Coventry City Council

Public report
Cabinet

Cabinet	30th August 2022
Audit and Procurement Committee	26th September 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:
2022/23 First Quarter Financial Monitoring Report (to June 2022)

Is this a key decision?
No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2022. The headline revenue forecast for 2022/23 is for net expenditure to be **£9.5m** over budget. At the same point in 2021/22 there was a projected overspend (after the application of COVID-19 emergency funding) of £4.0m.

The Council continues to face budget pressures due to increased volumes and higher costs of placements within Children's Services and costs incurred due to the refuse drivers' industrial dispute within Streetscene and Regulatory Services. A range of other smaller but still significant overspends are also being reported in several other services including Legal and Governance Services and Business, Investment and Culture.

In a worrying emerging development, significant additional costs are also being faced due to inflationary pressures affecting the Council, with an anticipated above budget pay award and costs affecting contracts for energy and social care amongst others. The in-year and ongoing impact of these inflationary pressures is a serious new cause for concern in terms of the Council's ability to manage its budgetary position.

The Council's capital spending is projected to be £165.6m and includes major schemes progressing across the city. 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. It is too early to have a clear view of the impact of the inflationary pressures referenced above on capital projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have

not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

Following the report to Cabinet on 11th January 2022 in relation to a proposed Home for Disabled Children, revised plans and a new external funding solution have been identified. These are set out in this report's and recommendations.

The Council's services have moved to a business as usual position with activity and impacts arising from the Covid pandemic having reduced significantly. Some pockets of service activity continue to be affected but this is not resulting in a large financial cost. The Council does not expect to receive any Government support linked to Covid within the 2022/23 financial year.

The emerging inflationary risks facing the Council and the wider local government sector have renewed the imperative to maintain financial discipline and prioritise the Council's medium-term financial position. This will become a familiar theme over the remainder of the year and will be a key focus of the Council's activities.

Recommendations:

The Cabinet is requested to:

1) Approve the Council's revenue monitoring position.

2) Approve the revised forecast capital outturn position for the year of £165.6m incorporating: £33.9m rescheduling from 2021/22 outturn, £6.7m net increase in spending relating to approved/technical changes and £20.1m of net rescheduling of expenditure into future years.

3) Approve a revised proposal for a new-build residential home for children with disabilities instead of refurbishing Logan Road and to utilise Disabled Facilities Grant to fund the increased £1.4m capital costs as set out in paragraph 2.4 of this report.

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: Analysis of Rescheduling
Appendix 4 - 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, 26th September 2022

Will this report go to Council?

No

Report title:
2022/23 First Quarter Financial Monitoring Report (to June 2022)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £237.4m on the 22nd February 2022 and a Directorate Capital Programme of £145.1m. This is the first quarterly monitoring report for 2022/23. 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 2022/23 revenue forecast is for expenditure to be £9.5m over budget. There is no proposal to apply any Covid related funding at this stage. The reported forecast at the same point in 2021/22 after adjusting for Covid-related funding was an overspend of £4.0m. Capital spend is projected to be £165.6m.

1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the course of the year. However, this is a high figure by historical standards and represents a serious cause for concern for the Council. Section 5 of the report sets out the Council's proposed approach to managing the position although as a final backstop it should be noted that the Council maintains a strong balance sheet in-part to protect itself from circumstances such as this.

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.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Total Over/ (Under) Spend £m
Adult Social Care	97.4	96.4	(1.0)
Business Investment & Culture	5.3	7.3	1.9
Children & Young People's Services	84.8	88.8	4.0
Contingency & Central Budgets	(13.7)	(20.2)	(6.5)
Education and Skills	18.7	19.4	0.7
Finance & Corporate Services	6.2	6.5	0.3
Housing & Transformation	0.0	0.0	0.0
Human Resources	1.2	1.4	0.2
Legal & Governance Services	4.4	5.4	1.0
People Directorate Management	1.2	1.2	0.0
Project Management & Property Services	(6.4)	(4.9)	1.5
Public Health	0.3	0.3	(0.1)
Streetscene & Regulatory Services	30.0	36.1	6.1
Transportation & Highways	8.0	9.3	1.4
Total	**237.4**	**246.9**	**9.5**

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

Directorate

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4m overspend, £2.1m is caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There are also significant concerns regarding staffing, accounting for a further £1.9m overspend caused by issues surrounding recruitment and retention as well as a shortage of agency social workers to fill roles needed to meet the growing demand in casework.

