

Cabinet
Audit and Procurement Committee

15th February 2022
21st March 2022

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City wide

Title:

2021/22 Third Quarter Financial Monitoring Report (to December 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 December 2021. The headline revenue forecast for 2021/22 is for net expenditure to be **£12.8m** 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 **£2.5m**. At the same point in 2020/21 there was a projected underspend of £0.5m. This overall position incorporates two key areas of overspend.

There is an underlying overspend of £10.1m within Children's Services although £8.5m of this has been attributed to the pandemic and funded from one-off Covid funding leaving a net overspend of £1.6m. (3.4m at Quarter 2). Despite this use of Covid funding the underlying overspend represents a serious worsening of the position since the start of the year and a heightened risk to the Council's overall financial position. Whilst this position is consistent with the basis of the 2022/23 Pre-Budget Report it remains critical that work continues to be undertaken to understand the likelihood and extent of these pressures and any potential actions to reduce them in the future. 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.

After adjusting for the effects of Covid, the Streetscene and Regulatory Service is forecasting to be overspent by £4.3m by the year-end if the current industrial dispute by HGV drivers continues over this period. The HGV driver industrial dispute is resulting in a net pressure of c£1.8m, due primarily to the facilitation of the temporary waste collection sites, the revised arrangements for a fortnightly household waste collection and the loss of commercial waste income.

Elsewhere, lower-level budget pressures have continued or emerged within Business, Investment and Culture, Finance and Legal and Governance Services. Underspends are reported within Corporate budgets and Housing and Transformation such that the corporate position has stayed within acceptable tolerances and can be reasonably expected to improve towards the 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£43m 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 although the emergence of any further Covid-variants could still change the landscape of Government funding through 2022.

The Council's capital spending is projected to be £223.6m and includes major scheme expenditure which ranges from: investment in 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 had been moving gradually towards a business as usual position as the year progresses with activity and impacts arising from the Covid pandemic starting to subside. This position could be disrupted with the recent rise in case numbers whilst some pockets of service activity continue to be significantly affected. Significant financial risk remains in relation to the underlying funding position for local government, the future trajectory of Covid costs and challenging financial situations within a few service areas. It remains a financial imperative therefore to focus on the medium-term horizon and for the Council to anticipate and address 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 £223.6m incorporating: £27.4m programme rescheduling since quarter two and £2.3m net reduction 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, 21st March 2022

Will this report go to Council?

No

Report title:

2021/22 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2021/22 to the end of December 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 £2.5m 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 underspend of £0.5m. Capital spend is projected to be £223.6m.
- 1.3 The revenue forecast has continued to improve through the year and is anticipated will move further towards a balanced position by the year-end although significant pressures reported within Children's Services and Streetscene represent a serious challenge to the Council's ability to stay within budget. If this were not to be achieved, the Council maintains a strong balance sheet which could withstand any overspend within reasonable limits.

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	7.0	1.6	0.5	1.1
Children & Young People	78.2	82.6	4.4	2.8	1.6
Contingency & Central Budgets	5.7	2.7	(3.0)	0.0	(3.0)
Education and Inclusion	16.1	16.7	0.6	0.6	0.0
Finance	4.9	5.8	0.9	0.2	0.7
Housing & Transformation	13.0	11.4	(1.7)	0.2	(1.8)
Human Resources	1.3	1.5	0.2	0.1	0.1
Legal & Governance Services	4.1	5.5	1.4	0.6	0.7
Directorate Management	1.3	1.4	0.1	0.0	0.1
Project Management & Property Services	(4.8)	(4.1)	0.7	1.9	(1.3)
Public Health	0.3	0.1	(0.2)	0.0	(0.2)
Streetscene & Regulatory Services	29.4	36.0	6.6	2.3	4.3

Transportation & Highways	7.0	8.3	1.4	1.1	0.3
Total	243.8	256.6	12.8	10.3	2.5

*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 headline overspend of £10.1m within Children and Young People's Services is caused by: an increased number of children's placements; an increased reliance on high cost external residential placements; and the cost of agency staffing to manage increased caseloads. This has been accentuated by unit costs of the external placement market rising by 10% since the last financial year. During quarter 3, £5.7m of specific Covid funding has been used to reduce the total overspend from £10.1m to £4.4m, of which a further £2.8m is judged to be the result of Covid and eligible to be funded from Covid emergency funding. This leaves a net overspend of £1.6m. It should be noted that the additional funding for Children's Services within the 2022/23 Budget proposals reflect the view that much of the Covid impact is now expected to continue into the medium term.

