Coventry City Council

Public report
Cabinet

Cabinet | 13th December 2022
Audit and Procurement Committee | 30th January 2023

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 Second Quarter Financial Monitoring Report (to September 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 September 2022. The headline revenue forecast for 2022/23 is for net expenditure to be **£11.3m** over budget. At the same point in 2021/22 there was a projected overspend of £3.1m.

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 previous 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.

As reported at Quarter 1, significant additional costs are also being faced due to inflationary pressures affecting the Council, with the approved local government 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 factor affecting the Council's ability to manage its budgetary position.

The Council's capital spending is projected to be £165.8m 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. There is limited evidence that inflationary pressures referenced above on capital projects this year and the assumption is that stand-alone projects that are already in-progress will be delivered as planned. It is more likely that future projects that have

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

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 be a key focus of the Council's activities over the remainder of the year and several key measures are set out in section 5 to help minimise the size of any budgetary overspend.

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 £165.8m incorporating: £0.3m net increase in spending relating to approved/technical changes, £0.6m net overspend and £0.8m of net rescheduling of expenditure into future years.

3) Approve the use of corporate capital receipts to fund the £0.6m Public Realm 5 overspend as referenced in section 5 and Appendix 4

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 - Capital Programme Analysis of Over/Under Spend
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, 30th January 2023

Will this report go to Council?

No

Report title:
2022/23 Second Quarter Financial Monitoring Report (to September 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 second 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 £11.3m 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 £3.1m. Capital spend is projected to be £165.8m.

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 Services & Housing	97.3	97.8	0.5
Business Investment & Culture	5.6	7.8	2.2
Children & Young People's Services	84.8	88.8	4.0
Contingency & Central Budgets	(13.7)	(23.0)	(9.3)
Education and Inclusion	18.7	19.2	0.5
Finance & Corporate Services	6.2	6.9	0.7
Human Resources	1.3	1.8	0.5
Legal & Governance Services	4.4	5.5	1.1
People Directorate Management	1.2	1.2	0.0
Project Management & Property Services	(6.7)	(5.4)	1.2
Public Health	0.4	0.0	(0.5)
Streetscene & Regulatory Services	29.9	38.6	8.6
Transportation & Highways	7.9	9.7	1.7
Total	**237.4**	**248.7**	**11.3**

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

Services

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 has resulted in a net combined pressure of c£7.2m. The dispute has now been resolved such that strike mitigation pressures 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 sharply 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 and until construction starts are resulting in a pressure of £1.3m, the vast majority of which relates to business rates.

Contingency and Central Budgets

An overall underspend of £9.3m incorporates favourable variances of £4.4m in the Asset Management Revenue Account (AMRA) and £4.9m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council plus higher than budgeted investment income which is due to a combination of larger short-term investment balances and higher interest rates. In addition to inflationary impacts reported within individual services, central budgets include the cost of the expected 2022/23 pay award which averages c6% for the Council and represents a cost c£6m above the original budget. This is offset in part by other contingency budgets. Favourable variations including a Business Rates Pool surplus (£2m) and lower than budgeted superannuation costs (£2.1m). These can be volatile and difficult to predict budgets and the quarter 2 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 2 2022/23 capital outturn forecast is £165.8m compared with the first quarterly outturn of £165.3m. Table 3 below updates the budget at quarter 2 to take account of a £0.3m new approved/technical changes, £0.8m of rescheduling now planned to be carried forward into future years and an overspend of £0.6m

The resources available section of Table 3 explains how the Capital Programme will be funded in 2022/23. It shows 76% of the programme is funded by external grant monies, whilst 13% 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 2 Reporting £m
Quarter One Estimate Outturn	165.6
Approved / Technical Changes (see Appendix 2)	0.3
“Net” Rescheduling into future years (See Appendix 3)	(0.8)
“Net” Overspend	0.6
Revised Estimated Outturn 2022-23	165.8

RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	21.5
Grants and Contributions	126.5
Capital Receipts	10.2
Revenue Contributions and Capital Reserve	7.6
Total Resources Available	165.8

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 Treasury Management

Interest Rates

The Monetary Policy Committee (MPC) continues to raise interest rates in a bid to combat growing inflation. The invasion of Ukraine continues to exacerbate 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 exceeding 10%. Base Interest Rate increased to 3.00% at the MPC 3rd December 2022 meeting. The current market forecasts the base rate will continue to rise to 4.75% next year after which it should flatten out.

