Coventry City Council

Public report
Cabinet

Cabinet — 14th December 2021
Audit and Procurement Committee — 31st January 2022

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 Second Quarter Financial Monitoring Report (to September 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 September 2021. The headline revenue forecast for 2021/22 is for net expenditure to be **£14.4m** over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net forecast over-spend is **£3.1m.** At the same point in 2020/21 there was a projected overspend of £3.5m.

The position includes an underlying overspend of £6.8m within Children's Services although £3.3m of this has been attributed to the pandemic and funded from one-off Covid funding accordingly leaving a net overspend of £3.4m (2.7m at Quarter 2). Work has been undertaken to understand the likelihood and extent of these pressures continuing into next year and this will be reflected in the 2022/23 Pre-Budget Report. Management focus will continue to identify the causes and manage as far as possible the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position. It is clear though that a combination of societal and demographic trends and market pressures are creating a very difficult environment for the service, part of the effect of which is the challenging financial position reflected here.

Elsewhere, lower level budget pressures have continued or emerged within Streetscene and Regulatory Services, Finance, Legal and Governance Services and Transportation and Highways. In overall terms the corporate position is within acceptable tolerances at this stage of the financial cycle and can be reasonably expected to continue improving towards year-end.

The Council and the city continue to receive Government support linked to Covid within the 2021/22 financial year. This amounts to c£24m announced to date to support Council services directly and a further c£41m 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 £253.4m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, construction of a second office building and a hotel within the Friargate development, Air Quality highways works 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 £253.4m incorporating: £4.8m programme acceleration since quarter one and £1.5m net increase in spending relating to approved/technical changes.

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, 31st January 2022

Will this report go to Council?

No

Report title:
2021/22 Second Quarter Financial Monitoring Report (to September 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 second quarterly monitoring report for 2021/22 to the end of September 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 £3.1m over budget. This is after applying £11.3m 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 £3.5m. Capital spend is projected to be £253.4m.

1.3 It is not unusual for the revenue position to reflect a projected forecast at this stage which 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 Variances

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend	Funding for Covid Related Variance*	Non-Covid Forecast Variance
	£m	£m	£m	£m	£m
Adult Social Care	81.8	81.9	0.1	(0.1)	0.0
Business Investment & Culture	5.4	6.1	0.7	(0.4)	0.2
Children & Young People's Services	78.2	85.0	6.8	(3.3)	3.4
Contingency & Central Budgets	5.5	2.4	(3.1)	0.0	(3.1)
Education and Inclusion	16.1	17.1	1.0	(0.8)	0.2
Finance & Corporate Services	4.8	6.0	1.2	(0.2)	1.0
Housing & Transformation	13.5	13.9	0.4	(0.4)	0.0
Human Resources	1.3	1.4	0.1	(0.1)	0.0
Legal & Governance Services	4.1	5.1	1.0	(0.5)	0.6
Directorate Management	1.4	1.4	0.1	0.0	0.1
Project Management & Property Services	(4.6)	(4.1)	0.5	(1.9)	(1.4)
Public Health	0.3	0.4	0.1	0.0	0.1

Streetscene & Regulatory Services	29.4	32.9	3.5	(2.1)	1.5
Transportation & Highways	6.7	8.8	2.1	(1.6)	0.6
Total	243.8	258.2	14.4	(11.3)	3.1

*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 variations reported at quarter 2 are as a direct result of the COVID-19 impacts across the City Council totalling an estimated £11.3m. 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 additional staffing to manage the increase in caseloads. The Quarter 2 Children’s Services’ position includes an overspend of £3.3m 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 (£1.8m); parking and enforcement income loss (£1.6m); 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 £3.4m. 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, the use of allowances to promote permanence outcomes for children and a continued reliance on agency staff due to recruitment and retention pressures felt across the region.

The £1.5m 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 £2.1m 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.

Within Finance, a £0.8m clawback pressure has emerged relating to the 2019/20 benefit subsidy claim as the Council’s external auditors have, during certification testing, found areas in which subsidy had been over claimed as a result of user processing errors. There is also a net Housing Benefit subsidy pressure of £0.5m due to an increase in the volume and price of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord.