The overall Streetscene and Regulatory Services overspend has increased from £3.5m at Quarter to £6.9m at Quarter 3, incurred mostly across Waste and Fleet Services (£3.7m), Streetpride (£0.8m), Planning (£0.7m), Streetscene and Greenspace (£0.5m) and Environmental Services (£0.4m).

The key variations can be broken down as follows. Within Waste and Fleet, the HGV driver industrial dispute is forecast to result in a net pressure of c£1.8m if this continues to the end of March. This is primarily the cost of the temporary waste collection sites (£1.6m), the revised arrangements for a fortnightly household waste collection (£0.4m) and a net loss of commercial waste income (£0.9m) less savings from salaries, fuel and waste disposal costs. The loss of commercial business may have a lasting impact on the sustainability of the service. Other Streetscene variations include domestic refuse pressure of £0.35m due to the acceleration of 2 additional rounds originally planned for April 2022 and £0.4 for temporary cover arrangements required to cover higher than budget sickness, plus isolation and accrued leave absences. A range of other income pressures exist across Bereavement Services, Planning, the War Memorial Park car park and Pest Control.

Directorate - Covid-Related

The largest part of the Council-wide variations reported at quarter 3 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 is subject to significant estimation uncertainty. Covid financial impacts accounted for a budget variation of c£31m in 2020/21.

In addition to the Children's and Streetscene variations above, other Covid related impacts include: forecast commercial property rent losses (£1.8m); parking and enforcement income loss (£1.1m); and additional staffing across several services reflecting staffing cover for additional Covid workload including within Legal Services (£0.6m).

Directorate - Non-Covid

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

In addition to the Children's and Streetscene variations above there is an overspend in Business Investment and Culture of £1.1m. This pressure is due primarily to the corporate decision to acquire the former IKEA site and redevelop into a national collections centre

resulting in some unbudgeted Business Rates costs. In addition, there are smaller variations in relation to 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 festival ticket sales, and some short-term operating costs in respect of the Brandon Wood Golf course site whilst closed.

There is also a £1.8m Housing and Transformation underspend driven by lower-than-expected costs amounting to £2.4m due to a lower than anticipated number of households in temporary accommodation.

Contingency and Central Budgets

A favourable variation of £3.0m 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, greater Business Rates pooling income and lower than anticipated employer superannuation and contingency costs.

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)	
Community Vaccine Champions	(185)	
Emergency Accommodation Allocation	(130)	
		(11,940)
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)	
Omicron Hospitality and Leisure Grants	(1,878)	
Additional Restrictions Grant	(433)	
		(15,884)
Business Rates & Council Tax Collection Fund Contributions		
Retail Leisure and Hospitality Business Rates Reliefs	(22,000)	
		(22,000)
Overall Support		(67,514)

* A further £8.3m is available having been carried forward as receipts in advance. £6.1m of this is COMF.

**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 £10.3m detailed in Table 1. In addition, the specific grants communicated to date of £11.9m 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 3 2021/22 capital outturn forecast is £223.3m compared with the original programme reported to Cabinet in February 2021 of £220.4m. Table 3 below updates the budget at quarter 3 to take account of a £2.3m reduction of new approved/technical changes and £27.4m of rescheduling.

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 12% is funded from borrowing. The programme also includes funding from capital receipts of £13.1m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2021-22 MOVEMENT	Qtr 3 Reporting £m
Estimated Outturn Quarter 2	253.4
Approved / Technical Changes (see Appendix 2)	(2.3)
“Net” Underspending	(0.1)
“Net” Rescheduling from future years (See Appendix 4)	(27.4)
Revised Estimated Outturn 2021-22	223.6

RESOURCES AVAILABLE:	Qtr 3 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	27.7
Grants and Contributions	177.4
Capital Receipts	13.1
Revenue Contributions and Capital Reserve	5.4
Total Resources Available	223.6

2.4 Treasury Management

Interest Rates

The ongoing impact to the UK from Coronavirus, together with higher inflation, the likelihood of higher interest rates and the country’s trade position post-Brexit are major influences on the economy and the Council’s ability to gain returns on investments.

