to manage credit risk these investments are spread across a number of funds as highlighted in the table below:

Table 13: External, Pooled Investments as at 31st March 2021

	Date Invested	Cost £m	Value £m	Annualised Return from Investment %
CCLA LAMIT Property Fund	Nov 2013	12.0	12.05	4.67%
M&G Optimal Income Fund	Aug 2018	1.5	1.54	2.93%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	3.09	3.44%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.75	4.27%
Investec Diversified Income Fund	Aug 2018	4.5	4.45	3.93%
Schroder Income Maximiser	Aug 2018	4.5	3.42	6.13%

Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.59	2.75%
Total		**30.0**	**28.89**	**4.52%**

Credit risk remains central to local authority investment management and the Council's risk is managed in line with the Treasury Management Strategy, approved by Cabinet as part of the budget setting report at the meeting of 23 February 2021. 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. Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose. 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.

In 2020/21, the pooled investments saw a recovery in value following an initial sharp drop felt at the end of 2019/20 due to the Covid pandemic. As at 31st March 2021 the accumulated deficit on these pooled funds is £1.1m (£3.2m at the end of 2019/20). There remains an 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 from the date of the initial investment that has continued to be received from these investments despite the drop in capital value.

<u>Summary Prudential Indicators</u>

2.4.4 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.

The indicators, together with explanatory notes and the relevant figures are included in **Appendix 3.** This highlights that the 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 31st March 2021 the value is -£47.8m (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 31st March 2021 the value is £292.3m 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.

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 2020/21 commercial investment through the Council's capital programme was limited to property investment within the city totalling £1.6m.

As at the end of 2020/21, the council had cumulatively invested £86m in commercial assets against a total limit of £103m. Within this, £34.4m has been invested as loans (2020/21 strategy limit £53m) and £51.6m as shares (2020/21 strategy limit £50m). The amount invested in shares is higher than the limit due to the reclassification of the Council's £18m loan to UKBIC as a soft-loan (provided at below market rate). Accounting requirements result in part of this amount being treated as an investment in shares rather than a loan and this has resulted in the level of loans exceeding limit approved within the Council's Commercial Investment Strategy (CIS). There are no other implications of this set of circumstances and in all other respects the Council's commercial investments reflect the position anticipated when the Strategy was set in February. The Council's CIS will be reviewed and reported on as part of 2021/22 in year monitoring.

The Council's investment in commercial assets is proportionate, with commercial income totalling £19.6m in 2020/21 (equivalent to c2.5% of the Council's gross spend in 2020/21) and commercial assets valued at £403m (24% of the Councils total asset base of c£1,662m). The level of commercial income was lower than in 2019/20 (£22.2m) due in the main to the impact of the pandemic on share dividends received.

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

The final revenue outturn picture for 2020/21 is balanced after proposed year-end contributions of £9m to reserve balances. Whilst this is a fundamentally favourable financial outturn position this must be set in the context of a unique set of circumstances which have been present through the year.

The continuing Covid-19 crisis has had a profound effect and continues to set the tone for the Council's financial approach. One measure of the societal and financial impact of Covid is that Government reliefs and grant funding to the city and the Council now exceed the level that would represent a whole year's net budget figure for the Council. Although in-year unring-fenced grant funding to cover the costs and income loss attributable to Covid has been assessed as falling short by £2m further funding exists in the form of Covid reserve balances set aside in 2019/20 and new grant funding announced for 2021/22. A good deal of activity and the uncertainty remain but within reasonable parameters it is estimated that overall Government funding levels will be of a similar order of magnitude to the financial impact on the Council.

Through this period the Council has had to assess the wider Covid impact on the city and the need to support its citizens in a robust and proportionate manner. A self-assessed view is that the Council has done this prudently, targeting support at the areas that most need it and taking care not to commit resources in an unsustainable way. This has enabled a balance of resources to be maintained to provide the Council with a sound financial footing as it enters 2021/22 and during a period when the pandemic is once again seeing rising cases despite widespread vaccination coverage. Care has been taken to use maximum flexibility to best match specific Covid grants funding streams to costs incurred locally. This has minimised the amount that has been subject to claw-back and enabled more general grant resources to be held back as a flexible resource for future use.

