Coventry City Council

Public report
Cabinet

Cabinet 31st August 2021
Audit and Procurement Committee 27th September 2021

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

Director Approving Submission of the report:
Director of Finance

Ward(s) affected:
City wide

Title:
2021/22 First Quarter Financial Monitoring Report (to June 2021)

Is this a key decision?
No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2021. The headline revenue forecast for 2021/22 is for net expenditure to be **£14.3m** over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend is **£4.0m.** At the same point in 2020/21 there was a projected overspend of £6.7m.

The position includes an underlying overspend of £6.5m within Children's Services although £3.8m of this has been attributed to the pandemic and funded from one-off Covid funding accordingly leaving a net overspend of £2.7m. In order to anticipate the likely future budgetary position within Children's Services it will be necessary to understand more fully the extent to which these pressures will continue beyond the period when Covid is a significant contributory factor. Looking ahead to next year, it will be a key focus of management to identify the causes and to reduce the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position.

Elsewhere, budget pressures have emerged within Streetscene and Regulatory Services, Legal and Governance Services and Finance although the overall corporate position is within acceptable tolerances at this stage of the financial cycle.

The Council and the city continue to receive Government support linked to Covid within the 2021/22 financial year. This amounts to c£19m announced to date to support Council services directly and a further c£45m channelled through the Council to support Coventry businesses and external suppliers. Although further allocations cannot be ruled out the pace of funding announcements has

slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants is therefore likely to be modest.

The Council's capital spending is projected to be £247.1m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Friargate Building 2 and the Hotel, Air Quality and Secondary Schools expansion. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city.

The Council's services and its financial position are moving gradually towards a business as usual position as the year progresses with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continue to be significantly affected although often this is not resulting in a net financial cost. It is clear though that significant financial risk remains in relation to the underlying funding position for local government as well as the future trajectory of Covid costs and funding within a few service areas. It remains a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

Recommendations:

The Cabinet is requested to:

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

2) Approve the revised forecast capital outturn position for the year of £247.1m incorporating: £32.5m rescheduling from 2019/20 outturn, £18.8m net increase in spending relating to approved/technical changes, £24.4m net rescheduling of expenditure into future years and a small £0.2m underspend.

The Audit and Procurement Committee is requested to:

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

List of Appendices included:

Appendix 1 - Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes
Appendix 3 - Capital Programme: Estimated Outturn 2021/22
Appendix 4 - Capital Programme: Analysis of Rescheduling
Appendix 5 - Prudential Indicators

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee, 27th September 2021

Will this report go to Council?

No

Report title:
2021/22 First Quarter Financial Monitoring Report (to June 2021)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £243.8m on the 23rd February 2021 and a Directorate Capital Programme of £220.4m. This is the first quarterly monitoring report for 2021/22 to the end of June 2021. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.

1.2 The current 2021/22 revenue forecast is for expenditure to be £4.0m over budget. This is after applying £10.3m of emergency funding received from Government for the purpose of managing the estimated cost of COVID-19 to the Council. The reported forecast at the same point in 2020/21 after adjusting for Covid-related funding was an overspend of £6.7m. Capital spend is projected to be £247.1m.

1.3 It is not unusual for the revenue position to reflect a projected forecast at this stage which then improves over the course of the year. Nevertheless, if such an improvement did not occur the Council maintains a strong balance sheet and could manage an overspend of this magnitude at year-end.