Within Streetscene & Regulatory Services, the vast majority of the overspend relates to the combined impact on Domestic and Commercial Refuse collection services of the HGV driver strike and strike mitigation costs. During the period of industrial action, significant additional costs of providing both waste drop sites and latterly the collection of kerbside waste through a third party provider (TWW) have been incurred. This together with lost contractual income within the commercial service (£0.6m), has resulted in a net combined pressure of c£4.7m. The dispute has now been resolved such that the domestic element of the cost will not continue into 2023/24. However, the net contractual income lost within the commercial service will result in a more lasting financial impact as many clients have sought collection services from other providers.

Within Property, Transport and Highways, and Business Investment & Culture, there are significant inflation pressures reported for operational properties and street lighting energy totalling £2.2m, as costs are forecast to rise from October 2022 reflecting national and global pressures. The energy market is currently very volatile and further increases may be seen which would also impact materially on 2023/24 and beyond. In addition, the running costs of the Collection Centre building being kept operational during the City of Culture year are resulting in a pressure of £1.3m, the vast majority of which relates to business rates.

Contingency and Central Budgets

In addition to inflationary impacts reported within individual services, centrally budgeted elements of increased pay and inflation overspends total a further £5m. This has been more than offset by favourable variations across several budgets leading to a net £6.5m underspend. This incorporates a favourable Asset Management Revenue Account variance of £4m plus higher than budgeted Business Rates Pool surplus and company dividends and lower than budgeted superannuation costs. These can be volatile and difficult to predict budgets and the quarter 1 forecasts are towards the favourable end of the reasonable range of outcomes meaning that any further flexibility later in the year within these areas will be relatively limited.

2.3 **Capital**

The quarter 1 2022/23 capital outturn forecast is £165.6m compared with the original programme reported to Cabinet in February 2022 of £145.1m. Table 3 below updates the budget at quarter 1 to take account of a £33.9m increase in the base programme from net rescheduling from 2021/22 into 2022/23, £6.7m of new approved/technical changes and £20.1m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2022/23. It shows 77% of the programme is funded by external grant monies, whilst

12% is funded from borrowing. The programme also includes funding from capital receipts of £10.7m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2022-23 MOVEMENT	Qtr 1 Reporting £m
February 2022 Approved Programme	145.1
Net rescheduling of expenditure from 2021/22	33.9
Revised Programme	179.0
Approved / Technical Changes (see Appendix 2)	6.7
"Net" Rescheduling into future years (See Appendix 4)	(20.1)
Revised Estimated Outturn 2022-23	165.6

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	20.2
Grants and Contributions	127.6
Capital Receipts	10.7
Revenue Contributions and Capital Reserve	7.1
Total Resources Available	165.6

The inflationary pressures affecting the Council's revenue budget are also present within capital schemes although the pattern with which this takes affect can be different due to the way in which expenditure is incurred. It is likely that most stand-alone projects that are already in-progress will be delivered within existing agreed contractual sums. However, some future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets. In addition, where budgets have established to deliver programmes of expenditure, it is likely that these programmes may need to be reduced in size over time reflecting higher prices.

2.4 Capital Spend on Residential Home for Children with Disabilities

A report was brought to Cabinet on 11th January 2022 entitled 'Homes for Disabled Children: acceptance of a capital grant, further capital borrowing and future homes for children with a disability'. The initial recommendation within the report was to refurbish a Council building (Logan Road) to create a residential home for looked after children with disabilities within the city for £1m. Unfortunately, the Council was unsuccessful in securing the match funding grant from the DfE and the detailed refurbishment costs for Logan Road came back significantly over £1.5m, higher than the original quote. It has since been identified that the business case for building a new home to meet this need, instead of the refurbishment, will deliver better outcomes for children, is more cost effective and allows the Council to meet priorities surrounding its Green Futures Agenda. It has also been determined that the cost of this new build (£1.4m) can be met from the wider Disabled Facilities Grant allocation which the Council receives annually from Government. This report seeks approval for the revised scheme, additional cost and new funding source, although the proposals are fundamentally consistent with the original report.