The Council has sought to maintain a strong financial planning approach which has taken account of the risk of volatility across a range of budgets such as those in Children's and Housing services. Demand pressures have caused large financial overspends in these areas across recent years. For both areas there has been an assessment that Covid has been the cause of expenditure incurred in the year which has been offset by grant. In addition, non-Covid temporary accommodation costs appear to have been substantially reduced this year due in part to the accommodation options put in place by the Council. The degree to which it is possible to safely manage down demand in these services in post-Covid conditions will be fundamental to the Council's financial performance in 2021/22.

Several corporate budgets such as superannuation and the Coventry and Warwickshire Business Rates Pool yield can be subject to volatility and were budgeted for on a prudent basis in 2020/21. Both areas have resulted in an outturn position towards the favourable end of the range of reasonable expected outcomes which has contributed considerably to the overall bottom line position. Each of these favourable financial outturns have occurred in areas that have been subject to affirmative Council decisions in recent years. The underspends in corporate budgets relate to areas that are difficult to predict and to some extent are one-off in nature although it is likely that there may be some areas where budgetary flexibility can be identified as part of 2022/23 budget preparations.

The financial outturn and the contributions to reserves at year-end cannot disguise the fact that the Council faces some significant financial challenges ahead. It is clear that the direct effects of Covid will remain for a significant proportion of 2021/22 affecting areas such as the number of looked after children, car park income, Business Rates and property rental income. There remains a strong possibility that at least part of the financial impact will remain when the wider pandemic subsides and may become part of the structural fabric of the Council's financial position. The starting position for the Council's 2022/23 Budget is a gap of £17m ahead of the Government Spending Review due later this year which does not hold out much hope of a favourable local government settlement.

Setting aside the extra-ordinary Covid related Business Rates adjustment the wider increase in reserve balances is a significant element within the outturn position. What is clear when scanning the wider local government landscape however is the degree of risk built into local government finances. There have been a number of high profile financial failures often linked to ambitious local plans with scope to deliver financial returns. Given that the Council is itself involved in a range of commercial ventures, company structures and external loan financing arrangements there is good reason to ensure that the Council maintains a high degree of self-awareness of its position. High standards of due diligence, good governance and monitoring arrangements and the maintenance of a broad range of activities to guard against a concentration of risk are all vital factors to protect the Council's financial position. Further though, it is important for the Council to maintain contingency balances to protect against the risk of financial failure in one or more key areas.

The overall level of reserve balances is distorted by the Covid related Business Rates reserve which reflects an unprecedented set of circumstances. Other than this the increase in Council revenue reserves includes temporary funding reflecting the timing of specific schemes or grant funding ahead of the need to spend. With the exception of the Council's General Fund balance all reserves have been set aside to deliver specific projects or risks. Given the size of the Council's ambitions defined by its Capital Programme, its transformation programme and its financial involvements that extend beyond traditional local authority service provision it is entirely appropriate for the Council to support this in the form of balances to pump prime such areas and provide some financial risk mitigation. Nevertheless, the Council remains firmly within a 'mid-table' position with the most recent CIPFA Resilience Index indicating that the Council remained just in the bottom of half of metropolitan district councils in relation to the level of its reserve balances. Insofar as the Council has been able to place itself in a strong financial position it is worth emphasising that rather than being a matter of internal concern only, these circumstances provide the best basis for the Council to improve services for residents and invest in the city and its communities.

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 second largest programme of spend within the modern era (following 2019/20) has been 80% funded from external grant. The programme's coverage of projects affecting the city centre skyline, enhancing transport infrastructure, improving the profile of the city and providing support to local economic development continues to be a key part of the Council's approach. This is being carried out alongside the City of Culture year as part of a continuing approach to make the city more attractive to investors and visitors, to increase the provision of jobs locally and improve the economic well-being of citizens.

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. 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.