Contingency and Central Budgets
A favourable variation of £3.1m is forecast at this stage arising from a combination of lower borrowing costs and greater investment income within the Asset Management Revenue Account than assumed at Budget Setting and Quarter 1, greater Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis.

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 - subject to confirmation)	(1,002)	
		(12,316)
Funds Council Expenditure – Specific**		
Covid Winter Grant Scheme/Local Support Grant/Household Support Fund	(5,194)	
Contain Outbreak Management Fund	(2,920)	
Holiday Activities and Food Programme 2021	(1,499)	
LA Practical Support Payment (Public Health)	(718)	
Clinically Extremely Vulnerable Support***	(670)	
Welcome Back Fund (Support to High Streets)	(334)	
Business Support Grant New Burdens	(290)	
Emergency Accommodation Allocation	(130)	
		(11,755)
External Provider or Programme Spend		
Adult Social Care Infection Control and Protection Fund	(3,111)	
Adult Social Rapid Testing Fund	(2,108)	
Adult Social Care Vaccine Funding	(155)	
		(5,374)
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	(22,000)	
		(22,000)
Overall Support		**(65,018)**

*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.
****Further amounts will have been paid out in 2021/22 from pre-existing schemes for Additional Restrictions Grant and Local Restrictions Support Grant.

The emergency funding allocation of £11.3m and Sales Fees and Charges Income Loss Compensation of £1.0m is sufficient currently to manage the cost of £11.3m detailed in Table 1. In addition, the specific grants communicated to date of £11.8m are being used to address Covid-specific priority programmes and are shown with a net nil position overall. It is possible that the purpose and guidelines specified in some instances means that not all of the grant will be spent with an expectation that any unused funding will be returned to Government at or after the year end.

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 2 2021/22 capital outturn forecast is £253.4m compared with the original programme reported to Cabinet in February 2021 of £220.4m. Table 3 below updates the budget at quarter 2 to take account of a £1.541m of new approved/technical changes and £4.799m of rescheduling (accelerated spend).

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 2 Reporting £m
Estimated Outturn Quarter 1	247.1
Approved / Technical Changes (see Appendix 2)	1.5
“Net” Rescheduling from future years (See Appendix 4)	4.8
Revised Estimated Outturn 2021-22	253.4

RESOURCES AVAILABLE:	Qtr 2 Reporting £m

Prudential Borrowing (Specific & Gap Funding)	31.7
Grants and Contributions	201.4
Capital Receipts	14.5
Revenue Contributions and Capital Reserve	5.8
Total Resources Available	253.4

2.4 **Treasury Management**

Interest Rates
At the Monetary Policy's Committee meeting of 4th November 2021, it was agreed that the Base Rate was to be maintained at 0.10% despite fears over rising inflation. It was felt that current inflation increases are being driven by shocks to the supply chain, not increased demand and that the inflation will revert close to the 2% target in due course. The current forecast predicts that the base rate will climb incrementally over the next year and may reach 1% by end of 2022.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2021/22 Capital Programme is £18.5m, taking into account borrowing set out in Section 2.3 above (total £31.7m), 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.

Although the Council's recent Capital Programmes have incorporated prudential borrowing as part of the overall resourcing package, no long-term borrowing has been undertaken for several years. This is due in part to the level of investment balances available to the authority. However, the budgeted and future high level of capital spend combined with a lower level of investment balances available mean that the Council will keep this under review. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow.

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 July and 30 September 2021 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2021/22 to Q2	Maximum 2021/22 to Q2	As at the End of Q2
5 year	1.25%	1.62%	1.61%
50 year	1.69%	2.17%	2.17%

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 Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money market funds, helps to ensure that the Council has an adequate source of liquid funds. Current cash projections indicate that the Council may require short-term borrowing to cover cash shortfalls for the final quarter of 2021/22. All previous short-term borrowings (£54m) were fully repaid by the end of Quarter 1.