2. Options considered and recommended proposal

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

Revenue Position - The revenue forecast position is analysed by service area below. The position shown for each service area assumes that all Covid costs are met from the emergency funding referenced above.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Total Over/ (Under) Spend £m	Covid Impact* £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	0.1	0.1	0.0
Business Investment & Culture	5.4	5.8	0.5	0.3	0.1
Children & Young People's Services	77.5	84.0	6.5	3.9	2.7
Contingency & Central Budgets	6.0	4.6	(1.4)	0.0	(1.4)
Education and Inclusion	16.7	17.8	1.1	0.8	0.3
Finance	4.9	5.9	1.0	0.2	0.8
Housing and Transformation	13.2	13.7	0.5	0.4	0.1
Human Resources	1.3	1.4	0.1	0.0	0.1
Legal and Governance Services	4.1	4.9	0.8	0.3	0.5
Directorate Management	1.4	1.4	0.0	0.0	0.0
Project Management & Property	(4.5)	(3.2)	1.3	1.6	(0.3)

Public Health	0.4	0.3	(0.1)	0.0	(0.1)
Streetscene and Regulatory	29.4	31.6	2.2	1.2	1.0
Transportation & Highways	6.3	8.0	1.7	1.5	0.2
Sub-Total	**243.8**	**258.2**	**14.3**	**10.3**	**4.0**
Covid Emergency Funding Contribution				**(10.3)**	
Total	**243.8**	**258.1**	**14.3**	**0.0**	**4.0**

*Covid Emergency Funding will be applied at year-end as contributions of specific grant.

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

The largest part of the value of variations reported at quarter 1 are as a direct result of the COVID-19 impacts across the City Council totalling an estimated £10.3m. It must be stressed that the differentiation between Covid and non-Covid costs in subject to significant estimation uncertainty. Covid financial impacts accounted for a budget variation of c£31m in 2020/21.

Directorate - Covid-Related
Children and Young People's Services continues to account for a significant amount of the overspend caused by both the total number of placements and the average unit cost of those placements, as well as a continued reliance on agency staff to manage the increase in caseloads. The Quarter 1 Children's Services' position includes an overspend of £3.8m that is attributed to the pandemic and which will be funded from one-off Covid funding accordingly.

Other Covid related impacts include: forecast commercial property rent losses (£1.5m); parking and enforcement income loss (£1.5m); income losses from cancelled events and outdoor education provision; and additional staffing across several services reflecting staffing cover for additional Covid tasks or to cover for Covid related absence including within Streetscene and Regulatory.

Directorate - Non-Covid
The Quarter 1 position also includes variations which are separate from those attributable to Covid.

The non-Covid overspend in Children and Young People's Services is £2.7m. Significant spend pressures include the additional costs of looked after children placements as a result of increased demand, higher unit cost of placements partly attributable to the youth violence in the city, an increase in support packages for disabled children and the use of allowances to promote permanence outcomes for children.

The £1m net overspend within Streetscene and Regulatory reflects prolonged use of agency staff within Domestic Refuse as a result of high sickness, self-isolation, and accrued leave (the cost of part of which is included in the Streetscene Covid impact figure of £1.2m and is referenced above). Added to this is pressures on workload, which has resulted in a decision to accelerate the two additional rounds planned for April 2022, together with some reactive cost of ensuring all bins are collected. Additional vehicle and fuel costs have also been incurred reflecting spot hires required for the additional rounds.

Contingency and Central Budgets
A favourable variation of £1.4m is forecast at this stage arising from a combination of Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis and could improve over the course of the year.

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.

Table 2: Covid Funding Allocations

	Grant Value	Sub-Total
Funds Council Expenditure - Unallocated	**£000**	**£000**
Emergency Funding*	(11,314)	
Sales, Fees and Charges Income Loss (Quarter 1 claim outstanding)	tbc	
		(11,314)
Funds Council Expenditure – Specific**		
Contain Outbreak Management Fund	(2,920)	
Holiday Activities and Food Programme 2021	(1,500)	
Covid Local Support Grant (to 16th April - replaces Winter Grant Scheme)	(449)	
Covid Local Support Grant (16th April to 20th June)	(304)	
Covid Local Support Grant (from 20th June)	(1,217)	
Welcome Back Fund (Support to High Streets)	(334)	
LA Practical Support Payment (Public Health)	(94)	
Clinically Extremely Vulnerable Support***	(263)	
Clinically Extremely Vulnerable Support	(407)	
		(7,488)
External Provider or Programme Spend		
Adult Social Care Infection Control and Protection Fund	(1,083)	
Adult Social Rapid Testing Fund	(813)	
		(1,896)
Grants to Businesses and Individuals		
Restart Grants	(13,573)	
		(13,573)
Business Rates & Council Tax Collection Fund Contributions		
Retail Leisure and Hospitality Business Rates Reliefs	(30,000)	