Reflecting the approach outlined above, reserve contributions are proposed within this report to help ensure the Council's financial sustainability, enable the city's recovery from Covid and continue to focus on the Council's priorities. The contributions will balance the Council's overall financial position to budget for 2020/21. It is proposed that £3m is set aside to protect against shocks from Council involvement in external arrangements (loans, regeneration development and key partner support), £1m made available to manage workforce pay and grading issues and the remaining £5.2m will provide for key policy priority areas which are likely to be identified as plans progress through 2021/22.

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?

This report provides an account of the overall financial performance of the Council compared with its original Budget. The Council also monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. This includes monitoring against the objective of delivering our priorities 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) Climate Change and 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.

	Revised Net Budget	**Forecast Spend**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Total Forecast Variance**	**Less Covid Impact**	**Net Forecast Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Adult Social Care	79.0	79.9	0.0	0.9	0.9	0.9	**0.0**
Business Investment & Culture	7.2	8.9	0.2	1.4	1.6	1.4	**0.2**
Children & Young People's Services	71.1	76.8	(2.0)	7.7	5.7	5.4	**0.2**
Contingency & Central Budgets	10.7	(23.7)	0.0	(34.4)	(34.4)	(25.9)	**(8.5)**
Education and Skills	15.2	14.7	(0.3)	(0.1)	(0.5)	(0.4)	**(0.1)**
Finance & Corporate Services	3.2	4.8	(0.0)	1.6	1.6	1.7	**(0.1)**
Housing & Transformation	14.6	14.1	0.0	(0.6)	(0.5)	3.0	**(3.5)**
Human Resources	1.3	1.3	0.0	0.0	0.0	0.1	**(0.1)**
Legal & Governance Services	3.6	4.8	0.1	1.2	1.2	0.7	**0.6**
Directorate Management	1.4	1.4	0.1	(0.1)	(0.0)	0.0	**0.0**
Project Management & Property Services	(4.6)	(2.4)	0.2	2.0	2.2	2.2	**0.0**
Public Health	2.6	2.6	0.1	(0.2)	(0.0)	0.0	**0.0**
Streetscene & Regulatory Services	29.1	36.2	0.1	7.0	7.1	7.6	**(0.5)**
Transportation & Highways	4.4	10.2	(0.0)	5.9	5.8	5.7	**0.2**
Bottom Line Covid Adjustment						(2.2)	**2.2**
Total	**238.8**	**229.5**	**(1.5)**	**(7.7)**	**(9.2)**	**(0.0)**	**(9.2)**

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.	(1.5)
Total Centralised Variance		**(1.5)**

Budget Holder Variance

The Budget Holder variances explained below are reported excluding the impact of Covid. For example, Adult Social Care is reporting a net nil Budget Holder variance excluding the Covid impact

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Insight	Variance due to Insight staff being transferred to support COVID response from the Covid 19 T&T Grant, and some Insight development projects and community engagement activities not going ahead due to Covid.	(0.2)
Public Health			**(0.2)**
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver the outstanding £190k financial savings target set as part of previous budget setting processes to ensure we maximise grant funding against internal training programmes. Employment are showing a £265k budget holder over spend but this is fully offset by a centralised under spend.	0.5
Education and Skills	Other Variances Less that 100K		(0.2)
Education and Skills			**0.3**
Children and Young People's Services	Children's Services Management Team	£2.8m underspend due to COMF allocation towards COVID pressures within the service. Additional budget holder underspend within the Social Worker Acedemy due to a transfer of agency budget from Family Hubs to fund temporary increase in Academy posts (off-set by an overspend in the centralised variance)	(3.0)
Children and Young People's Services	Commissioning, QA and Performance	The non-Covid Budget Holder variance mainly relates to an overspend on agency staff who were covering vacancies across the service. This pressure has been exacerbated by higher numbers of children and their associated cases. This overspend was offset by underspends across centralised salary budgets. Recruitment continues to be a priority for Children's Services. Other variances include 1) £88k underspend in Safeguarding Boards, with fewer statutory reviews than usual in the year 2) £124k underspend on CAMHS linked to Covid impact on activity 3) Agency overspend of £58k in Professional Support Services in relation to three posts; two to grow the internal fostering provision and one for Throughcare. All three posts have now been filled permanently and the agency staff have left or are moving on shortly.	0.2
Children and Young People's Services	Help & Protection	There were two significant non-Covid Budget Holder variances in 2020/21. 1) Overspend on agency staff of £1.2m. This occured as vacancies across the service needed to be covered. The overspend was offset by an underspend across centralised salary budgets, with recruitment a continuing priority for Children's Services 2) A	1.5