2.5 Treasury Management

Interest Rates
The Monetary Policy Committee (MPC) has continued to raise interest rates to combat growing inflation. The invasion of Ukraine exacerbated global inflation trends, particularly around food and energy. The rise in energy and fuel prices has been a significant factor behind the UK Consumer Price Index (CPI) rate moving up to 9% and will drive it over 10% during 2022. Base Interest Rate increased to 1.75% at the MPC 4th August 2022 meeting. The current market forecasts predict the base rate will continue to rise to at least 2.5% to counteract the effects of inflation.

Long Term (Capital) Borrowing
The net long-term borrowing requirement for the 2022/23 Capital Programme is £5.8m, taking into account borrowing set out in Section 2.3 above (total £20.2m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.4m). The Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st April and 30 June 2022 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2022/23 to Q1	Maximum 2022/23 to Q1	As at the End of Q1
5 year	2.38%	3.38%	3.06%
50 year	2.45%	3.68%	3.47%

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

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

Short Term (Temporary) Borrowing and Investments
The Council’s Treasury Management Team acts on a daily basis to manage the City Council’s day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. There has not been any short-term borrowing over the last twelve months.

Returns provided by the Council’s short-term investments yielded an average interest rate of 1.09% 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 2022 £m	**As at 30th June 2022 £m**
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	15.0
Money Market Funds	18.3	41.85
Corporate Bonds	0.0	0.0
HM Treasury	19.0	0.0
Total	**37.3**	**56.85**

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 Deposit, 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 3.98% over the last 12 months. As at 30 June 2022 the pooled funds were valued at £30.4m (£30.9m at 31 March 2022), against an original investment of £30m (a surplus of £0.4m). Of the seven pooled funds, only the CCLA Property Fund is in surplus (£2.9m), which leaves six funds currently showing a deficit in value (ranging from £0.1m to £1.0m). There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. 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 30 June 2022 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2022/23. 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 30 June 2022 the value is -£61.9m (minus) compared to +£94.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 June 2022 the value is £243.5m compared to £474.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

2.6 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit for 2022/23 is £123m, against which there are £116.9m of existing commitments: -

	Limit	Actual 31st March 2022	2022/23 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.0	0.0	52.0	-3.0
Loans	68.0	41.9	23.0	64.9	-3.1
	123.0	**93.9**	**23.0**	**116.9**	**-6.1**

The committed or planned total of £23m includes a number of loan facilities to lend c£9.6m, which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

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
The quarter 1 position reflects a serious and concerning position for the Council. The forecast £9.5m revenue overspend incorporates a range of intractable ongoing issues, some short-term pressures which require solutions and the emergence of inflationary pressures which will have an impact beyond the current financial year. At this stage of the monitoring cycle

there is a real threat that the Council will not be able to balance its revenue position by year-end.

Some of these circumstances are common to councils across the country with instances of financial stress being widely reported. The failure of the local government finance system to tackle issues including social care funding, plus the rapid rise in inflation which was not anticipated in the 2022/23 local government settlement, have put many councils in a perilous financial position.

The timing of the surge in inflation meant that it was not anticipated in the Council's 2022/23 Budget process. Although the Council budgets prudently for inflationary costs the acceleration in rising prices and pay award assumptions which together represent a newly identified cost of c£16m, exceed the budgetary provision available by c£8m. The pay assumptions reflect the Local Government Employers' recent pay offer although this has not been accepted. The rise in energy prices can be observed in terms of the cost to the Council's property estate and costs within the city's street lighting energy bills. These problems will continue into 2023/24 and will worsen if inflation remains at the higher levels experienced recently.

Despite further increases to Children's Services' budgets for 2022/23 the number of looked after children in the city continues to rise leading to continued high agency social worker levels and high external placement costs. The refuse drivers' dispute has led to costs being incurred well into the second quarter of the year although the recent ending of the dispute should ensure that no further budgetary overspends are incurred on this issue. However, a wide range of other challenges continue to be reported in Appendix 1 which, together with the issues reported above, provide a difficult financial picture despite the flexibility identified with corporate and central budgets.

The position reported does not highlight specific costs or income loss attributable to Covid. Any such residual impacts such as higher levels of looked after children, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts. As a result, no funding has been assumed from Covid reserves at this stage.