		(30,000)
Overall Support		**(64,271)**

*A further £7.6m remains from the 1st tranche of funding paid in 2019/20.
** A further £8.3m is available having been carried forward as receipts in advance. £6.1m of this is COMF.
***A further £0.5m has been carried forward relating to other Covid grants of which £0.4m relates to CEV.

The emergency funding allocation of £11.3m is sufficient currently to manage the cost of £10.3m detailed in Table 1. In addition, the specific grants communicated to date of £7.5m are being used to address Covid-specific priority programmes and are shown with a net nil position overall. The remaining grants and reliefs above are being passported to external Coventry businesses and Council suppliers in line with grant conditions.

2.3 **Capital**

The quarter 1 2021/22 capital outturn forecast is £247.1m compared with the original programme reported to Cabinet in February 2020 of £220.4m. Table 3 below updates the budget at quarter 1 to take account of a £32.5m increase in the base programme from net rescheduling from 2020/21 into 2021/22, £18.8m of new approved/technical changes and £24.4m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2021/22. It shows 79% of the programme is funded by external grant monies, whilst 13% is funded from borrowing. The programme also includes funding from capital receipts of £14.5m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2021-22 MOVEMENT	Qtr 1 Reporting £m
February 2020 Approved Programme	220.4
Net rescheduling of expenditure from 2019/20	32.5
Revised Programme	252.9
Approved / Technical Changes (see Appendix 2)	18.8
“Net” underspend (See Appendix 3)	(0.2)
“Net” Rescheduling into future years (See Appendix 4)	(24.4)
Revised Estimated Outturn 2019-20	247.1

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	32.1
Grants and Contributions	195.3
Capital Receipts	14.5
Revenue Contributions and Capital Reserve	5.2
Total Resources Available	247.1

2.4 Treasury Management

Interest Rates

The Base Rate was maintained at 0.10% by the Bank of England throughout 2020/21 and into 2021/22. The medium-term outlook shows growing market confidence in the economy following the gradual easing of COVID-19 restrictions. The current forecasts predict the base rate are expected to remain at 0.10% until at least the first quarter of 2024.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2021/22 Capital Programme is £18.9m, taking into account borrowing set out in Section 2.3 above (total £32.1m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.2m). The Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

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 and borrowing interest rates were reduced by 1%. The Treasury Management Strategy 2021/22 approved by Cabinet on 23 February 2021 reflected this change and agreed that the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st April and 30 June 2021 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2021/22 to Q1	Maximum 2021/22 to Q1	As at the End of Q1
5 year	1.32%	1.44%	1.36%
50 year	2.03%	2.26%	2.07%

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

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

Short Term (Temporary) Borrowing and Investments

The Council’s 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. At the start of the financial year £54m of short-term borrowing remained outstanding. This borrowing was all taken out with other local authorities and was primarily required to facilitate the previous upfront payment of pension contributions of £97.8m. All short-term borrowings were fully repaid by the end of Quarter 1.

Returns provided by the Council’s short-term investments yielded an average interest rate of 0.02% over the last 12 months. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 31st March 2021 £m	**As at 30th June 2021 £m**
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	0.0
Money Market Funds	15.0	57.5
Corporate Bonds	0.0	0.0
Registered Providers	10.0	0.0
Total	**25.0**	**57.5**

External 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. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. 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 risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.39% over the last 12 months. As at 30th June 2021 the pooled funds were valued at £29.4m (£28.9m at 31 March 2021), against an original investment of £30m. 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.