Returns provided by the Council's short-term investments yielded an average interest rate of 0.03% 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**	**As at 30th Sept 2021** **£m**
Banks and Building Societies	0.0	0.0	0.0
Local Authorities	0.0	0.0	0.0
Money Market Funds	15.0	57.5	39.1
Corporate Bonds	0.0	0.0	0.0
Registered Providers	10.0	0.0	0.0
Total	**25.0**	**57.5**	**39.1**

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 4.36% over the last 12 months. As at 30th September 2021 the pooled funds were valued at £29.8m (£29.4m at 30 June 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 September 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 September 2021 the value is -£42.9m (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 September 2021 the value is £258.5m 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, some of which is being managed in 2021/22 through Covid resources available on a one-off basis. However, it is now clear that much of the budgetary pressure being experienced currently will outlast the direct impacts of Covid. Looking ahead to 2022/23, estimated additional Children’s Services’ pressures have been included within the Pre-Budget Report presented at the same Cabinet meeting as this one. Although the initial three year projection of these costs indicates a medium term trajectory it remains a priority of management to continue to focus on projects to understand and mitigate these overspends taking a longer term view that the Council should seek cost effective models for safe management of vulnerable and looked after children in the city.

Further clarity will also be included within the Pre-Budget Report on the degree to which recent Covid related income pressures will continue into 2022/23. 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 indicative unrestricted funding of £12.3m made available for 2021/22 is likely to be enough to manage the current estimates of cost in excess of budget. The Council has also brought forward funding from a range of other Covid-related grants including 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 £253.4m 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 stage it is expected that £4.8m of the approved programme is likely be accelerated from the 2022/23 programme, with the secondary school expansion accounting for much of this 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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Appendix 1 <u>Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position</u>

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

Service Area	Revised Net Budget £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m	Funding for Covid Impact £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	(0.6)	0.6	0.1	(0.1)	(0.0)
Business Investment & Culture	5.4	6.1	0.4	0.3	0.7	(0.4)	0.2
Children & Young People	78.2	85.0	(2.4)	9.2	6.8	(3.3)	3.4
Contingency & Central Budgets	5.5	2.4	0.0	(3.1)	(3.1)	0.0	(3.1)
Education and Inclusion	16.1	17.1	(0.0)	1.0	1.0	(0.8)	0.2
Finance	4.8	6.0	(0.2)	1.3	1.2	(0.2)	1.0
Housing and Transformation	13.5	13.9	0.4	0.0	0.4	(0.4)	0.0
Human Resources	1.3	1.4	(0.1)	0.2	0.1	(0.1)	0.0
Legal and Governance Services	4.1	5.1	0.2	0.9	1.0	(0.5)	0.6
Directorate Management	1.4	1.4	0.1	0.0	0.1	0.0	0.1
Project Management & Property	(4.6)	(4.1)	0.3	0.2	0.5	(1.9)	(1.4)
Public Health	0.3	0.4	0.0	0.0	0.1	0.0	0.1
Streetscene and Regulatory	29.4	32.9	(0.0)	3.5	3.5	(2.1)	1.5
Transportation & Highways	6.7	8.8	(0.2)	2.4	2.1	(1.6)	0.6
Total	**243.8**	**258.2**	**(2.3)**	**16.6**	**14.4**	**(11.3)**	**3.1**

Budget Holder Variances

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £230k. Increased statutory demand for specialist placements both within and outside of the City continues to be the primary driver for cost increase. This has been compounded by unanticipated levels of post 16 course extensions, as a direct consequence of Covid disruption. However, management action in the form of an e-auction has been successful in reducing some route costs which are reflected in the Q2 forecast.	0.2
Education and Skills	Education Entitlement	Outdoor Education Service (OES) is forecasting an overspend of £242k. 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 we are able to deliver local OES services in City. The forecast also includes a £400k pressure relating to dedicated school transport for the 21/22 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 we can reduce/eliminate this pressure in future years.	0.6
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.	0.3
Education and Skills	Education Improvement & Standards	An underspend on historic pension liability is partly offset against an overspend on school trade union facility time. Work is underway to understand the ongoing forecast of these variances and take corrective action where necessary.	(0.1)
Education and Skills	Libraries, Advice, Health & Information Services	The financial position reflects the service emerging from the Covid lockdown. Whilst library fees and charges have been re-introduced (since 1 October) other sources of income from room bookings etc are still in the early stages of recovery. The Schools' Library Service has also seen a decline in take up from schools which is also related to Covid impact and work is ongoing to re-focus the traded offer for the new challenges faced by schools post lockdown.	0.1
Education and Inclusion	Other Variances Less than 100K		(0.1)
Education and Inclusion			**1.0**
Children and Young People's Services	Commissioning, QA and Performance	The budget position has worsened from Q1 to Q2 with the projected overspend having increased by £76k to £233k.The overspend is largely linked to a shortfall of £0.1m in the Safeguarding training income target that is not expected to be met. Opportunities to increase income in this area are currently being progressed as part of the commercialisation programme and new training packages have been developed but we are yet to see how these will land and see increased income as a result.	**0.3**

