Coventry City Council

# Public report
Cabinet

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| Cabinet | 14th February 2023 |
| Audit and Procurement Committee | 20th March 2023 |

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

**Director Approving Submission of the report:**
Interim Chief Executive (Section 151 Officer)

**Ward(s) affected:**
City wide

**Title:**
2022/23 Third Quarter Financial Monitoring Report (to December 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 December 2022. The headline revenue forecast for 2022/23 is for net expenditure to be **£8.5m** over budget. At the same point in 2021/22 there was a projected overspend of £2.5m.

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 Business, Investment and Culture, Transportation and Highways and Finance.

As reported at Quarter 2, 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 £159.5m 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 are affecting 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 £159.5m incorporating: £4.1m net increase in spending relating to approved/technical changes and £10.4m of net rescheduling of expenditure into future years.

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, 20th March 2023

## Will this report go to Council?

No

**Report title:**
2022/23 Third Quarter Financial Monitoring Report (to December 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 third 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 £8.5m 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 £2.5m. Capital spend is projected to be £159.5m.

1.3 By historical standards this is a high reported overspend position at this relatively late stage in the financial year. Although historical trends suggest that the position may improve between now and the end of the year there is now a strong likelihood of a significant overspend being reported at year-end which 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 | 99.6 | 98.9 | (0.7) |
| Business Investment & Culture | 5.7 | 7.8 | 2.1 |
| Children & Young People's Services | 86.6 | 90.6 | 4.0 |
| Contingency & Central Budgets | (22.7) | (32.4) | (9.7) |
| Education and Skills | 19.8 | 19.8 | 0.0 |
| Finance & Corporate Services | 6.9 | 8.7 | 1.8 |
| Human Resources | 1.9 | 1.4 | (0.5) |
| Legal & Governance Services | 4.8 | 5.6 | 0.8 |
| People Directorate Management | 1.2 | 1.2 | 0.0 |
| Project Management & Property Services | (6.9) | (6.0) | 1.0 |
| Public Health | 0.5 | 0.0 | (0.5) |
| Streetscene & Regulatory Services | 31.7 | 40.1 | 8.5 |
| Transportation & Highways | 8.3 | 9.9 | 1.6 |
| **Total** | **237.4** | **245.9** | **8.5** |

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, £2.2m 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£7.5m. 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 have risen 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 £1.4m, the vast majority of which relates to business rates.

The overall pressure of £1.8m in Finance includes: a significant increase in the number of individuals applying for welfare support from the Household Support Fund, resulting in a £0.5m pressure; an increase in demand, and reduced government funding on the discretionary hardship payments (DHP) scheme causing a £0.5m pressure; and a net Housing Benefit subsidy pressure of £0.3m 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. Remaining pressures relate to the staffing cost of administering Revenues and Benefits service caseloads, largely relating to the energy rebate scheme and other economic climate factors.

**Contingency and Central Budgets**

An overall underspend of £9.7m incorporates favourable variances of £4.7m 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 3 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 3 2022/23 capital outturn forecast is £159.5m compared with the second quarterly outturn of £165.8m. Table 3 below updates the budget at quarter 3 to take account of £4.1m of new approved/technical changes and £10.4m of rescheduled spend 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 75% of the programme is funded by external grant monies, whilst 13.4% is funded from borrowing. The programme also includes funding from capital receipts of £11.2m (7%).

**Table 3 – Movement in the Capital Budget**

| CAPITAL BUDGET 2022-23 MOVEMENT | Qtr 3 Reporting £m |
|---|---|
| Quarter 2 Estimate Outturn | 165.8 |
| Approved / Technical Changes (see Appendix 2) | 4.1 |
| “Net” Rescheduling into future years (See Appendix 3) | (10.4) |
| Revised Estimated Outturn 2022-23 | 159.5 |

| RESOURCES AVAILABLE: | Qtr 3 Reporting £m |
|---|---|
| Prudential Borrowing (Specific & Gap Funding) | 21.4 |
| Grants and Contributions | 119.7 |
| Capital Receipts | 11.2 |
| Revenue Contributions and Capital Reserve | 7.2 |
| Total Resources Available | 159.5 |

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 3.50% at the MPC December 2022 meeting. The current market forecast is for the base rate to continue to rise to 4.25% this year after which it should flatten out.