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

The indicators, together with the relevant figures as at 30th June 2021 are included in **Appendix 5** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2021/22. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June 2021 the value is -£76.0m (minus) compared to +£96.2m within the

Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June 2021 the value is £252.5m compared to £481.1m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

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

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

5.1 Financial implications

Revenue

Based on budget monitoring trends in previous years the Council will expect to be able to balance its overall revenue budgetary position over the remainder of the year. Should this not be the case, the Council has taken steps to ensure that it has a strong balance sheet position supported by reserve balances and provisions set aside for amounts owed to it which together provide protection against unexpected adverse budget variations. The position will continue to be monitored through the year, in particular in response to any further potential worsening of pandemic conditions through the Autumn and Winter months.

Within this overall picture, the position within Children's Services continues to represent a serious financial issue for the Council. This is being managed in 2021/22 through a combination of time-limited budget funding agreed by the Council and Covid resources available on a one-off basis. However, it remains likely that much of the budgetary pressure being experienced currently will outlast the direct impacts of Covid. Looking ahead to 2022/23, in addition to the current headline overspend of £6.5m, temporary budget funding of £1.4m will fall-out next year which, on one measure, could imply a financial gap of £7.9m. Management attention is focussed currently on projects to understand and mitigate these overspends and this work is of crucial importance as the Council begins its preparations for setting next year's Budget. The need for action to manage down the cost overruns in Children's Services will form what is likely to be the most important part of Strategic Management Board's approach to balancing the 2022/23 Budget position.

Further clarity should emerge as the year progresses on the degree to which recent Covid related income pressures will lessen over time or continue into 2022/23 and therefore need to be reflected in forthcoming Budget deliberations. It seems unlikely that further significant Government support will be made available meaning that the Council will need to plan based on managing any remaining pressures from within its own resource base.

The unrestricted emergency funding of £11.3m made available for 2021/22 is enough to manage the initial estimates of cost in excess of budget. The Council has also brought forward unrestricted funding of £7.6m from 2020/21 and has a range of other Covid-specific grants available such as the Contain Outbreak Management Fund (COMF) which it will seek to utilise in a way that best manages support to local communities and services across the city. The Covid pressures shown in this report represent variations to Budget. These do not include

Covid pressures of nearly £16m (including within the Council Tax and Business Rates Collection Fund) that the Council had already taken account of as part of the Budget approved in February 2021, the large part of which has been managed locally by the Council without Government funding. Some of these pressures have also been assumed to continue into 2022/23 and therefore it is crucial for the Council to manage its Covid resources on a multi-year basis, maximising the use of specific and time-limited Covid grants in-year but managing more general and flexible funding to support Covid priorities running into next financial year.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. Current forecasts indicate that the Council's capital spending is projected to be £247m compared with the base budget of £220m. This takes account of programme spend brought forward from 2020/21 plus new approvals added to the programme. At this early stage it is expected that £24m of the approved programme is likely to not now occur until 2022/23, with City Centre Regeneration and Friargate 2 accounting for much of this delayed spend.

This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, the second Friargate building, Coventry Station Masterplan, the Air Quality programme, the A46 Link Road and residual Public Realm works.

Legal implications

None

6. Other implications

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

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

It remains important for the Council to ensure that strict budget management continues to the year-end. The Council continues to monitor any changes to the financial position represented by Covid.

6.4 **Equalities / EIA**

No impact.

6.5 **Implications for (or impact on) Climate Change and the environment**

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

6.6 **Implications for partner organisations?**

No impact.