		£573k underspend across the Hubs which was mainly due to the transfer of Public Health grant of £408k to cover qualifying expenditure. Additionally, there were some smaller non-Covid Budget Holder variances including a £174k overspend on Section 17 client accommodation driven by increased activity and a £133k overspend on legal costs due to several high costs cases that occurred pre Covid.	
Children and Young People's Services	LAC & Care Leavers	The majority of the 'other budget holder variance' relates to placement costs. There was a pre-existing cost pressure on the unit cost of external placements identified at the start of 2020/21 which accounts for £1.3m of the overspend. Remands to custody as a consequence of youth violence are at the highest ever and there is a shortfall of £764k in the grant to offset this. Other pressures include the need to use agency staff (offset in part by an underspend in the centralised variance), the increase in support packages for disabled children, and the use of allowances to promote permanence outcomes for children. Finally, there has been an overall reduction of around £466k from the Q3 forecast; this was because LAC numbers did not increase by as much as anticipated following the ending of the January lockdown.	3.5
Children and Young People's Services			**2.2**
Adult Social Care	Strategic Commissioning (Adults)	£0.7m COVID-19 underspend relates to transport following the suspension of day opportunities earlier in the year and also ongoing reduced capacity as result of COVID-19. £0.2m other budget holder underspend relates to Carers budgets. Work is underway to continue to enhance the support offer to carers in 2021/22.	(0.2)
Adult Social Care	Adult Social Care Director	There are 2 significant variations which make up the budget holder variance. A £0.9m overspend due to specific COVID-19 related spend which wil be resourced alongside other corporate covid related expenditure as well as a other budget holder £1.1m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial financial position.	(1.1)
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 (£0.2m). The all Age Disability Team has also seen increasing demand alongside staff turnover. Ensuring statutory need is met has been essential and has resulted in additional agency cost.	0.3
Adult Social Care	Older People Community Purchasing	Demand for services continue to maintain consistent levels, which means overall spend is high. However a number of additional income streams have helped to ease budgetary pressures at the end of the financial year.	(1.4)
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Demand for services continue to maintain consistent levels, which means overall spend is high. However a number of additional income streams have helped to ease budgetary pressures at the end of the financial year.	2.5
Adult Social Care	Other Variances Less that 100K		(0.1)
Adult Social Care			**0.0**

Housing & Transformation	Customer and Business Services	The impact of lockdown regulations and changes to ways of working has impacted on postage and printing needs across the Council resulting in reduced costs and a net loss of mainly internal income. This and some agency costs to cover vacant roles during reviews have been partially offset by some cost reduction actions by managers.	0.1
Housing & Transformation	ICT & Digital	There has been significant fluctuation in the demand on the ICT & Digital budget during 2020/21 as a result of the pandemic. We have seen a continued pressure on our traded income budget and a significant increase in demand for technology such as laptops and mobile phones. However, these pressures have been offset by reductions in costs and cost control measures implemented elsewhere within the budget. For example, suppliers have waived some charges or have given time limited cost reductions in other areas.	(0.2)
Housing & Transformation	Housing and Homelessness	The number of households living in temporary accommodation remains lower than anticipated with the evictions ban being extended. Additionally robust management processes in place for contracts/voids/preventions and move-ons have all had a positive impact	(3.4)
Housing & Transformation			**(3.5)**
Human Resources	**Other Variances Less that 100K**		**(0.2)**
Service Area	**Reporting Area**	**Explanation**	**£M**
Finance & Corporate Services	Revenues and Benefits	COVID-19 has resulted in a significant reduction in court cost income of around £1m due to the suspension of liability order applications and an estimated impact on the recovery of Housing Benfit subsidy overpayments c£650k. Other variations are due to an increase in the unit cost of supported exempt accommodation for which the Council only receives partial Housing Benefit subsidy if the provider is not a registered social landlord.	0.2
Finance & Corporate Services	Financial Mgt	Additional income generated from support to projects (c£75k) and one-off savings (c£60k)	(0.2)
Finance & Corporate Services	Other Variances Less that 100K		(0.1)
Finance & Corporate Services			**(0.1)**
Legal & Governance Services	Legal Services	The COVID-19 lockdown and related restrictions have had a negative impact on income streams within the Register Office c£0.3m. Additionally, the pandemic has necessitated additional legal agency staff and external legal fees for care proceedings at a cost of £0.32m. Other variations reflect a £250k cost of agency staff to cover vacancies within the Legal Services team, an underlying c£200k 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.	0.6
Legal & Governance Services	Democratic Services	Underspend as a result of COVID-19 restrictions and lockdown which prevented mayoral events and hospitality from taking place.	(0.1)