**Long Term (Capital) Borrowing**
The net long-term borrowing requirement for the 2022/23 Capital Programme is £7.0m, taking into account borrowing set out in Section 2.3 above (total £21.4m), 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 September and 31st December 2022 PWLB rates have varied within the following ranges:

| PWLB Loan Duration (maturity loan) | Minimum 2022/23 Q3 | Maximum 2022/23 Q3 | As at the End of Q3 |
|---|---:|---:|---:|
| 5 year | 3.85% | 5.64% | 4.68% |
| 50 year | 3.76% | 5.71% | 4.69% |

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 ranged from 2% at the beginning of Q3 to 3.3% at the end. This rate of return reflects low risk investments for short to medium durations with H.M Treasury, UK banks, Money Market Funds and other Local Authorities. 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<br>£m | As at 30th June 2022<br>£m | As at 30th Sept 2022<br>£m | As at 31st Dec 2022<br>£m |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Banks and Building Societies | 0.0 | 0.0 | 1.5 | 0.0 |
| Local Authorities | 0.0 | 15.0 | 0.0 | 0.0 |
| Money Market Funds | 18.3 | 41.85 | 35.6 | 56.55 |
| Corporate Bonds | 0.0 | 0.0 | 0.0 | 0.0 |
| HM Treasury | 19.0 | 0.0 | 16.8 | 0.0 |
| **Total** | **37.3** | **56.85** | **53.9** | **56.55** |

**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; some are fairly 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 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 4.10% over the last 12 months. As at 31st December 2022 the funds were valued at £27.4m (£28.7m at 30 September 2022), against an original investment of £30m. Of the seven pooled funds, only the CCLA Property Fund is in surplus (£0.06m), which leaves six funds currently showing a deficit in value (ranging from £0.1m to £1m). Financial markets continue to be 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 and this is likely to be the case until at least March 2025.

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

The indicators, together with the relevant figures as at 31 December 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 31 December 2022 the value is -£128.5m (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 31 December 2022 the value is £253.0m 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 against which there are forecast commitments of £139.3m is: -

| | 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 | 87.3 | (3.7) |
| | **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£30m, 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 Interim Chief Executive (Section 151 Officer) and the Chief Legal Officer**

**5.1 Financial implications**

**Revenue**

The Quarter 3 position reflects a serious position for the Council although this has improved from the £11.3m revenue overspend forecast at Quarter 2. 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 line over the remainder of the year. It remains possible that further limited flexibility may become available within Corporate budgets and 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 future years will be very challenging and any one-off resources required to balance 2022/23 will weaken the Council's flexibility ahead of future Budget processes. 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.

**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.

**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 remainder 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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| **Names of approvers for submission:** (officers and members) | | | | |
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| Councillor R Brown | Cabinet Member for Strategic Finance and Resources | - | 20/1/23 | |

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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<br><br>£m | Forecast Spend<br><br>£m | Centralised Variance<br><br>£m | Budget Holder Variance<br><br>£m | Total Variance<br><br>£m |
|---|---|---|---|---|---|
| Adult Services & Housing | 99.6 | 98.9 | -1.3 | 0.6 | -0.7 |
| Business Investment & Culture | 5.7 | 7.8 | 0.4 | 1.7 | 2.1 |
| Children & Young People's Services | 86.6 | 90.6 | -1.3 | 5.3 | 4.0 |
| Contingency & Central Budgets | -22.7 | -32.4 | 0.0 | -9.7 | -9.7 |
| Education and Skills | 19.8 | 19.8 | -0.9 | 0.9 | 0.0 |
| Finance & Corporate Services | 6.9 | 8.7 | -0.3 | 2.2 | 1.8 |
| Human Resources | 1.9 | 1.4 | 0.2 | -0.7 | -0.5 |
| Legal & Governance Services | 4.8 | 5.6 | -0.5 | 1.3 | 0.8 |
| People Directorate Management | 1.2 | 1.2 | -0.1 | 0.2 | 0.0 |
| Project Management & Property Services | -6.9 | -6.0 | 0.3 | 0.7 | 1.0 |
| Public Health | 0.5 | 0.0 | -0.1 | -0.4 | -0.5 |
| Streetscene & Regulatory Services | 31.7 | 40.1 | -0.6 | 9.1 | 8.5 |
| Transportation & Highways | 8.3 | 9.9 | -0.4 | 2.0 | 1.6 |
| **Total** | **237.4** | **245.9** | **-4.6** | **13.1** | **8.5** |