		There has also been a pressure due to the higher cost of agency staff vs. permanent staff within the Safeguarding service. The other main driver for the projected overspend in Q2 relates to the PSS and a legacy saving target of £53k which is not going to be met.	
Children and Young People's Services	Help & Protection	There has been a net reduction in the projected overspend from Q1 to Q2 of £400k. This is due to deep-dive work on Social Worker agency spend driven and supported by the Finance Team. Clear expectations are now set in relation to the monitoring and cessation of agency SW contracts. Agency SWs are required within the service to cover vacant posts, maternity and long-term sickness cover as these roles are business critical. With a total forecast spend of £2.6m on Agency, offset by the £1.7 underspend of establishment vacancies the pressure in net pressure on this is £0.9m. There are vacancies being held in the Family Hubs delivering £180k underspend. The service has also seen a significant increase in the volume of families presenting as "homeless" and requiring the local authority to provide them with temporary accommodation. A targeted response is being provided to fast-track those families into permanent accommodation, however, those interim costs are forecast to be £130k overspent in 21/22.	**2.7**
Children and Young People's Services	LAC & Care Leavers	A £3.5m pressure on placements budget forms the majority of this overspend. Of the placement pressure, £1.3m is due to market price increases and £2.2m due to a combination of high numbers of children looked after and an increase in the use of high cost residential placements. Both pressures are linked to COVID activity and the associated impact on supply and demand. The overspend is particularly impacted by the partial delivery of the agreed placements mix. There has been some success with reducing children looked after numbers. The predicted mix of placements has not been achieved, which has resulted in more children living in an external children's homes. This is because of a slower than predicted growth in internal fostering and a closed external fostering market. A reduction in numbers of children looked after in supported accommodation is because more are living in Staying Put or with foster carers. There is a forecast overspend of £0.9m SGO allowances, from an increase in SGO orders to promote permanence for children. Decisions are made for children on an individual basis, accounting for immediate financial efficiency, but this does cause pressure in subsequent years in the SGO budget. This is partially offset by an underspend in RO fees and some one-off income on the ACE budget, but this will be an ongoing pressure in the medium-long term. The remaining overspend consists of: £0.8m pressure in the LAC permanency team and £0.2m in Through Care due to agency staff and professional fees, £0.2m Children's Disability Team due to an increase in support packages, and £0.2m in Supervised Contacts due to increased demand and £0.1m for children	**6.0**

		looked after transport due to increased use of secure transport. There is work underway in all of these areas to identify ways to mitigate these overspends and understand ongoing pressures.	
Children and Young People's Services	**Other Variances Less than 100K**		**0.1**
Children and Young People's Services			**9.1**
Adult Social Care	Adult Social Care Director	The overspend represents an increase in provision for bad debt partially offset by the use of iBCF and other resources to manage the overall 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.	0.3
Adult Social Care	Strategic Commissioning (Adults)	£0.1m underspend relates to Carers budgets. Work is underway to enhance the support the offer to carers for the next 12 months. £0.25m underspend relates to transport as a result of reduced capacity in daycare opportunities.	(0.4)
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m). 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.	0.4
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			**0.6**
Housing Services & Transformation	Housing and Homelessness	The service has seen an increase in households in temporary accommodation, however this hasn't risen as steeply as forecast. However, the increasing number of evictions and the impact of Covid 19 is likely to an increased demand during the next 2 Quarters.	(0.6)
Housing Services & Transformation	ICT & Digital	The Quarter 2 position reflects a reduction in income from our school's 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. This is being compounded further by issues with regards to availability and price variances with regards to ICT equipment as a result of the global microprocessor shortage. Further work is taking place to understand this impact for Quarter 3 and budget setting.	0.5
Housing Services & Transformation	Other Variances Less than 100K		0.1
Housing Services & Transformation			**0.0**