On the 16th December 2021, the Monetary Policy Committee (MPC) agreed to raise bank interest rates from 0.10% to 0.25%. Recent rising inflation prompted the move as the MPC raised concerns about strong labour market performance and persistent increases in prices. The decision was accompanied by comments about the path for Bank Rate which may see further rate rises over the coming months despite weakening economic activity. The Council’s Treasury Management Advisors, Arlingclose, expect the Bank Interest Rate to rise to 0.50% in Q1 2022, but then remain there. Other experts are predicting bigger rate rises in the near future.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2021/22 Capital Programme is £14.5m, taking into account borrowing set out in Section 2.3 above (total £27.7m), 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 recent 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. The Budget Report 2021/22 advised to not pursue this type of activity in the medium term and no current capital projects are affected by this. This will ensure that the Council's access to the PWLB for capital funding is maintained.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1 October and 31 December 2021 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2021/22 to Q3	Maximum 2021/22 to Q3	As at the End of Q3
5 year	1.49%	1.84%	1.80%
50 year	1.45%	2.37%	1.89%

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 0.05% 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 31 March 2021	As at 30 June 2021	As at 30 September 2021	As at 31 December 2021
	£m	£m	£m	£m
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	0.0	0.0	0.0	0.0
Money Market Funds	15.0	57.5	39.1	21.2
Corporate Bonds	0.0	0.0	0.0	0.0
Registered Providers	10.0	0.0	0.0	0.0
Total	25.0	57.5	39.1	21.2

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 3.92% over the last 12 months. As at 31 December 2021 the pooled funds were valued at £30.6m (£29.8m at 30 September 2021), against an original investment of £30m. Four of the seven funds have now exceeded their original purchase capital value, whilst the remaining three are yet to recover their original capital value. This type of investment should always be managed over the medium term although short-term value may still fluctuate. Current accounting rules allow any ‘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 31 December 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 31 December 2021 the value is -£75.8m (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 31 December 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 Chief Operating Officer (Section 151 Officer) 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 further worsening of pandemic conditions experienced recently adds some uncertainty to the position but is not expected to affect the bottom-line position to a significant degree at this stage.

The position within Children's Services continues to represent a serious financial issue for the Council which has worsened since the Quarter 2 report. Although significant, the Council has been able to manage much of this pressure in 2021/22 through Covid resources available on a one-off basis. The reality that much of the budgetary pressure being experienced currently will outlast the direct impacts of Covid has been reflected in the Council's 2022/23 and future budget plans. Despite this, 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.

The emerging pressures within Streetscene and Regulatory Services represents further risk to the Council's financial position. Much of the non-Covid pressure relates to the current HGV driver industrial dispute which has been assumed for financial forecast reasons to last for the remainder of the financial year. The Council is keen to resolve the dispute as quickly as possible to prevent this scenario. Given that the rate at which costs are being incurred, it is a financial as well as a service imperative to bring this matter to a conclusion.

The indicative unrestricted Covid funding of £12.3m made available for 2021/22 is likely to be enough to manage the current estimates of unbudgeted Covid costs. 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 to fund eligible expenditure 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 £223.6m 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 £27.4m of the approved programme is likely to be rescheduled into the 2022/23 programme, with the A46 and Friargate 2 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.

Report author(s):**Name and job title:**

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Helen Williamson	Lead Accountant Capital	Finance	17/1/22	21/1/22
Adam Stretton	Accountant	Finance	17/1/22	21/1/22
Names of approvers for submission: (officers and members)				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	Finance	24/1/22	31/1/22
Sarah Harriott	Corporate Governance Lawyer	Law and Governance	21/1/22	21/1/22
Councillor R Brown	Cabinet Member for Strategic Finance and Resources		31/1/22	01/2/22