Legal & Governance Services			**0.5**
Transportation & Highways	Highways	This is primarily the impact of DLO being stood down from April to June 2020 due to Covid 19 meaning that the service was unable to recover c£0.3m of its costs and overheads. This was offset by fees earned on external works in the latter part of the year.	(0.1)
Transportation & Highways	Traffic	The majority of pressures (c£5.3m) are due to a significant reduction in parking and enforcement income during the COVID-19 lockdown periods and the rest of the financial year. Other variations include the delayed implementation of a new fee structure for residents' parking permits, additional resource requirement in the highways development team, offset by a higher volume of streetwork permit fees.	0.2
Transportation & Highways	Other Variances Less that 100K		0.1
Transportation & Highways			**0.2**
Streetscene & Regulatory Services	Streetpride & Parks	Various spend pressures relating to Tree Inspections c£50k, Fleet Costs c£150k, depot costs c£80k and traveller incursions c£94k have been offset by higher net income of £336k primarily in respect of Bereavement services and car parking at Coombe Park	0.1
Streetscene & Regulatory Services	Waste & Fleet Services	This surplus primarily relates to higher income and reduced costs in Commercial waste of £890k, together with one off savings in fleet of £269k for vehicle disposals, and £390k for reduced capital financing costs, offset by costs associated with Christmas Waste Collections c£150k and higher waste Disposal cost of £500k.	(0.8)
Streetscene & Regulatory Services	Other Variances Less that 100K		0.1
Streetscene & Regulatory Services			**(0.6)**
Project Management and Property Services	Commercial Property and Development	This small surplus represents one-off in year income from tenants for dilapidations and similar payments	(0.2)
Project Management and Property Services	Facilities & Property Services	This surplus reflects the positive trading surplus in both the R&M and compliance functions, offset by the void costs of holding the former sports building at Fairfax street	(0.5)
Project Management and Property Services	PMPS Management & Support	This deficit reflects the under achievement of the MTFS property acquisition target due to the PWLB rule change to prevent borrowing to fund yield generating commercial property	0.5
Project Management and Property Services			**(0.2)**
Contingency & Central Budgets	Corporate Finance	The underspemd incorporates £3.8m lower than forecast superannuation costs payable to the West	(8.5)