Although this is the most difficult in-year position that it has faced for some years, the Council is well placed to manage the short term impact and will take appropriate action to minimise any in-year budgetary variation:

- Services have been challenged to identify areas where they can alleviate budgetary pressures or deliver positive variances through management of controllable expenditure.
- If the Council's budgetary position reflects usual trends there should be some natural improvement to the overall bottom line as the year progresses.
- It remains possible that further limited flexibility may become available within Corporate budgets including forecasts of inflationary impact where it is difficult to know whether they will materialise as set-out. This will be monitored closely through the year.
- The Council has maintained some flexibility in the form of previous Covid grant funding which is currently held within reserve balances. The Council can consider the use of these to manage any legacy Covid issues identified where this is appropriate and in line with the Medium Term Financial Strategy.
- The Council has taken steps to ensure that it has a strong balance sheet position supported by other reserve balances and provisions set aside for amounts owed to it which together provide protection against unexpected adverse budget variations as a measure of last resort.

The above gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position. However, the

underlying position for 2023/24 will be very challenging and any one-off resources required to balance 2022/23 will weaken the Council's flexibility ahead of the forthcoming Budget process. On this basis it remains a strong imperative to move towards a balanced 2022/23 position to provide more flexibility to the Council to be able to manage its medium term financial position which is likely to come under severe pressure without further support from Government.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. 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, the Air Quality programme, the A46 Link Road, the Housing Infrastructure Fund works, City Centre South and support to the Friargate Hotel development.

The report includes a recommendation to proceed with a scheme to provide a home for disabled children, consistent in principle with a decision approved by Cabinet in January. This is updated within this report to reflect: the updated increased cost; analysis that a new-build option is now more cost effective than refurbishing an existing property and; identification of specific grant that can be applied to the scheme to ensure that it is funded fully from external resources.

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. A recent reassessment indicates that the Council now faces an increased level of risk in this area. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. It is vital that Council officers and members are aware of the current financial challenge and activity across the second quarter of the year will provide some indication of the direction of travel for the remainder of the year. This in turn will dictate the extent to which the bottom line can be returned to a near balanced position and the measures that might be required to deliver this.

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.

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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Members: R Brown	Cabinet Member for Strategic Finance and Resources		4/8/22	8/8/22

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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
Adult Social Care	97.4	96.4	-1.4	0.4	-1.0
Business Investment & Culture	5.3	7.3	0.2	1.8	1.9
Children & Young People's Services	84.8	88.8	-0.7	4.7	4.0
Contingency & Central Budgets	-13.7	-20.2	0.0	-6.5	-6.5
Education and Skills	18.7	19.4	-0.6	1.3	0.7
Finance & Corporate Services	6.2	6.5	-0.3	0.6	0.3
Housing & Transformation	0.0	0.0	0.0	0.0	0.0
Human Resources	1.2	1.4	0.2	-0.0	0.2
Legal & Governance Services	4.4	5.4	-0.4	1.4	1.0
People Directorate Management	1.2	1.2	-0.1	0.2	0.0
Project Management & Property Services	-6.4	-4.9	0.2	1.3	1.5
Public Health	0.3	0.3	0.0	-0.1	-0.1
Streetscene & Regulatory Services	30.0	36.1	-0.0	6.1	6.1
Transportation & Highways	8.0	9.3	-0.5	1.9	1.4
Total	**237.4**	**246.9**	**-3.3**	**12.9**	**9.5**

<u>Budget Holder Forecasts</u>

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	There is continued pressure on SEN Transport as a direct consequence of the impact of Covid infection on the availability of centrally employed drivers and escorts. This means that alternative arrangements are required at additional cost. In addition, anticipated savings secured through e-auction were not delivered because some contractors did not accept the contract award, leading to the finalisation of higher cost bids. Finally, we are predicting an increase in demand from September both in special schools within the city and outside the city. We continue to work in partnership with the Travel Bureau, Financial Management and Procurement to verify the forecast and review options to reduce costs.	0.4
Education and Skills	Education Entitlement	The underspend is largely a result of a reduced cost on school bus passes. The number of pupils eligible for bus passes is based on statutory criteria and policy. A new online system introduced by the bus	(0.1)