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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	10/08/21	10/08/21

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Appendix 1

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

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

Service Area	Revised Net Budget £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m	Covid Impact £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	(0.1)	0.2	0.1	0.1	0.0
Business Investment & Culture	5.4	5.8	0.2	0.2	0.4	0.3	0.1
Children & Young People	77.5	84.0	(1.7)	8.2	6.5	3.8	2.7
Contingency & Central Budgets	6.0	4.6	0.0	(1.4)	(1.4)	0.0	(1.4)
Education and Inclusion	16.7	17.8	(0.1)	1.2	1.1	0.8	0.3
Finance	4.9	5.9	(0.0)	1.0	1.0	0.2	0.8
Housing and Transformation	13.2	13.7	0.6	(0.2)	0.5	0.4	0.1
Human Resources	1.3	1.4	(0.1)	0.2	0.1	0.0	0.1
Legal and Governance Services	4.1	4.9	0.2	0.6	0.8	0.3	0.5
Directorate Management	1.4	1.4	0.0	0.0	0.0	0.0	0.0
Project Management & Property	(4.5)	(3.2)	0.2	1.1	1.3	1.6	(0.3)
Public Health	0.4	0.3	(0.1)	(0.0)	(0.1)	0.0	(0.1)
Streetscene and Regulatory	29.4	31.6	(0.2)	2.4	2.2	1.2	1.0
Transportation & Highways	6.3	8.0	(0.2)	1.9	1.7	1.5	0.2
Sub-Total	**243.8**	**258.2**	**(1.1)**	**15.4**	**14.3**	**10.3**	**4.0**
Covid Emergency Funding Contribution						**(10.3)**	
Total	**243.8**	**258.1**	**(1.1)**	**15.4**	**14.3**	**0.0**	**4.0**

under-spend shown below is principally the effect of unfilled vacancies.

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £375k This forecast absorbs demand growth of circa 80 additional in-City placements and an increase in external placements. The forecast is based on an assumption that fleet vehicles will be able to operate at increased capacity.	0.4
Education and Skills	Education Entitlement	The Outdoor Education Service (OES) is forecasting an over-spend of £184k. Due to Covid the OES service is reopening in a phased way and has had to have some expenditure to reopen. It is planned this will be part of the recovery programme to be addressed next academic year once local OES services can start to be delivered. The forecast also includes a £400k pressure relating to dedicated school transport for the 2021/22 academic year. This is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes in the 20/21 academic year. Work is ongoing to identify options to ensure that the pressure can be reduced/eliminated in future years.	0.5
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver the outstanding £189k financial savings target set as part of previous budget setting processes to ensure we maximise grant funding against internal training programmes.	0.2
Education and Inclusion	Other Variances Less than 100K		0.1
Education and Inclusion			**1.2**
Children and Young People's Services	Commissioning, QA and Performance	The forecast overspend is largely linked to a £0.1m Safeguarding training income target that is not expected to be met. The opportunities to increase income in this area are currently under review as part of the commercialisation programme. There is also pressure due to the higher cost of agency staff vs. permanent staff within the Safeguarding service, where lots of posts are covered by agency.	0.2
Children and Young People's Services	Help & Protection	The overspend relates to agency staff who are covering vacant posts and those on maternity leave. It is partly offset by an underspend on vacant posts, within the centralised variance. Recruitment continues to be a priority and a service-wide review of agency staff is planned to take place within the next quarter.	2.5
Children and Young People's Services	LAC & Care Leavers	The pressure on the placements budget forms the majority of this overspend, with £2.4m relating to residual COVID activity, and £1.6m arising from further unit cost rises in both the external fostering and residential market due to the COVID impact on supply and demand. The remaining overspend relates to: £0.5m Special Guardianship Order (SGO) allowances, from an increase in SGO orders to promote permanence for children (partially offset by an	5.3