		Midlands Pension Fund flowing from the Council's up-front payment of contributions covering 2020/21 to 2022/23. The Coventry and Warwickshire Business Rates Pool reflects income above budget of £1.6 as a result of reported Business Rates levels across Coventry and Warwickshire. The net Asset Management Revenue Account position is an underspend of £3.0m and includes includes higher than budgeted interest income on the Council's investments and lower than budgeted borrowing interest costs.	
Total Budget Holder Forecast Variances - Contingency & Central Budgets			**8.5**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING) / ACCELERATED SPEND £m	(UNDERSPEND) / OVERSPEND £m	EXPLANATION
Coventry South Package	(3.6)	(3.5)		Having completed the main works compound, installed boundary fencing and tree protection fencing, earthworks have commenced on the A46 N/B on slip and the S/B off slip roads, as part of construction phase 1 of the works. Liaison work continues to ensure the scheme traffic management is co-ordinated with other planned works in the area by, in particular, HS2 and Highways England. Works still remain programmed to complete in summer 2022 (an 18 month construction period) but a decision to locate a COVID-19 mass vaccination centre at nearby Stoneleigh Park has presented challenges through the requirement to keep key access routes to the vaccination centre clear. This has effected programme and spend to date, hence the slippage. The £3.6 approved change is because the the Tile Hill car park expansion is now being delivered by TfWM and CCC will no longer be the accountable body."
Coventry Very Light Rail	0.4	(2.2)		Delays in the procurement staff shortage at DMBC due to COVID which led to some items being procured later than planned and not receiving invoices in time from DMBC to claim for GBF funds.
City Centre South		(1.8)		Delays in the purchase of land and the completion works at Coventry Point demolition includes costs for tarmac and fees to be completed in 2021/22
Friargate		(1.2)		£750k of the slippage is the payment that the Council is required to pay to the JV as Shareholder. This payment was not required during 2020/21, however it has now become due and will mainly fund infrastructure works. The remaining £450k variance is as a result of a variance to the profile of spend on Two Friargate and more accurate forecasting following appointment of the contractor.
Highways Investment		(1.8)		There were 5 surface treatment schemes, 2 footway improvement schemes and 2 verges schemes that were not able to be delivered because of restrictions due to COVID19 and government lockdown measures. Flood alleviation works at Allesley and Broad Lane has slipped, due to programme delays from the

				Environmental Agency. Value for money was achieved on delivery of the Challenge fund footway programme by using our framework contractors, resulting in scheme outturn costs coming in less than initially anticipated.
Swanswell Viaduct Phase 2		(0.5)		Contract started February 2021 and will run to September 2021. All budget will be expended in the 2021/22 financial year.
Integrated Transport Block Porgramme		(1.7)		The proposed safety scheme for Old Church Road was delayed. However, consultation has now been undertaken, this finished on 5th March and the scheme will be constructed 2021/22. UTMC rescheduling has occurred as a result of the KRN works programme running over 18 months due to complete in September as agreed with TfWM
Getting Building Fund		(1.7)		The projects in the Getting Building Fund (GBF) programme have all been impacted by delays, primarily due to the pandemic, and initial financial forecasts which were set in early 2020/21 have been revised with the majority of spend taking place in the 2021/22 FY. All projects remain on track to complete spend by 31 March 2022 in line with the close of the GBF grant programme.
Public Realm Phase 5 - City of Culture	0.2	(5.4)		The programme was effected by COVID 19 and lockdown measures, meaning that scheme completion has slipped into the first quarter of 2021-22.
Clean Bus Technology, Better Streets Community and Binley Cycle Scheme		(1.6)		An improved price was achieved for the retrofit of buses than originally budgeted. The remaining grant will be slipped into next year as it is aniticpated that there will be further bus retrofits.
Air Quality		(0.3)		There was a slight delay due to COVID 19 that impacted Coundon Cycleway, but the scheme is now back on programme with completion planned for summer 2021. A final Full Business Case is still awaiting a decision from Government that has led to slippage of spend into next year.
Coventry Station Masterplan		(1.2)		The variance between Q3 and Q4 can be attributed to a number of factors. Firstly a delay in Network Rail fees being issued for the period and the original estimates for Project Management fees coming in less than original forecast for Q4. Secondly there is some variance in relation to forecast costs for construction activities for the Footbridge, Multi-Storey Car Park & Secondary Entrance and highways works as a result of changes to programme resulting in some activities now falling into