		companies now means that where passes are not used, charges are not incurred, and this information has only been available in the final quarter of the financial year. New passes will be issued for the 22/23 academic year and we will continue to monitor the position.	
Education and Skills	Education Improvement & Standards	The forecast includes a £250k pressure relating to dedicated school transport, which is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes. Work has already taken place to reduce this pressure in 22/23, and will continue for the 23/24 financial year. An underspend on historic pension liability is partly offset against an overspend on school trade union facility time.	0.2
Education and Skills	Employment & Adult Education	Employment are forecasting a reduction in income of £0.7m due to high staff turnover in the service. There is also a corresponding reduction in centralised salaries which at a service level leaves a small net underspend.	0.6
Education and Inclusion	Other Variances Less than 100K		0.1
Education and Skills			**1.3**
Children and Young People's Services	Children's Services Management Team	There is a budgetary pressure in the SW Academy linked to staffing a second team which is offset by financial strategy underspend.	(0.6)
Children and Young People's Services	Commissioning, QA and Performance	Safeguarding training income is £79k below the budgeted target, also the Professional Support Service saving target of £53k has not been met. Agency spend on Independent Reviewing Officers' and Child Protection Chairs is £146k overspent due to pressure caused by vacancies and increasing caseloads.	0.3
Children and Young People's Services	Help & Protection	There is a budgetary pressure of £1.8m in the Area Teams linked to staff costs, with high levels of cases across the service driving the need to use agency staff, including a 3-month project team. There is a further budgetary pressure of £0.2m in LAC legal linked to high levels of demand.	2.0
Children and Young People's Services	LAC & Care Leavers	There is a forecast overspend on looked after children's placements of £2.1m. This is being caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There is a budgetary pressure of £0.5 million due to the staffing challenges within LAC permanency service and the need of a task force to ensure that care proceedings continue to be progressed. LAC transport has a forecast overspend of £0.25 million and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision.	2.9

		Work is on-going to improve sufficiency of local placements which will start to address this pressure. There is a further budgetary pressure of £0.15 million within the Children's disability service. This overspend relates to one child where a large package of support was put into their family home in the absence of a suitable residential home. These overspends are partly offset by an increase in income from central government for unaccompanied asylum-seeking children, as well as current forecast underspends on Special Guardianship Placements.	
Children and Young People's Services			**4.7**
Adult Social Care	Strategic Commissioning (Adults)	£0.15m underspend relates to Carers budgets. Work is continuing to enhance the support offer to carers. £0.18m underspend relates to transport as a result of continued reduced demand for day opportunities. £0.48m underspend relates to New Homes for Old PFI due to additional client fee income.	**(0.8)**
Adult Social Care	Housing and Homelessness	The service has seen a significant increase in families living in temporary accommodation since January 2022. Although this is having an impact the mitigations put in over the last 3 years are still having a positive impact on the overall budgetary position. We continue to forecast an increase in demand for the service throughout 2022 due to potential impact of cost of living.	(0.6)
Adult Social Care	Adult Social Care Director	The underspend represents the use of the Improved Better Care Fund and other resources to manage the overall Adult Social Care financial position and an increase in provision for bad debt (£0.15m).	(2.2)
Adult Social Care	Internally Provided Services	Overspends relating to other pay and overtime have been offset by additional income and underspends on centralised salaries.	0.2
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have partly been offset by centralised underspends due to staff vacancies.	0.4
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs have been offset by centralised underspends due to staff vacancies.	0.2
Adult Social Care	Community Purchasing Mental Health	Spend continues to increase for Mental Health and Other due to the demand for, and cost of, packages for both new and existing service users. There has also been a reduction in Hospital Discharge grant of £1.2m creating further budgetary pressures.	1.6
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and the explanation above covers both Community Purchasing Mental Health and Community Purchasing Other	1.3
Adult Social Care	Mental Health Operational	Significant pressures remain in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			**0.4**