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

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance	Less Covid Impact	Non-Covid Forecast Variation
	£m	£m	£m	£m	£m	£m	£m
Adult Social Care	81.8	81.9	(0.7)	0.8	0.1	0.1	0.0
Business Investment & Culture	5.4	7.0	0.4	1.3	1.6	0.5	1.1
Children & Young People	78.2	82.6	(2.9)	7.3	4.4	2.7	1.6
Contingency & Central Budgets	5.7	2.7	0.0	(3.0)	(3.0)	0.0	(3.0)
Education and Inclusion	16.1	16.6	0.0	0.6	0.6	0.6	0.0
Finance	4.9	5.8	(0.2)	1.0	0.9	0.2	0.7
Housing and Transformation	13.0	11.4	0.1	(1.8)	(1.7)	0.2	(1.8)
Human Resources	1.3	1.5	0.0	0.2	0.2	0.1	0.1
Legal and Governance Services	4.1	5.5	0.1	1.2	1.4	0.6	0.7
Directorate Management	1.3	1.4	0.0	0.0	0.1	0.0	0.1
Project Management & Property	(4.8)	(4.1)	0.3	0.3	0.7	1.9	(1.3)
Public Health	0.3	0.1	0.0	(0.2)	(0.2)	0.0	(0.2)
Streetscene and Regulatory	29.4	36.0	0.2	6.4	6.6	2.3	4.3
Transportation & Highways	7.0	8.3	(0.3)	1.6	1.4	1.1	0.3
Total	243.8	256.6	(2.7)	15.6	12.8	10.3	2.5

Budget Holder Variances

Service Area	Reporting Area	Explanation	£m
Education and Skills	Education Entitlement	The overspend is largely a result of reduced opening at Plas Dol-y-Moch due to COVID-19 pandemic meaning that we have been unable to achieve income targets. The centre is now back open and taking groups in accordance with a risk assessment.	0.2
Education and Inclusion	Other Variances Less than 100K		0.4
Education and Inclusion			0.6
Children and Young People's Services	Children's Services Management Team	Covid funding allocated to Management Team cost centre.	(5.1)
Children and Young People's Services	Commissioning, QA and Performance	<p>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.</p> <p>Other pressures include the higher cost of agency staff vs. permanent staff within the Safeguarding service and a legacy saving target of £53k in PSS which is not going to be met.</p>	0.4
Children and Young People's Services	Help & Protection	<p>The most significant overspend is linked to staffing, with an £876k overspend forecast across the Area Teams. This is largely attributable to the high use of agency staff and the cost variance between the budget for permanent staffing and the additional costs of agency staff. This is offset by a £300k staffing underspend in the family hubs. There is ongoing development work which aligns with Coventry's recruitment and retention strategy to address the staffing challenges which are seen both regionally and nationally.</p> <p>Additionally, there is an £120k forecast overspend on S17 budgets. This is due to spend on accommodation for 2 cohorts i) Children and families who are being financially supported by Children Services in temporary accommodation where housing have discharged their duty to support ii) Young mothers in supported accommodation. There is ongoing development work to address the issues regarding this overspend which involves working collaboratively with multi agency partners.</p>	2.8
Children and Young People's Services	LAC & Care Leavers	<p>A £6.5m pressure on placements budget forms the majority of this overspend; £2m of this is due to market price increases; £4.5m is due to a high numbers of children looked after and an increase in the use high cost residential placements due to issues with placement sufficiency.</p> <p>Both pressures are linked to COVID activity and the associated impact on supply and demand. Sufficiency problems and a lack of suitable placements have</p>	9.2

		<p>resulted in several particularly high-cost placements and has meant that the agreed placements mix has only been partially delivered.</p> <p>There has been some success with reducing children looked after numbers in the year. However, there has been an increase in the proportion of looked after children living in 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 remaining with their foster carers under Staying Put arrangements.</p> <p>There is a forecast overspend of £0.7m Special Guardianship Order allowances, arising from an increase in SGO orders to promote permanence for children. This is partially offset by an underspend in Residence Order fees and some one-off income on the Adoption Central England budget, but this will be an ongoing pressure in the medium-long term.</p> <p>The remaining overspend consists of: £1.1m pressure in the LAC permanency team due to agency staff and professional fees, £0.1m in the 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 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.</p>	
Children and Young People's Services	Other Variances Less than 100K		(0.1)
Children and Young People's Services			7.2
Adult Social Care	Community Purchasing Other	Spend is increasing due to the cost of packages for both new and existing service users. Demand remains relatively stable at this time but increasing complexity of service users and the cost of services generally is increasing the pressure on the budget.	0.5
Adult Social Care	Localities and Social Care Operational	Overspend of £0.15m due to salary savings target. Further overspends relating to additional forecast agency costs which have been offset by centralised underspends due to staff vacancies. The use of agency is essential at the moment due to the high number of vacancies but we should slowly start to see a reduction in our use of agency as permanent staff are recruited.	0.4
Adult Social Care	Strategic Commissioning (Adults)	£0.2m underspend relates to Carers budgets. Work is underway to enhance the support offer to carers for the next 12 months. £0.4m underspend relates to transport as a result of reduced demand for day opportunities.	(0.6)
Adult Social Care	Partnerships and Social Care Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m). The Initial Contact and Promoting Independence Team and Community Discharge Team have also seen increasing demand alongside staff turnover. Ensuring statutory need is	0.4