				2021/22. The substation costs have increased to reflect project changes and agreed compensation events. The Network Rail fees for NUCKLE 1.2 have slipped into 2021/22 as the Council are awaiting the signed contract from Network Rail to enable invoicing to commence. Finally the existing station programme cost profile has been adjusted to reflect the delivery programme being refined to align with the contract the Council has entered into with Avanti who will be delivering the works.
Whitley Depot Redevelopmnet		(0.6)		Predicted cashflow amended to match actual contractor cashflow. This is due to high value items on the non-critical path being agreed at later date than originally programmed.
Whitley Depot ICT Hub		(0.2)		The rescheduling on this scheme is in relation to the delays encountered with our new Data Centre facility being handed over by the provider – this should be complete within the first half of this financial year
Homelessness		(0.5)		Plans to purchase potential supported temporary accommodation in 2019/20 and 2020/21 did not go ahead as planned and a phase 3 programme is currently beign drafted for future use of funds
Battery Plant and Equipment		(3.3)		There have been delays in completion of the project due to the Covid-19 pandemic. Commissioning of equipment has taken longer than planned because of travel restrictions preventing engineers from overseas suppliers travelling to the site to support the UKBIC team. Final payments on equipment cannot be made until commissioning is complete.The UKBIC Team is working hard to complete the commissioning of all equipment and complete the site and it is hoped that this will be completed later this year
UK City of Culture	0.2	(3.1)		The Cultural Capital Investment Programme is progressing well and the majority of projects on track. However, there have been a few delays due to Covid and supply issues. The Programme Team are confident that these have now been resolved.
UK City of Culture - Collection Centre		1.2		Cabinet Approval on 23rd February 2021 - the acquisiotn of the IKEA premises and adjoining land for the national collection centre has incurred costs in advance of budget setting for 2021/22.
Disabled Facilities Grant		(0.4)		Underspend due to slippage of various adaptation and building schemes primarily due to Covid-19 issues causing slowdown in activity throughout the year.

Basic Need	0.4	(1.6)		This is primarily related to 3 live projects. Tender award delays have pushed the cash flow projection back by 1 – 2 months which moved the value across into 2021/22 from 2020/21. Essential concrete works and structural repairs has resulted in a delay on site to define works required and as such delayed further activity/spend as one project.
Condition		(0.3)		Accessibility to works on live sites during Covid pandemic has meant some works have been more difficult to schedule in. This has resulted in works having to be delayed, and spend has been slipped.
SEND		0.4		Work has been undertaken quicker than anticipated causing spend to be accelerated. Projects completed on time and within budget.
Running Track Warwick University	0.2			Approved for funding in 2018 for 40% contribution towards the running track at Westwood Campus - Warwick University
Alan Higgs Centre - 50m Swimming Pool		(0.2)		A sum of just over £207k needs rescheduling into 2021/2022 to fund the final retention payment o/s (linked to the closing out of the final defects with the Contractor) and to cover the costs of some works currently being finalised
Re-provision of Coventry's Indoor Bowls Facility		(0.2)		The project start date has been rescheduled to September 2021 due to delays with agreeing the lease to start construction with the Avenue Bowls Club and then subsequent delays due to birds nesting in vegetation that needs to be removed prior to starting construction which will only be possible once the birds nests become inactive.
Loop Line			(0.2)	Facility not taken up
Multi Recycling Facility Development Costs	(0.4)			Techncial change to realign budget

Whitley South Infrastructure	(2.8)			Technical adjustment to funding to match spend
Ernest Jones	0.6			Cabinet approval on 1st December 2020, for the surrender of the lase on the premises in Upper Precinct, in order to implement phase two of the public realm scheme.
ICT		(0.4)		The rescheduling is largely in relation to projects not progressing as quickly as would have been expected primarily due to the impact of COVID both from a supplier point of view and capacity with them or from a Coventry City Council point of view in terms of shifting or changing priorities as a result of managing the pandemic.
Purchase of Containers - Commercial Waste		(0.3)		Essentially lack of new business, and loss of existing business meant we didn't need to purchase as many containers as forecast resulting in lower spend.
Active Travel		(0.2)		Active travel phase 1 has been successfully delivered, phase 2 has now commenced with the remainder of the programme to be now delivered in the next financial year.
Green Homes Grant		(0.2)		Green Homes Grant Local Authority Delivery Phase 1A grant funding was not spent in 2020/21 and moved into 2021/22 due to our delivery partner, Act on Energy, being unable to install energy efficiency measures in homes because of Covid-19. Government lockdown restrictions meant contractors were unable to visit people's homes to install measures and Act on Energy were unable to complete the required eligibility checks. The pandemic also meant residents did not want additional people in their homes resulting in low interest in the scheme. With the recent easing of lockdown restrictions and increasing resident confidence, Act on Energy have now been able to start installing measures for this scheme.
ESIF - Low Carbon		(0.1)		Due to the ongoing pandemic, businesses are not currently able to invest in the low carbon technologies & project which Green Business Grant would support, therefore demand for grants have been less than anticipated. The programme is confident that the demand will increase and we will work to support businesses when they are able to invest again.