Long Term (Capital) Borrowing

The net long-term borrowing requirement for the 2022/23 Capital Programme is £7.1m, taking into account borrowing set out in Section 2.3 above (total £21.5m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.4m). The Council has no immediate need 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) have risen in recent times as government gilt yields have increased. Between 1st April and 30 September 2022 PWLB rates have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2022/23 to Q2	Maximum 2022/23 to Q2	As at the End of Q2
5 year	2.38%	5.64%	5.31%
50 year	2.45%	5.71%	4.39%

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 1.98% 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. Returns have slowly begun to increase as interest rates rise. Dependent on daily levels of cash available this will lead to an increase in income for the Council

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	As at 30th Sept 2022 £m
Banks and Building Societies	0.0	0.0	1.5
Local Authorities	0.0	15.0	0.0
Money Market Funds	18.3	41.85	35.6
Corporate Bonds	0.0	0.0	0.0

HM Treasury	19.0	0.0	16.8
Total	**37.3**	**56.85**	**53.9**

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 4.15% over the last 12 months. As at 30th September 2022 the funds were valued at £28.7m (£30.4m at 30 June 2022), against an original investment of £30m. Of the seven pooled funds, only the CCLA Property Fund is in surplus (£1.4m), which leaves six funds currently showing a deficit in value (ranging from £0.3m to £0.7m). Financial markets are very volatile at the moment so capital values are particularly variable. These investments continue to provide a good rate of return but capital values will be monitored closely 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 be reviewed in April 2023.

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 September 2022 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 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 September 2022 the value is -£78.2m (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 September 2022 the value is £236.2m 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.

2.5 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 was revised by Council on 18th October 2022 in the light of the approval of the Tom White Waste Materials Recycling Facility. The limit for 2022/23 is £146m, against which there are forecast commitments of £139.3m: -

	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	91.0	41.9	45.4	87.4	(3.6)
	146.0	**93.9**	**45.4**	**139.3**	**(6.7)**

The committed or planned total of £45.4m includes some 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 Chief Legal Officer

5.1 Financial implications

Revenue

The Quarter 2 position reflects a serious position for the Council which has worsened from the £9.5m revenue overspend forecast at Quarter 1. External factors, in particular inflationary pressures, represent a large part of the position presented and will have an impact on the Council beyond the current financial year. There are other intractable on-going issues including those relating to children's social care which are common to many councils across the country whilst the Council is also managing local time-limited pressures in the current year. There is now a strong possibility that the Council will not be able to balance its revenue position by year-end.

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 cost of c£16m, exceed the budgetary provision available by c£8m. The pay assumptions reflect the recently agreed pay offer. 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 could represent a worsening threat depending on the future trajectory of inflation.

Despite further increases to Children's Services' budgets for 2022/23, the demand and overall cases in Childrens Services continues to rise in the city 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 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 the relevant 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 has taken appropriate action to minimise any in-year budgetary variation: controls have been put in place to limit recruitment to vacant posts based on specific criteria (for instance, where posts are needed to meet statutory requirements, provide direct care or are social work related, meet health and safety requirements or where posts are funded from external monies or specific income or revenue streams); services have been instructed to avoid/delay expenditure decisions and to 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 over the second half of the year. 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. The Council has maintained some flexibility in the form of previous grant funding and reserve balances which it can consider using to manage within specific service areas. In overall terms the Council has taken steps to ensure that it has a strong balance sheet position, including robust reserve balances, which as a measure of last resort provides protection against unexpected adverse budget variations.

The action outlined above and the further provision in place gives sufficient assurance that the Council can manage the financial position outlined. 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 maximise the flexibility available 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.

In December 2020, Cabinet endorsed an approach of providing appropriate support to local citizens by passing on specific ring-fenced funding to manage the social and economic impacts of Covid. In September 2022, the Council received a £3.2m extension to the nationally distributed Household Support Fund (HSF), a legacy scheme from the previous Covid Winter Grant and the Local Support Grant. The HSF is intended to provide support over October 2022 to March 2023 to Coventry households who are most in need of support with the significantly rising cost of living. This fund is being distributed in-line with the key aims of the previous HSF schemes, with priority being given to supporting vulnerable households with the costs of food, energy and other related essentials. The demand for this type of support has continued to grow through 2022 as Coventry citizens have been affected by the increase in the cost of living. Despite the extension to the scheme, it is clear that it will not be possible to meet 100% of demand and it will be necessary to prioritise its distribution to focus on the most vulnerable citizens and the greatest needs.