		underspend in RO fees and some one-off income on the ACE budget), £0.7m pressure in LAC permanency due to agency staff and professional fees, and £0.3m Children's Disability Team due to an increase in support packages. There are projects underway in all of these areas to identify ways to mitigate these overspends and understand ongoing pressures.	
Children and Young People's Services	Children's Services Management Team	Pressure in the Social Worker Academy due to running costs and grant fallout to be managed.	0.2
Children and Young People's Services			**8.2**
Adult Social Care	Adult Social Care Director	£0.2m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial position.	**(0.2)**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Overspend due to additional COVID related homecare and placement costs arising as a result of reduced day care services and other miscellaneous increased costs.	**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 (£0.1m). The all Age Disability Team and Mental Health services have also seen increasing demand alongside staff turnover. Ensuring statutory need is met has been essential and has resulted in additional forecast agency cost in both areas.	**0.2**
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			**0.2**
Housing Services & Transformation	Housing and Homelessness	Although the service has seen a small increase in demand during Quarter 1, this hasn't yet been at the levels that are anticipated following the lifting of the eviction ban. The service continues to focus on prevention and further reducing the costs of temporary accommodation	(0.5)
Housing Services & Transformation	ICT & Digital	The Quarter 1 position reflects a reduction in income from our schools' service. The services to school offering is currently being reviewed in line with the corporate review of traded services. There are further uncertainties with the ICT budget with regards to demand for hardware and the fluctuation caused by increased demand due to COVID. Further work is taking place to understand this impact for Quarter 2	0.2
Housing Services & Transformation	Other Variances Less than 100K		0.1
Housing Services & Transformation			**(0.2)**
Legal & Governance Services	Legal Services	The variations are all staffing related, the majority of which (£490k) are as a result of an increased caseload volume for care proceedings. £290k of this is directly related to volumes caused by the COVID-19 pandemic. Additionally, a net pressure of almost £200k is forecast reflecting the cost of agency staff to cover vacancies.	0.7

Legal & Governance Services			**0.7**
Finance & Corporate Services	Revenues and Benefits	This variation is due to a Housing Benefit subsidy pressure of £1.5m due to an increase in the volume and unit cost of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord. The Council has historically had the opportunity to recover overpayments to offset this pressure, however due to customers transferring to Universal Credit and the effects of COVID, this is no longer the case such that it can now only be mitigated by an estimated £0.8m, leaving a net pressure of £0.7m. The remaining pressures are due to administration costs associated with an increasing council tax base and a delay in the implementation of digital solutions and therefore the ability to generate savings. This is currently being partially offset by staff vacancies.	1.0
Finance & Corporate Services			**1.0**
Human Resources	HR and Workforce Development Management	This comprises the remaining balance of the HR savings target offset by some in-year spending controls. Work to address the remainder of the savings target, which increases by a further £150K in 2022/23, continues.	0.2
Human Resources			**0.2**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Aside from COVID 19 related pressures, the sports and culture service is operating within budget. However, a delayed 'wave' profit share (6 months loss of £185k) the cost of maintaining Brandon Wood Golf Course (£57k), footfall caps for Godiva festival (£53k), and unrecovered catering staff costs at St. Mary's (£41k) are all pandemic related costs expected to materialise.	0.2
Business Investment and Culture			**0.2**
Transportation & Highways	Parking	COVID-19 Income pressures due to a significant reduction in parking and enforcement income during the COVID-19 restriction periods. It is anticipated that this will continue to affect the position throughout the rest of the financial year.	1.4
Transportation & Highways	Transport and Innovation	This reflects additional Highways Development Management staff resources which have been brought in to support major planning applications and to provide cover for vacancies.	0.2
Transportation & Highways	Other Variances Less than 100K		0.3
Transportation & Highways			**1.9**
Streetscene & Regulatory Services	Streetpride & Parks	This reflects primarily covid related pressures of £266k resulting from cancelled events in parks, additional staffing and cleaning at the crematorium, and additional vehicles in streetpride. Other pressures	0.5