## <u>Budget Holder Forecasts</u>

| Service Area | Reporting Area | Explanation | £m |
|---|---|---|---|
| Education and Skills | SEND & Specialist Services | The transport variance is attributable to an increase in out of City placements, coupled with higher value bid awards through the e-auction process as a consequence of reduced market competition. | 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. New passes have and continue to be issued for the 2022/23 academic year and we will continue to monitor the position. | (0.2) |

| | | | |
|---|---|---|---|
| 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 budget has been identified for the 23/24 financial year. There is also an overspend on school trade union facility time. The overspend is partly offset by underspends on historic pension liability and Governor Support. | 0.1 |
| Education and Skills | Employment & Adult Education | Employment are forecasting a reduction in expenditure of £0.4m against centralised salaries due to high level of vacancies. The service is also forecasting an increase in non-salary related expenditure of £0.2m, due to additional Kickstart grant, giving a budget holder variance of £0.2m. At service level this leaves a net underspend of £0.2m, which is being contributed to reserves, increasing the final budget holder variance from £0.2m to £0.4m. | 0.4 |
| Education and Inclusion | Other Variances Less than 100K | | 0.2 |
| **Education and Skills** | | | **0.9** |
| 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. | (0.7) |
| Children and Young People's Services | Commissioning, QA and Performance | Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £53k has not been met. Additionally, agency spend on Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers is £290k 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 £1.9m 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.<br><br>There is a further budgetary pressure of £0.3m in LAC legal costs linked to high levels of demand.<br><br>These are currently being partly offset by additional Supporting Family Grants in the hubs and Youth Offending Service Grants, which will support new activity once the plan is signed off. | 2.6 |
| Children and Young People's Services | LAC & Care Leavers | There is a forecast overspend on looked after childrens (LAC) placements of £2.2m. 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.<br><br>There is a further budget pressure of £0.4 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. This is | 2.9 |

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| | | an improving position as measures taken are now starting to have a positive impact.<br><br>LAC transport has a forecast overspend of £0.15 million and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure.<br><br>There is a overspend of £0.2 million on Adoption Central England this relates to an increase in Interagency fees and pay increases. Further working is being undertaken to address this.<br><br>There is a further budgetary pressure of £0.6m within the Children's disability service. This overspend relates to increased costs for short breaks & direct payments, DFG shortfalls and intensive support for some children to enable them to remain living at home, as an alternative to living in residential care.<br><br>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. | |
| **Children and Young People's Services** | | | **5.3** |
| Adult Social Care & Housing | 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. | (0.9) |
| Adult Social Care & Housing | 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). | (1.9) |
| Adult Social Care & Housing | 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 & Housing | 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 & Housing | Community Purchasing Mental Health | Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need. | 2.0 |
| Adult Social Care & Housing | 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. In addition, costs relating to Hospital Discharge that were grant funded last year were not funded for the first 6 months of the year. A Hospital Discharge grant has now been received for the latter stage of the year. | 0.9 |
| Adult Social Care & Housing | Mental Health Operational | There remain significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m). | 0.2 |

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| Adult Social Care & Housing | Housing and Homelessness | Although the number of families in TA has continued to increase this hasn't been at the rate previously forecast and with the number of singles continuing to decrease. The forecast has been amended to reflect this. In addition, a further £0.2m homelessness prevention grant has been available by the DLUHC during 2022/23 offsetting the cost of temporary accommodation. | (0.5) |
| Adult Social Care & Housing | Other Variances Less than 100K | | 0.2 |
| **Adult Social Care & Housing** | | | **0.6** |
| 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 caseload primarily in children's social care as an ongoing impact of COVID-19.<br><br>There is an action plan in place to address these issues but the full benefit will not materialise immediately. | 1.0 |
| 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** | | | **1.3** |
| 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 government grant funding combined with an increase in demand for services.<br><br>There is also a net Housing Benefit subsidy pressure of £0.3m 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 is a Housing Benefit subsidy pressure of £0.5m, relating to audit testing of the 2020-21 claim.<br><br>These are offset by a contribution from reserves of £0.2m.<br><br>There are also increased temporary staffing costs (circa £0.5m) 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 increased underlying work levels in council tax, including the ongoing administration of the energy rebate scheme. | 1.7 |
| Finance & Corporate Services | | The pressure is a result of a significant increase in the number of individuals applying for welfare support from the Household Support Fund. This will result in expenditure exceeding the grant allocation for the Oct-22 to Mar-23 period. | 0.5 |

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| **Finance & Corporate Services** | | | **2.2** |
| Human Resources | ICT & Digital | The Budget Holder variance comprises some one-off underspends (reductions of £473K as a result of a negotiated one off reduction in first year cost of the contract, £170K on laptops due to timing of refresh programme, £75K Out of Hours allowances, £74K reduction on cross Council MFD usage plus identification of £288K income which has been subject to negotiation over the past few years but an agreement reached within the last quarter) partially offset by some on-going pressures (shortfall of schools income £230K plus pressures on cross Council software £86K). This overall improved position is as a result of clarification of our position regarding income alongside slowing on spend and changing approach, in particular regarding printing and laptop refresh | (0.8) |
| Human Resources | Other Variances Less than 100K | | 0.2 |
| **Human Resources** | | | **(0.6)** |
| Business Investment and Culture | Sports, Culture, Destination & Bus Relationships | This pressure is a combination of factors, primarily £1.4m of unfunded running costs in respect of the corporate "Cultural Gateway" project, the majority of which is business rates. In addition, £0.3m in respect of the Wave heatline (energy) costs, and £0.1m deficit forecast in the first year of the new St Mary's catering facility due to a delayed opening whilst capital works were completed, staff recruited etc. | 1.6 |
| Business Investment and Culture | Other Variances Less than 100K | | 0.1 |
| **Business Investment and Culture** | | | **1.7** |
| Transportation & Highways | Highways | An under recovery of income for highways (DLO) operational staff 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 | 1.0 |
| 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. | 0.3 |
| **Transportation & Highways** | | | **2.0** |