Legal & Governance Services	Legal Services	There is a significant pressure within legal services due to the cost of agency and external staff. The pressure relates to both recruitment and retention difficulties, and extra workload primarily in children's social care as an ongoing impact of COVID-19. There is an action plan in place to address these issues but the full benefit will not materialise immediately.	1.2
Legal & Governance Services	Coroner & Register Office	There is an underlying pressure within the Coroner's service as a result of cost increases over a number of years. This has been exacerbated by COVID-19 which is continuing to increase the costs of particular external services (for example, pathology).	0.2
Legal & Governance Services			**1.4**
Finance & Corporate Services	Revenues and Benefits	The variation is primarily due to a net Housing Benefit subsidy pressure of £0.4m caused by 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. In addition there are increased temporary staffing costs (circa £0.2m) as the service deals with the residual work from the Test and Trace payment scheme, the resultant build-up of work in the back office and the ongoing administration of the energy rebate scheme.	0.6
Finance & Corporate Services			**0.6**
Human Resources	HR and Workforce Development Management	£149K of the Budget Holder variance relates to delays in achievement of savings target which had increased by a further £150K this year. Work to address the remainder of the savings target continues. In addition, there is a £73K pressure from the need to extend contracts further for the Workforce Reform project.	0.2
Human Resources	Employment Services	The Budget Holder variance relates to loss of income from external contracts offset by some cost reduction where possible. Unfortunately costs cannot be reduced further as the loss of contracts has coincided with a significant increase in additional work for the Council which is essential to fulfil statutory duties.	0.1
Human Resources	ICT & Digital	The Budget Holder forecast variance mainly comprises an underspend against Microsoft licences (as a result of a negotiated one off reduction in first year cost of the contract), an underspend on "out of hours" allowances and some underspends on network hardware and laptop repair offset by and under-recovery of income from schools and academies.	(0.3)
Human Resources			**0.0**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Business rate and running cost pressures of c£1.3m as a result of maintaining the Collection Centre operational on an interim basis as part of the corporate project to develop the building into a cultural hub. There is also £348k energy inflation relating to The Wave leisure centre.	1.6

Business Investment and Culture	Economic Development service (EDS)	£89k unfunded commitment to pay 3rd party to deliver grants to SME's to help business start-up. Remaining variance is an indication of where grant fall out and core-budget are short in funding current established salaries.	0.1
Business Investment and Culture			**1.7**
Transportation & Highways	Parking	There are income pressures in Bus Lane Enforcement of £0.4m due to activity levels being only 65% of pre-COVID levels. In addition, Parking Enforcement activity levels are lower than normal due to staff vacancies and higher than expected sickness, resulting in a net (of salary savings) pressure of £0.3m. These are partially offset by higher than expected car park usage and income of £0.7m.	0.1
Transportation & Highways	Highways	This deficit relates to an under recovery of income for highway operational staff (DLO) of £0.2m due to sickness and strike action, together with the delayed achievement of some MTFS savings targets of £0.2m	0.5
Transportation & Highways	Traffic	The pressure relates primarily to an anticipated significant increase in street lighting energy costs from October 2022, resulting in unfunded contract costs of £0.7m. In addition, there is a pressure relating to the increased volume and cost of highway asset repairs of £0.1m, which is largely due to costs of traffic accident which cannot be recovered	0.9
Transportation & Highways	Transport and Innovation	This reflects the recruitment of additional Highways Development Management agency staff resources, brought in to support major planning applications and to provide cover for vacancies due to the inability to recruit.	0.3
Transportation & Highways			**1.9**
Streetscene & Regulatory Services	Regulatory Services	The economic climate post-Covid is still resulting in a building control income pressure of £0.1m	0.1
Streetscene & Regulatory Services	Streetpride & Parks	The key pressures are income related. The funeral director services implementation has slipped, resulting in a £160k pressure, War Memorial car parking is underachieving its target by £110k as a result of the 'free' period, and other parks events income is under performing by £80k. In addition, fleet pressures of c£100k exist, and a number of agency staff forecast to cost £250k in year remain on the books. These are however, both one-off, and the agency staff cost is offset by vacancy savings.	0.8
Streetscene & Regulatory Services	Waste & Fleet Services	The key pressure in this area is as a result of the mitigation costs of the driver industrial action. Costs of alternative (Domestic & Commercial Waste) collection and disposal (Pop Up) sites, plus additional vehicles are estimated to cost in the region of £4.7m, although this is partly offset by salary savings of £0.6m. Commercial Waste is forecasting a net loss of £0.6m, which reflects gross income loss of £1.7m, offset by salary savings of £0.3m and a reduction in Waste Disposal costs of £0.8m	4.8