		include expected agency cover of c£100k (offset by vacancy), and fleet pressures of £110k due to spot hire and avoidable damage cost	
Streetscene & Regulatory Services	Waste & Fleet Services	This is primarily related to pressures in domestic refuse collection. A significant cost relates to availability of both drivers and crew caused by high sickness, self-isolation, and accrued leave, meaning temporary cover arrangements will need to be put in place. Added to this is pressures on workload, which has resulted in a decision to accelerate the two additional rounds planned for April 2022, together with some reactive cost of ensuring all bins are collected.	1.5
Streetscene & Regulatory Services	SSGS Management & Support	Additional costs are being incurred on Car Park Mgt and Security due to ongoing COVID restrictions. The service is looking for a long term solution for this.	0.2
Streetscene & Regulatory Services	Environmental Services	There is an income pressure of £90k in Pest Control (of which £35k relates to COVID). The service is working on potential contracts to reduce this. The remainder relates to the ESU which is experiencing both recruitment pressures due to vacancies and self-isolations (£95k), and also income pressures of £65k due primarily to lower demand for some services including call handling and CCTV monitoring	0.3
Streetscene & Regulatory Services			**2.5**
Project Management and Property Services	Commercial Property and Development	Pandemic related losses in respect of rents are forecast at £1.5m for 21/22. Aside from these pressures, a small surplus to reflect cost management particularly around repairs and maintenance is forecast	1.3
Project Management and Property Services	Facilities & Property Services	This surplus reflects a forecast trading surplus across Repair and Maintenance and Building compliance works	(0.2)
Project Management and Property Services			**1.1**
Public Health			**0.0**
Ringfenced Funding	SEND & Specialist Services	SEN Provision is forecasting an overspend of £1.3m. The forecast expenditure reflects demand growth throughout the system including growth in mainstream EHC Plans, and the cost of extended entitlement post 16 as a consequence of Covid disruption to courses this is in addition to post 16 demand growth. There is significant additional pressure on special school placements particularly in the area of SEMH (behaviour) which has increased the LAs dependency on external independent schools. This is likely to persist until Woodfield is able to increase local capacity. SEN Support Services are forecasting an under spend of £0.4m. The under spend represents salary forecasts taking into account vacancies, all of which have been recruited to and will be filled in September 21.	1.0

Ringfenced Funding	Schools	High Needs unallocated resource which has been earmarked to fund the SEND review.	(2.8)
Ringfenced Funding	Education Entitlement	The Management committee for Coventry ELC & Hospital Education have looked to secure reserves of the total income of around 5% - however the under spend of £165k is due to the vacancies that were not filled during lockdown and less spend due to working from home, there is a strategic direction for investment in the centres long term which is why the board wish to have reserves.	(0.2)
Ringfenced Funding	Education Improvement & Standards	The underspend is across staffing budgets and is a result of delays in the implementation of the Early Years Restructure. All vacant posts are either recruited to are in the process of being recruited to so the underspend is not ongoing beyond the current financial year.	(0.2)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	2.2
Ringfenced Funding			**0.0**
Corporate & Contingency	Corporate Finance	A favourable variation of £1.4m is forecast at this stage arising from a combination of Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis and could improve over the course of the year.	(1.4)
Corporate & Contingency			**(1.4)**
Total Non-Controllable Variances			**15.4**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
SEND	Part of the works in 20/21 should have been funded through Basic Need Grant and not SEND as this was earmarked for another project, budgets have now been realigned in 21/22 to reflect this	0.4
City Centre Destination Leisure Facility	Funds from reserves to cover costs of resurfacing at the Wave	0.3
Public Realm Phase 5	Palmer Lane Regeneration, Cabinet Member Report for Jobs, Regeneration and Climate Change on 15th July 2021. Approval of £950k addition to the capital programme to fund the overall estimated £1.6m scheme.	1.0
Highways Maintenance & Investment	Additional Highways Maintenance Funding announced by the DfT in February 2021 but after Budget Setting report had gone to Council	0.8
UK Central + Connectivity - VLR	Technical adjustment as this element of the Getting Building Fund was built into the programme at Capital Outturn 2020-21	(0.4)
City Centre Regeneration	Additional revenue funding to fund expenditure not eligible from grant - via rental income	0.2
GD46/GBF08 - Ricoh Arena Renewal	New Grant Received	3.9
National Battery Manufacturing Development Facility - Faraday Challenge	New Grant Received	3.4
Public Building Retrofit - council buildings	New Grant Received	6.3
Public Building Retrofit - schools	New Grant Received	2.5
Coventry Station Masterplan	New Grant Received	0.4
TOTAL APPROVED / TECHNICAL CHANGES		**18.8**