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 Housing Infrastructure Fund works, City Centre South and support to the Friargate Hotel development.

Appendix 4 references the projected final outturn position on one of the Council's strategically important and high profile projects. The Public Realm 5 project has now been completed with final contract costs having been settled it is reporting an overspend of £0.6m against programme funding of c£44m. The project has been complex and was delivered in the face of adverse conditions, not least the pandemic period. Notwithstanding that, the costs require additional funding which is proposed will be met from corporate capital receipts

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 the measures planned for the second half of the year to address this. This in turn will dictate the extent to which the bottom line can move closer towards a balanced position.

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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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 £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m
Adult Services & Housing	97.3	97.8	-1.4	1.9	0.5
Business Investment & Culture	5.6	7.8	0.4	1.8	2.2
Children & Young People's Services	84.8	88.8	-1.0	5.0	4.0
Contingency & Central Budgets	-13.7	-23.0	0.0	-9.3	-9.3
Education and Inclusion	18.7	19.2	-0.7	1.2	0.5
Finance & Corporate Services	6.2	6.9	-0.3	1.0	0.7
Human Resources	1.3	1.8	0.3	0.2	0.5
Legal & Governance Services	4.4	5.5	-0.4	1.5	1.1
People Directorate Management	1.2	1.2	-0.1	0.2	0.0
Project Management & Property Services	-6.7	-5.4	0.3	0.9	1.2
Public Health	0.4	-0.0	-0.0	-0.5	-0.5
Streetscene & Regulatory Services	29.9	38.6	-0.1	8.7	8.6
Transportation & Highways	7.9	9.7	-0.4	2.1	1.7
Total	**237.4**	**248.7**	**-3.4**	**14.7**	**11.3**

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	There is continued pressure on SEN transport due to increased demand from post 16/19 students, inflationary pressures and additional out of city taxi's resulting from in city special schools being full. There are also a number of taxis operating across the city which are being used due to in-house routes being full. There continues to be pressure on staffing due to driver and escort sickness resulting in having to find alternative means for pupils to get to school when routes are closed. E Auction is still being used but this is not producing the savings that had been predicted. Work continues to validate 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 companies now means that where passes are not used charges are not incurred.	(0.2)
Education and Skills	Education Improvement & Standards	The forecast includes a £250k pressure relating to dedicated school transport, which is 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 expenditure of £0.5m against centralised salaries. They are also forecasting a corresponding reduction in related income of £0.2m plus an increase in non-salary related expenditure of £0.2m giving a budget holder variance of £0.4m. At service level this leaves a small net underspend.	0.6
Education and Inclusion	Other Variances Less than 100K		0.2
Education and Skills			**1.2**
Children and Young People's Services	Children's Services Management Team	There is a budgetary pressure in the Social Worker Academy linked to staffing a second team to increase the amount of Newly Qualified Social Workers we can recruit into the service. This cost is being offset by a planned underspend on financial strategy.	(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 Officer's and Child Protection Chairs is £203k overspent due to pressures caused by vacancies and increasing caseloads	0.4
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 and the need to use agency staff, including a specialised project team.	2.3

		There is a further budgetary pressure of £0.3m in LAC legal costs linked to high levels of demand. These are currently being offset by additional Youth Offending Service Grants, which will support new activity once the plan is signed off.	
Children and Young People's Services	LAC & Care Leavers	There is a forecast overspend on looked after children's (LAC) placements of £1.9m. 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 further budget pressure of £0.6 million due to the staffing challenges within LAC permanency service and the need for 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 children to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure. There is a further budgetary pressure of £0.25m 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 offset by an increase in income from central government for unaccompanied asylum seeking children, as well as current forecast underspends on Supported Accommodation.	2.9
Children and Young People's Services			**5.0**
Adult Social Care	Strategic Commissioning (Adults)	£0.2m underspend relates to transport as a result of continued reduced demand for day opportunities. £0.6m underspend relates to New Homes for Old PFI due to additional client fee income.	**(0.8)**
Adult Social Care	Adult Social Care Director	The underspend represents an increase in the amount of iBCF and other resources that are drawn down to contribute to the overall budget position. This does mean there is less flexibility and therefore increased risk of overspends in subsequent years. This has been offset by forecast increases in bad debt provision (£0.5m).	(1.8)
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.	0.3
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Community Purchasing Mental Health	Spend continues to increase for Mental Health and there has been increasing numbers of people placed in more expensive bed based packages. This is further impacted by a reduction in Hospital Discharge grant of £1.2m at a time when discharge capacity is still impacted by COVID.	1.8