Legal & Governance Services	Legal Services	Variations in Legal Services (£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. There are also COVID-19 related pressures in Coroners and Registrars (£180k) due to additional costs incurred and lost income.	0.8
Legal & Governance Services			**0.8**
Finance & Corporate Services	Revenues and Benefits	This variation is due to 3 main factors A net Housing Benefit subsidy pressure of £0.5m due to an increase in the volume and price 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 has been greatly reduced. In addition, a £0.8m clawback pressure has emerged relating to the 2019/20 benefit subsidy claim due to failures on testing carried out in the certification process being higher than originally identified. The remaining net pressure of c£0.2m is due to administration costs associated with an increasing council tax base and a delay in the implementation of digital solutions to make savings.	1.4
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			**1.3**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	This pressure primarily reflects the loss of the Council's share of 'the Wave' profit caused by the facility being closed in the early part of the year due to Covid, reduced Godiva ticket sales, together with some short term operating costs in respect of Brandon Wood Golf course	0.3
Business Investment and Culture			**0.3**
Transportation & Highways	Parking	COVID-19 Income pressures due to a significant reduction in parking and enforcement income during the COVID-19 restriction periods and reduced collection rates. It is likely that this will continue to affect the position throughout the rest of the financial year.	1.5
Transportation & Highways	Highways	There are variances circa £150k due to delays in delivering MTFS targets and the use of agency to cover vacancies	0.1
Transportation & Highways	Transport and Innovation	This reflects additional Highways Development Management agency staff resources which have been brought in to support the with the major planning	0.5

		applications and to provide cover for vacancies due to the inability to recruit	
Transportation & Highways	Other Variances Less than 100K		0.2
Transportation & Highways			**2.3**
Streetscene & Regulatory Services	Regulatory Services	Due to COVID it hasn't been possible to carry out the required checks which has resulted in a number of licenses being issued as 5 year rather than the predicted 1 or 2 year.	0.4
Streetscene & Regulatory Services	Streetpride & Parks	This primarily reflects COVID related pressures resulting from cancelled events in parks, additional staffing and cleaning at the crematorium and additional manned vehicles in Streetpride. A large proportion of this was however offset by vacancy savings.	0.8
Streetscene & Regulatory Services	Waste & Fleet Services	£1.3m of this relates to pressures in Domestic Waste, most of which is as a result of the temporary cover arrangements required to cover sickness, isolation and accrued leave. In addition, pressures in workload has resulted in a decision to accelerate 2 additional rounds originally planned to be implemented in April 2022. Commercial Waste is forecasting a pressure of c£0.4m which is due to a combination of shortage of drivers, increased disposal gate fees and loss of income due to Covid. Waste Disposal costs are forecast to be underspent by c£136k which is primarily due to reduced CA Site Mgt costs. This is a direct result of introducing the appointment system. Fleet are also forecasting a small underspend due to reduced capital financing charges.	1.7
Streetscene & Regulatory Services	SSGS Management & Support	Additional costs are being incurred on Car Park Mgt & Security due to COVID restrictions and temporary mortuary fees.	0.4
Streetscene & Regulatory Services	Environmental Services	This is largely due to pest Control income pressures of £100k, partially due to COVID, additional staff cover caused by vacancies & isolating in the ESU of £150k, and an income loss of £60k from a reduced uptake of some services including Call handling, CCTV and Alarm Monitoring.	0.3
Streetscene & Regulatory Services			**3.5**
Project Management and Property Services	Commercial Property and Development	The underlying variance is a surplus of c£1m to reflect better performance against target. This is however being more than offset by a potential write off of rents forecast of £1.8m due to the lasting impact of the pandemic.	0.7
Project Management and Property Services	Facilities & Property Services	This is primarily a trading surplus within the Repair and Maintenance function due to increased project work, together with lower running costs for operational property due to lower usage over the lockdown periods	(0.6)
Project Management and Property Services	Other Variances Less than 100K		0.1