Appendix 3

DIRECTORATE	BASE BUDGET 21/22 plus 20/21 RESCHEDULING £m	TOTAL APPROVED TECHNICAL CHANGES £m	TOTAL OVER / UNDER SPEND £m	TOTAL RESCHEDULED EXPENDITURE £m	REVISED ESTIMATED OUTTURN QTR1 21-22 £m
PEOPLE	41.2	2.8	0.0	(4.9)	39.1
PLACE	211.7	15.9	0.1	(19.5)	208.3
TOTAL	**252.9**	**18.8**	**0.1**	**(24.4)**	**247.4**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
ESIF - Business Support Phase 2	The programme is behind schedule due to COVID	(0.5)
Vehicle & Plant Replacement	Moved some refuse vehicles into next year as lead-times are 26 weeks and will fall into next year's budget	(0.3)
ESIF - Low Carbon	The programme is behind schedule due to COVID	(0.2)
Lenton's Lane Cemetery - Phase 2	This is due to the re-profiling of the programme over the next 2 years	(0.3)
The Avenue Bowls Club	There has been a delay in the appointing of a Contractor due to COVID Restrictions	(0.8)
Schools -Basic Need	Due to the rescheduling at end of 20/21, this has been re-profiled to 22/23	(2.3)
Schools - Condition	Due to the rescheduling at end of 20/21, this has been re-profiled to 22/23	(0.3)
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. The Government continues to award additional funding to the City Council on top of the already increased DFG resources. The impact of Covid has reduced our ability to realise maximising the use of existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. An expanded programme of works has been identified however due to the backlog caused by Covid increased spend may not be possible until next year.	(2.3)

City Centre Regeneration	Spend on City Centre South is currently forecast to be £3.1m for 21/22. This represents c£10m slippage that is made up predominately of Land Acquisitions. The timing of Land Acquisition spend is driven by the expected CPO processes, the timing of which is also linked to the granting of planning. Since planning committee resolved to grant consent in April 2021 a workstream is now in place to achieve this, with a decision regarding the making of a CPO likely to be taken during 21/22 with the associated spend being incurred thereafter.	(10.4)
Friargate	Appointment of a contractor and construction start towards the end of 20/21 gave the Council a much more accurate spend profile reflecting the construction of Two Friargate. While the construction end date remains unchanged, the profile of constructions costs slips some spend from 21/22 into 22/23.	(5.7)
MRF Development Costs (loan)	Realignment of the loan facility into future years	(1.2)
Miscellaneous under £100k		(0.1)
TOTAL RESCHEDULING		**(24.4)**

Underspend

SCHEME	**EXPLANATION**	**£m**
Green Homes Grant	Due to very high demands for installs, our project delivery partner is struggling with capacity to fulfil the external wall insulation by the September deadline to spend this grant	(0.2)

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2021/22	As at 30th June 2021
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.	14.62%	14.47%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2021 plus the estimates of any additional CFR in the next 3 years (Indicator 2), illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £529.5m	£331.8m Gross borrowing within the limit.
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.	£549.5m	£331.8m is less than the authorised limit.
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.	£529.5m	£331.8m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (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.	£481.1m	£252.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£96.2m	-£76.0m
Maturity Structure 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. < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 4% 3% 21% 3% 69%
Investments Longer than 364 Days (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.	£30m	£30.0m