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	1.7
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.3m).	0.3
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			**1.9**
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 e.g. pathology	0.2
Legal & Governance Services	Democratic Services	Additional resource required to manage subject access requests whilst a permanent solution is investigated to manage and process the significant number of complex and large cases.	0.1
Legal & Governance Services			**1.5**
Finance & Corporate Services	Revenues and Benefits	There is a gross £0.5m pressure within the discretionary hardship payments (DHP) scheme due to a 30% reduction in grant funding combined with an increase in demand for services. There is also 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. These are offset by a contribution from reserves of £0.2m. In addition there are increased temporary staffing costs (circa £0.3m) 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.	1.0
Finance & Corporate Services			**1.0**
Human Resources	HR and Workforce Development Management	The Budget Holder variance relates to delays in achievement of a savings target which had increased by a further £150K this year. Work to address the remainder of the savings target continues.	0.1
Human Resources	Other Variances Less than 100K		0.1
Human Resources			**0.2**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Business rate and running cost pressures of c£1.4m 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	1.6

		hub. Additionally, £280k energy inflation relating to The Wave leisure centre and £100k trading deficit expected for St. Mary's NOMH contract whilst it establishes itself as a venue.	
Business Investment and Culture	Economic Development service (EDS)	Unfunded committed support to businesses by payment to partners of £130k to the growth hub for business support and £89k to the Chamber of Commerce for start-up support	0.2
Business Investment and Culture			**1.8**
Transportation & Highways	Highways	An under recovery of income for highways operational staff (DLO) of £0.3m due to sickness and strike action, together with the delayed achievement of some MTFS savings targets of £0.3m	0.6
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 £0.8m. In addition there is a pressure relating to the increased volume and cost of highway asset repairs of £0.2m, which is largely due to unrecoverable costs of traffic accidents	1.2
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
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.	0.2
Transportation & Highways			**2.1**
Streetscene & Regulatory Services	Planning Services	As a result of the downturn in the economy, income is expected to be reduced by c£482k. This reflects a national trend in reduced number of major planning applications	0.5
Streetscene & Regulatory Services	Streetpride & Parks	This primarily reflects several income targets not being achieved. The Coventry Funeral Director Service has not yet commenced (£160k), WMP and Coombe Park Car Parking income underachievement (£190k), and WMP activities (£92k). In addition, there are cost pressures relating to traveller incursion prevention of £127k and service Fleet Pressures of £173k.	0.8
Streetscene & Regulatory Services	Waste & Fleet Services	This pressure is predominantly the combined impact of the HGV driver industrial action, and mitigations put in place to ensure continuity of service. Domestic Waste is forecasting a pressure of c£5.9m. Strike mitigations during the dispute, net of salary savings represent c£3.8m of this. Additionally, net costs related to maintaining the collection service post-strike and ER/VR are estimated at £803k, and fleet pressures of £804k related to hire of vehicles and fuel, c£697k related to Temporary staff, Agency & sickness. Commercial Waste is forecasting a shortfall in surplus of £1.2m. This is as a direct result of contracts lost during the period of industrial action. Work has now	7.0

		commenced to identify how best to manage this in the medium term.	
Streetscene & Regulatory Services	Environmental Services	Pest Control is forecasting a shortfall in income of c50k, There are also overspends on overtime and other pay in ESU and Street Enforcement of c£256k whilst vacancies are being recruited to	0.3
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			**8.7**
Project Management and Property Services	Facilities & Property Services	This relates primarily 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 surplus in R&M and compliance services, and a reduction in corporate building cleaning costs	1.1
Project Management and Property Services	PMPS Management & Support	Corporate Property savings target overachievement	(0.2)
Project Management and Property Services			**0.9**
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.4)
Public Health	Public Health - Health Protection	Utilisation of additional grant resources to manage cost pressures	(0.1)
Public Health			**0.5**
Ringfenced Funding	SEND & Specialist Services	Demand for both Education, Health and Care (EHC) Plans and special school placements proved significantly higher than anticipated, during the course of the Summer and Autumn terms 2022. Costs have been further impacted by an increase in the average unit cost of an EHC Plan, reflecting a rise in the complexity of presenting needs. As a consequence, additional placements in both local and external special schools have had to be commissioned.	0.4
Ringfenced Funding	Schools	£0.2m underspend relating to the cash adjustment for the 21/22 Early years allocation where the Council's 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, 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.	(0.1)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	2.5