Interest Capitalisation	1.6			This is in respect to the accounting policy referring to the prudential borrowing costs associated with schemes: Whitley South and Coventry Station Masterplan. 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.
Growing Places		0.9		The Capital Development works and creation of a Commonwealth Convention Centre at the Ricoh Arena, funded by Local Growth Fund, Growing Places and Getting Building Fund, began in Autumn 2020. Due to an accelerated programme and completion of a new Sports Bar the project was able to draw down the full GP allocation in 2020/21.
Net movement of schemes below <£100k	(0.8)	(0.9)		
TOTAL CHANGES	**(4.0)**	**(32.5)**	**(0.2)**	

Summary Prudential Indicators

		Per Treasury Management Strategy 20/21 £000's	Actual 20/21 £000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	32,841	30,714
	(b) General Fund net revenue stream	231,815	231,815
	General Fund Percentage	14.17%	13.25%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	373,492	383,886
	Capital Financing Requirement (forecast end of 21/22)	531,358	531,358
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	373,492	383,886
	less investments	-70,000	-76,594
	less transferred debt reimbursed by others	-10,161	-10,161
	Net Debt	293,331	297,130
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	232,744	194,211
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	492,506	503,213
	Capital Financing Requirement excluding transferred debt	482,345	493,052
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	439,540	439,540
	+ authorised limit for other long term liabilities	62,805	62,805
	= authorised limit for debt	502,345	502,345
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	419,540	419,540
	+ Operational boundary for other long term liabilities	62,805	62,805
	= Operational boundary for external debt	482,305	482,305
7	**Actual external debt**		
	actual borrowing at 31 March 2020		312,873
	+ PFI & Finance Leasing liabilities at 31 March 2020		62,797
	+ transferred debt liabilities at 31 March 2020		10,161
	= actual gross external debt at 31 March 2019		385,831
8	CIPFA Treasury Management Code – has the authority adopted the code?		Yes

9	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	439,540	292,336
	Variable Rate		
	Upper Limit for Variable Rate Exposures	87,908	-47,842
10	**Maturity structure of borrowing - limits**	**upper limit**	**actual**
	under 12 months	50%	16.5%
	12 months to within 24 months	20%	2.4%
	24 months to within 5 years	30%	18.5%
	5 years to within 10 years	30%	2.4%
	10 years & above	100%	60.2%
11	**Investments longer than 364 days: upper limit**	30,000	30,000

Prudential Indicators

The Cipfa Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will 'have regard' when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

The Prudential Indicators required by the Cipfa Code are designed to support and record local decision making and not as comparative performance indicators.

There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream (indicator 1):

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for 2021/22 and the next two financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. it's borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council's future capital expenditure levels and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) are assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

Authorised Limit for External Debt (Indicator 5):

This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements. Borrowing plus PFI and finance lease liabilities at £385.8m was within the limit of £502.3m.

Operational Boundary for External Debt (Indicator 6):

This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. Borrowing plus PFI and finance lease liabilities at £385.8m was within the boundary of £482.3m.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the Cipfa Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted the Cipfa's *Treasury Management in the Public Services: Code of Practice.*

Interest Rate Exposures for Borrowing (Indicator 9):

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.

Maturity Structure of Borrowing – Limits (Indicator 10):

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks.

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Investments Longer than 364 days: Upper Limit (Indicator 11):

This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.