Streetscene & Regulatory Services	Environmental Services	There are vacancies in this area that require overtime cover/recruiting in order to maintain service continuity in the Street Enforcement at a cost of £250k. In addition, shortfalls in income on ESU of £58k and Pest Control £40k are forecast but hoped to be managed in the medium term	0.4
Streetscene & Regulatory Services			**6.1**
Project Management and Property Services	Facilities & Property Services	This relates to a projected £1.1m energy price increase pressure from October 22, together with a c£0.3m Fairfax Street (former Leisure Centre) running costs pressure. These are offset partially by £0.30m reflecting trading performance surpluses in Repairs & Maintenance and compliance services, and a reduction in corporate building cleaning costs	1.1
Project Management and Property Services	Other Variances Less than 100K		0.1
Project Management and Property Services			**1.2**
Public Health	Public Health Staffing & Overheads	The underspend relates to grant funded salary underspends due to vacancies	(0.2)
Public Health	Other Variances Less than 100K		0.1
Public Health			**(0.1)**
Ringfenced Funding	Schools	£0.2m underspend relating to the cash adjustment for the 21/22 Early years allocation where our allocation has increased. £2.6m underspend relates to the High Needs holding pot.	(2.8)
Ringfenced Funding	Education Entitlement	The underspend is a result of staffing vacancies across School Admissions, which are being recruited to. There is also a further head of service vacancy that is subject to review as part of the wider budget setting process.	(0.2)
Ringfenced Funding	Education Improvement & Standards	The underspend is as a result of staffing vacancies in the Early Years Team. Following a review of the restructure, these posts are being recruited to, and will support Early Years Improvement.	(0.1)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	3.1
Ringfenced Funding			**0.0**

Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay and central inflation contingencies (£5m) reflecting the latest local government employers' pay offer and forecast inflationary increases in energy and other contracts. These are more than offset by favourable variances for the Asset Management Revenue Account (£4m), Business Rates Pool surplus (£2m) superannuation costs (£2m) company dividends (£1m) and use of a specific reserve to part-fund pay inflation (£1m).	(6.5)
Corporate & Contingency			**(6.5)**
Total Non-Controllable Variances			**12.9**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Whitley South Infrastructure	Deferred payment for retention due in 22/23 fully funded by external grant	1.7
Higher Needs Education Funding	New Grant Awarded	4.2
Friargate - Hotel	Approved by Cabinet on 27th August 2019 this is the uplift for stamp duty and fees associated with the acquisition payment	0.4
Miscellaneous under £100k		0.4
TOTAL APPROVED / TECHNICAL CHANGES		**6.7**

Appendix 3

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
City Centre South	At the time of budget setting an assumption on timescales for CPO was assumed to take place in 22/23. Now CPO has been formally submitted detailed timescales have reprofiled spend. This is subjective and will be under constant review and subject to a number of legal factors	(15.4)
Highways Investment - Maintenance Grant	With agreement of the Cabinet Member additional Plane and Patching schemes have been delivered above and beyond the agreed capital programme for 2021-22. This now requires the acceleration of spend to deliver the 2022-23 plane and patch programme.	1.0
Duplex Fund (loan)	The up take for Coventry businesses is lower than expected and CWRT/CCC are working on a plan to market the Duplex scheme to Coventry business to improve the number of enquires received and increase the 152k forecast	(1.0)
Disabled Facilities Grants (Better Care Fund)	Slippage is due to delays on the residential scheme for Children with Disabilities (£0.76m) and other DFG projects. It is expected that the introduction of the recently approved Housing Assistance Policy will result in increased spend and demand for DFG adaptations.	(1.7)
Basic Need - Education Schools	This underspend was caused by an architect going into administration and associated design works clarifications which caused a delay on construction works. The works are continuing and spend will appear this financial year. In addition, wider pressures of resource availability, and securing appropriate materials for construction works has also offset some of the costs	(5.3)
Condition - Education Schools	The reschedule of £0.4 is due to less grant being used in 21/22 so has been rescheduled into 22/23 but is not needed as the base budget was set at £3m for 22/23	0.4
Friargate Building 2	A decision was made to fit out additional floors of Two Friargate sooner than anticipated because it was more efficient to do so as part of the current contract. This had the impact of bringing some spend forward to 2022/23.	2.1
Miscellaneous under £100k		(0.1)
TOTAL RESCHEDULING		**(20.1)**

Appendix 4

Prudential Indicators

Indicator	per Treasury Management Strategy 2022/23	As at 30 June 2022
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.	15.09%	15.06%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2022 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 £518.0m	£327.3m 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.	£538.0m	£327.3m 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.	£518.0m	£327.3m 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.	£474.4m	£243.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£94.9m	-£61.9m
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% 3% 18% 5% 67%
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