		met has been essential and has resulted in additional forecast agency cost in both areas, which has been partly offset by centralised underspends due to staff vacancies.	
Adult Social Care	Other Variances Less than 100K		(0.1)
Adult Social Care			0.8
Housing Services & Transformation	Housing and Homelessness	Although the service has seen a steady demand for temporary accommodation the numbers have decreased rather than increasing. It had been anticipated that the number of households in TA would increase throughout the year, however to date this hasn't materialised. The number of prevention and relief positive outcomes have increased in line with the target for 21/22. It is likely that there will be increased pressure during Quarter 4 however this has been built into the forecast	(2.1)
Housing Services & Transformation	ICT & Digital	The Quarter 3 position reflects a continued reduction in income from our schools service meaning we are again unable to meet our income target. The services to school offering is currently being reviewed in line with the corporate review of traded services. There continue to be 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. There is the possibility for more variance between Quarter 3 and 4 (both positive and negative) due to this volatility and uncertainty.	0.5
Housing Services & Transformation	Procurement	The Quarter 3 position reflects a one-off credit from a backdated procurement rebate circa £100k in addition to an improved performance from early payment system circa £45k	(0.1)
Housing Services & Transformation	Corporate Communications	Quarter 3 forecast overspend relates to outstanding savings targets and under-achievement of income. This may be balanced by a reduction in expenditure on the Centralised Promotions budget. Decisions will be made on that between now and the end of the financial year.	0.1
Housing Services & Transformation			(1.8)
Legal & Governance Services	Legal Services	This pressure is caused by a significantly increased workload for Children's care proceedings, c£450k of which is as a direct result of the pandemic, and an underlying pressure of £200k. In addition, a further pressure of £350k reflects the cost of agency staff to cover vacancies and other additional resource requirements. There are also pandemic related pressures in Coroners and Registrars of £180k due to additional costs incurred and lost income.	1.2
Legal & Governance Services			1.2
Finance & Corporate Services	Revenues and Benefits	This variation is primarily due to a £0.8m clawback pressure relating to the 2019/20 benefit subsidy claim due to failures on testing carried out in the certification process being higher than originally identified. Additionally, there is a net Housing Benefit subsidy pressure of £0.5m caused by an increase in the	1.2

		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. These are offset partially by an estimated improvement in court cost income.	
Finance & Corporate Services	Other Variances Less than 100K		(0.2)
Finance & Corporate Services			1.0
Human Resources	HR and Workforce Development Management	This relates to delays in achievement of savings target. 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	This pressure is due primarily to the corporate decision to acquire the former IKEA site and redevelop into a national collections centre resulting in some unbudgeted Business Rates costs. This is a long term project which will generate partner rent over 30 years. In addition, there are smaller variations in relation to 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 festival ticket sales, and some short term operating costs in respect of the Brandon Wood Golf course site whilst closed.	1.3
Business Investment and Culture	Other Variances Less than 100K		(0.1)
Business Investment and Culture			1.2
Transportation & Highways	Parking	This reflects income pressures due to a significant reduction in enforcement income during the COVID-19 restriction periods and reduced collection rates. The position had initially improved significantly during Q3 following the easing of restrictions, however the reintroduction of restrictions following the Omicron variant will have an adverse impact on the final outturn position.	0.9
Transportation & Highways	Highways	This is primarily the use of agency to cover vacancies together with a delay in delivering an MTFs target	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 applications and to provide cover for vacancies due to the inability to recruit	0.4
Transportation & Highways	Other Variances Less than 100K		0.2
Transportation & Highways			1.6
Streetscene & Regulatory Services	Planning Services	This pressure relates to lower planning application fee income primarily as a result of the economic downturn caused by the pandemic, with major applications	0.4