Ringfenced Funding	Other Variances Less than 100K		(0.4)
Ringfenced Funding			**0.0**
Corporate & Contingency	Corporate Finance	This incorporates favourable variances of £4.4m in the Asset Management Revenue Account (AMRA) and £4.9m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council plus higher than budgeted investment income which is due to a combination of larger short-term investment balances and higher interest rates. The cost of the 2022/23 pay award averages c6% for the Council and represents a cost c£6m above the original budget, offset in part by other non-pay contingency budgets and a contribution from reserves established to manage inflation volatility. Favourable variations including a Business Rates Pool surplus (£2m) and lower than budgeted superannuation costs (£2.1m).	(9.3)
Corporate & Contingency			**(9.3)**
Total Non-Controllable Variances			**11.3**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Active Travel Neighbourhoods	Award of £1m grant for the delivery of active travel neighbourhoods in Earlsdon and Lower Coundon. The grant award is from Active Travel Fund 3 (ATF3) and will be claimed from the West Midlands Combined Authority. A City Region Sustainable Transport Settlement report was taken to Council on 6th September 2022 to approve this funding.	1.0
Highways Maintenance & Investment	A 2022/23 Transportation and Highways Maintenance Capital Programme Supplementary report will be taken to Cabinet on the 30th November to formally approve the agreed additional £0.3m from the Management of Capital Reserve for pot hole patching works.	0.3
Woodlands - Main Build -Basic Need	Cabinet on 12th October 2021 approved the appointment of the design team to enable the delivery of the capital refurbishment works required on the Woodlands site	0.4
Public Realm - Coventry Cross	Since the initial programme of works and budget estimation for Coventry Cross we have seen materials and prices rise at the fastest and highest rates in the last 40 years, this has impacted the costs of items such as steel, an integral part of the Coventry Cross structure. Additionally archaeological finds onsite have caused some delay cost impacts. This additional funding allows us to absorb these costs and provide a small buffer of contingency.	0.1
Green Homes Grant LAD2	Underspend on the grant funded programme, due to higher dropout rate, technical feasibility and the impact of new regulation PAS2035, and other grant conditions has meant were unable to fully spend the grant within it timescales. There is a LAD3 programme which will capture some of the scheme's slippage	(0.9)
Miscellaneous under £100k		(0.5)
TOTAL APPROVED / TECHNICAL CHANGES		**0.3**

Appendix 3

Capital Programme Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
City Centre South	There has been higher than anticipated costs for commercial and legal advice as a result of changes required to the Development Agreement and the change control request to WMCA	0.4
Housing Venture	Problems with obtaining Planning Permission have stopped the majority of the projects being caried out this year	(0.8)
Vehicles	Vehicles that were due to be bought last year have now been purchased in 2022/23 so increasing the spend	1.0
Higher Needs	The work on Woodlands School will not be taking place in 2022/23 so has been rescheduled to 2023/24	(1.0)
Coombe Loan	Rescheduling the balance of the loan facility approved in 2019/20	(0.4)
TOTAL RESCHEDULING		**(0.8)**

Appendix 4

Capital Programme Analysis of Overspend

SCHEME	EXPLANATION	£M
Public Realm Phase 5 - City of Culture	The PR5 programme was a transformative £44m WMCA funded project with the objective to ready the city for UK City of Culture 2021. This wide ranging programme was delivered during the Covid 19 pandemic and during a time where the construction industry suffered extensive resource shortages, material delays and price increases. As a result, the PR5 programme overspent by £621k. The majority of these costs can be attributed to increased scope of works, Covid 19 delay costs and associated resource prolongation costs as a result.	0.6
TOTAL OVERSPEND		**0.6**

Appendix 5

<u>Prudential Indicators</u>

Indicator	per Treasury Management Strategy 2022/23	As at 30 September 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%	14.74%
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	£321.8m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5), This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.	£538.0m	£321.8m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6), This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.	£518.0m	£321.8m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9), These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.	£474.4m	£236.2m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£94.9m	-£78.2m
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%	 6% 1% 19% 5% 69%
Investments Longer than 364 Days (Indicator 11), This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.	£30m	£0.0m