Project Management and Property Services			**0.2**
Ringfenced Funding	SEND & Specialist Services	SEN Provision is forecasting an over spend of £2.1m. The position has worsened by £0.8m compared to Q1. Following the full-time return to school, a small minority of pupils have presented with complex challenging behaviours requiring enhanced provision to secure their placement. This is supported by the LA through a panel process, that considers a time limited student specific financial allocation to enable schools to enhance staffing (1:1 support). There is an increased cost associated with post 16 provision as a result of demand growth compounded by an increase in the average placement fees because of the complexity of learners. It is evident that some of the growth (unanticipated retention) can be attributed to the impact of the pandemic, as students determine to repeat a year or extend their course length as an alternative to entering the world of work or adult social care provisions. The forecast expenditure also reflects the incremental cost of the ongoing increase in EHC Plans and includes a financial pressure against top up payments for mainstream schools. This absorbs the growth in special school post 16 retention, which was higher than originally forecast. The complexity of learners new to the system has increased the average cost with a changing proportion of Band 5 / Band 6 allocations. There is significant pressure on special school placements particularly in the area of SEMH (behaviour) which has increased the LA's 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 £0.5m. This mainly represents salary forecasts taking into account vacancies, the majority of these have been recruited to from September 21.	1.6
Ringfenced Funding	Schools	£2.75m relates to High Needs unallocated resource which has been earmarked to fund the SEND review. £155k is the underspend on Early Years provision for Summer Term due to a reduction in pupil hours	(3.0)
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	1.6
Ringfenced Funding			**0.0**
Corporate & Contingency		A favourable variation of £3.1m is forecast at this stage arising from a combination of lower borrowing costs and greater investment income	(3.1)

		within the Asset Management Revenue Account, greater Business Rates pooling income and lower than anticipated employer superannuation costs.	
Corporate & Contingency			**(3.1)**
Total Non-Controllable Variances			**16.6**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	**EXPLANATION**	**£m**
Coventry Station Masterplan	Realignment of budget to match funding	0.8
JCB Pothole	Purchase of the new JCB Pothole Pro vehicle. This is a unique 3 in 1 solution specifically designed to sort out any pothole repair or large reinstatement operations, efficiently, economically and permanently.	0.2
Highways Investment	£300k transfer to revenue to provide further support to the Highways reactive maintenance programme due to continued deterioration of the road and pavement network. This funding provides for three extra patching gangs until the end of the financial year. The £300k to be transferred from flood risk and drainage as a resource switch to fund the above additional pressures. Funding to be switched back to Drainage programme as required in future.	(0.3)
Dynamic Charging of Vehicles	Coventry City Council are accountable body and have secured £345k from Western Power Distribution's National Innovation Allowance (NIA) to carry out the feasibility study to see how the dynamic wireless charging technology will have impact on the energy grid and on the UK's road network. This will be delivered via a consortium of partners.	0.3
Funeral Directors	Affordable funeral provision	0.1
Miscellaneous		0.4
TOTAL APPROVED / TECHNICAL CHANGES		**1.6**

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	2.7	0.0	(1.3)	42.6
PLACE	211.7	17.6	(0.2)	(18.3)	210.8
TOTAL	**252.9**	**20.3**	**(0.2)**	**(19.6)**	**253.4**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
Friargate	The works completed by the contractor BK have been completed in advance of their original planned activity	1.5
Coombe Park new Play Facilities	Expenditure rescheduled into 22/23 due to programme delays – Visitor Centre works are being carried out in advance of the Forest Area Play which will be in 22/23 financial year.	(0.4)
Basic Need - Schools - Grant	The forecast increase in spend this financial year relates to additional project requirements as a result of project delays as a result of Covid, Brexit (resulting in material shortages), putting in mitigations such as temporary mobiles on several school sites. In addition to this, some projects have been accelerated which has meant spend has been expedited.	3.7
Miscellaneous under £100k		(0.3)
TOTAL RESCHEDULING		**4.5**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2021/22	As at 30th September 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%	14.26%
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	£258.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£96.2m	-£42.9m
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%	7% 2% 19% 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	£0.0m