		having reduced (nationally) due to the economic uncertainty surrounding the timing of the recovery of the development industry.	
Streetscene & Regulatory Services	Regulatory Services	This variation is predominantly due to COVID. The service has been unable to carry out the required checks/inspections and as a result has had to issue 5 year rather than 1 or 2 year licenses, which has reduced the income received.	0.4
Streetscene & Regulatory Services	Streetpride & Parks	The primary cause of this variation relate to a combination of a loss of income at the War Memorial Park car park of £225k, reduced income in Bereavement Services of £335k caused by a reduction in death rates and £350k Covid related pressures relating to cancelation of events at parks causing (£130k), additional fleet costs (£130k) and Crematorium costs e.g. cleaning (£92k).	1.3
Streetscene & Regulatory Services	Waste & Fleet Services	The 2 primary variations relate to domestic refuse collection and the commercial waste function. In domestic refuse, the acceleration of 2 additional rounds originally planned for April 22 is costing £350k extra. Further pressure of £400k relates to temporary cover arrangements required to cover higher than budget sickness, plus isolation and accrued leave absences. The HGV driver industrial dispute is also resulting in a net pressure of c£1.8m, primarily due to the facilitation of the temporary waste collection sites and loss of commercial waste income less savings from salary and waste disposal costs. The loss of commercial income could have a sustained impact on the sustainability of the service. In commercial waste, the impact of Covid has caused a reduction in income due to the government restrictions of c£0.3m.	3.5
Streetscene & Regulatory Services	SSGS Management & Support	This variation is all due to COVID and relates to additional spend on security and car park management at the War Memorial Park & Coombe Park, and temporary mortuary fees.	0.4
Streetscene & Regulatory Services	Environmental Services	There are 2 primary causes of this pressure. Pest Control income is expected to be underachieved by around £100k, partially due to the impact of the pandemic. In addition, the Emergency Services Unit are forecasting an overspend of £180k. This is due partly to a reduced uptake of some services including call handling, CCTV and Alarm Monitoring, together with an increase in telephone & software costs and the change in the provision of the Careline Service. These pressures are under review to determine their recoverability in the medium term	0.3
Streetscene & Regulatory Services			6.3
Public Health	Public Health - Insight	A number of small scale projects have not been delivered due to resources being focussed on COVID activity	(0.1)
Public Health	Other Variances Less than 100K		(0.1)
Public Health			(0.2)
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	0.9

		forecast of £1.8m due to the lasting impact of the pandemic.	
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			0.3
Ringfenced Funding	SEND & Specialist Services	<p>Overall, SEN statutory provision (placements and child specific funding) is forecast to overspend by £1.7M against the set budget, as a consequence of increased demand, extended retention within the system and an increase in average unit costs, as a consequence of an increase in the complexity of need and the necessity to use market led external placements. Factors include:</p> <ul style="list-style-type: none"> • following the challenge of a return to full-time education, a small minority of pupils have presented with complex challenging behaviours requiring enhanced provision to secure mainstream placements. Requests for time limited pupil specific financial allocation to enable schools to enhance staffing (provision of 1:1 support are considered and reviewed though a panel process. • the ongoing demand for EHC Plans continues to increase, particularly in the early years alongside the severity of needs. Consequently, the average cost of funding an EHC Plan in mainstream has increased, because of the significant increase in Band 6 allocations, for pupils entering the SEND system. • the number of pupils placed within the independent/out of City sector has increased significantly, particularly for children presenting with complex social, emotional and behavioural difficulties. This is because local special school provision is currently exhausted. The situation is expected to alleviate when Woodfield School is able to expand pupil numbers. • 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. <p>SEN Support services are forecasting an under spend of £0.4M. This includes salary forecasts taking into account vacancies, the majority of which have been recruited to from September 21; increased trading income and a planned Covid related pause in enhancing and expanding the delegated Autism enhanced resource centres, which are now underway.</p>	1.3
Ringfenced Funding	Schools	£2.8m relates to High Needs unallocated resource which has been earmarked to fund the SEND review. £138k is the underspend on Early Years provision.	(3.0)

Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	1.7
Ringfenced Funding	Education Entitlement	The net underspend is a combination of a number of staffing underspends due to vacancies offset against a planned overspend on the new arrivals fund. All variance is ringfenced and will be carried forward as part of the DSG reserve.	(0.1)
Ringfenced Funding	Other Variances Less than 100K		(0.1)
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 within the Asset Management Revenue Account, greater Business Rates pooling income and lower than anticipated pay contingency and employer superannuation costs.	(3.1)
Corporate & Contingency			(3.1)

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Re-provision of Coventry's Indoor Bowls Facility	Removal of scheme as agreed jointly by the Council and Avenue Bowling Club	(2.1)
St Marys Refurbishment Project	Additional National Heritage Lottery Fund grant funding	0.6
Miscellaneous	Total technical changes less than £250k per scheme.	(0.9)
TOTAL APPROVED / TECHNICAL CHANGES		(2.3)

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	(1.9)	42.0
PLACE	211.7	15.3	(0.3)	(45.4)	181.3
TOTAL	252.9	18.0	(0.3)	(47.3)	223.3

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
UK Central + Connectivity - Coventry South Package	The Main Works contract was awarded to Colas-SIAC Limited (CSL) in November 2020 following completion of the pre-construction contract. Delivery of the new A46 bridge beams has been taken despite the main contractor's original supplier going in to administration. The opening of the new northbound entry slip road has been achieved as planned at the end of 2021, but due to unforeseen drainage and utility clashes the opening of the new southbound exit slip has been pushed back to Feb 2022 which has shifted the completion date of the scheme to Dec 22. The new A46 structure will open in Aug 22 and the new LRN bridge will likely now open in Nov 22. The full impact of COVID on the scheme to date is being negotiated with the contractor. Liaison work continues to ensure the scheme construction works are co-ordinated with other planned works in the area by HS2 and Highways England.	(9.2)
Air Quality	A delay in Full Business Case sign off has delayed the programme in design and carrying out public consultation. This has led to the Spon End and Junction 7 schemes commencing on site in January 2022, which is significantly later than initially programmed during budget setting 2021.	(7.0)
Vehicle & Plant Replacement	Some vehicles have been retained longer so won't be replaced this year as planned	(0.8)
Disabled Facilities Grants (Better Care Fund)	The planned expanded programme of works will not be fully realised this year. This can be attributed to the lack of contactors available in the market to complete identified works.	(0.5)
City Centre South	Delay in potential land acquisition due to negotiating positions of the relevant parties. We anticipate this acquisition will be concluded during 2022/23	(1.5)
Commercial Waste	Due to issues around COVID- 19 staffing issues and strike action, spend has been lower this year	(0.5)
Re-provision of Coventry's Indoor Bowls Facility	Correcting rescheduling reported at Qtr 1 as scheme is no longer being pursued	0.8
Housing Venture	Problems with obtaining Planning Permission have stopped the majority of the projects being carried out this year.	(1.1)
Friargate	Due to delays in the Project Development Agreement authorisation in January 21 the project has experienced further issues with staff catching COVID causing 4-6 weeks delay. However the projects has plans to recover this delay and still complete as planned November	(7.1)
Miscellaneous	Total rescheduling less than £250k per scheme.	(0.5)
TOTAL RESCHEDULING		(27.4)

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2021/22	As at 31 December 2021
<p>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.</p>	14.62%	14.24%
<p>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.</p>	Estimate / limit of £529.5m	£331.8m Gross borrowing within the limit.
<p>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.</p>	£549.5m	£331.8m is less than the authorised limit.
<p>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.</p>	£529.5m	£331.8m is less than the operational boundary.
<p>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.</p>	£481.1m	£258.5m
<p>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.</p>	£96.2m	-£75.8m
<p>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.</p>		

< 12 months	0% to 50%	7%
12 months – 24 months	0% to 20%	3%
24 months – 5 years	0% to 30%	18%
5 years – 10 years	0% to 30%	3%
10 years +	40% to 100%	69%
<p>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.</p>		
	£30m	£0.0m