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| Streetscene & Regulatory Services | Planning Services | As a result of the downturn in the economy, income is expected to be below budget by £482k. This reflects a national trend. | 0.5 |
| Streetscene & Regulatory Services | Regulatory Services | Shortall in income in the building control function as a result of the downturn in the economy. | 0.1 |
| Streetscene & Regulatory Services | Streetpride & Parks | Income targets are not being achieved (Funeral Services £160k, WMP Car Park c£68k, Coombe Park c£97k and WMP c£92k) along with Fleet Pressures c£206k and staff costs 102k. In addition, unbudgeted works at a cost of £146k are being carried out at 3 parks to prevent traveller incursions. These are offset by salary savings due to vacant posts | 0.9 |
| Streetscene & Regulatory Services | Waste & Fleet Services | Waste Disposal Costs are down by £560k due to a combination of reduced CA Site fees (c£130k), reduced Waste Collection costs (£203k) and increased tonnage/gate fees c£970k which are more than offset by additional income (c£1,295k) which includes c£336k recycling rebate.<br>Domestic Waste is forecasting an overspend of c£6.6k. This is predominantly due to mitigating action taken during the industrial dispute c£3.8m (net of salary savings due to strike action), costs relating to maintaining a waste collection service c£1,040k, £926k related to the hire of vehicles & fuel, £664k related to Temp Staff, Agency, Sickness & Overtime. Settlement costs have included £376k Xmas Buy-out (funded from reserves) and c£86k additional increments. Pop-up sites have been arranged for the post xmas period at a cost of £75k.<br>Commercial Waste are forecasting a deficit of c£871k. This includes an estimated loss of income c£1.2m as a result of the strike. This is being offset by cost reductions (Staff, Vehicles & Waste Disposal costs) in the services that will continue to be provided. | 7.3 |
| Streetscene & Regulatory Services | Environmental Services | Pest Control is forecasting a shortfall in income of c34k, there are also overspends on Overtime and Other pay c£178k whilst vacancies are being recruited to (offset by savings on centralised salaries). There is also a savings target c£58k which is not being achieved and miscellaneous variations (incl fuel) of c£5k | 0.3 |
| **Streetscene & Regulatory Services** | | | **9.1** |
| Project Management and Property Services | Project Management | This pressure has arisen as a result of abortive time and corporate work which is not chargeable. This will be addressed in 23/24. | 0.1 |
| Project Management and Property Services | Facilities & Property Services | This pressure is primarily as a result of a £1.1m energy pressure for operational buildings caused by the rise in energy costs from October 2022. In addition, a £0.3m pressure for Fairfax street unfunded holding costs, which has been partially offset by an expected trading surplus in the R&M function of £0.15m. | 0.8 |
| Project Management and Property Services | PMPS Management & Support | This reflects accelerated achievement of corporate MTFS savings for the strategic property review | (0.3) |

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| **Project Management and Property Services** | | | **0.6** |
| 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. | (0.3) |
| Public Health | Other Variances Less than 100K | | (0.1) |
| **Public Health** | | | **(0.4)** |
| Ringfenced Funding | SEND & Specialist Services | DSG Variance: The projected costs of FE provision is clarified in the Autumn Term when students take up placement offers and the actual unit cost is established. Pathway choice has extended within the City with a stronger focus on employment and training. Alongside, Coventry College has continued to grow their specialist offer, reducing our reliance on external provisions, consequently there has been a reduction in average student costs and an increase in the number of young people moving on to training programmes. The forecast position for placement in out of city independent schools, which took into account the impact of the closure of a specialist independent school has been adjusted to recognise increased success in placing students in LA maintained provisions and programmes. Contingencies have therefore been removed. | (0.5) |
| Ringfenced Funding | Schools | DSG Variance: £0.2m underspend relating to the cash adjustment for the 21/22 Early years allocation where our allocation has increased. £2.7m underspend relates to the remaining resource from the high needs block held to fund future demands. £0.2m underspend due to an underspend on Early Years provision. | (3.1) |
| Ringfenced Funding | Education Entitlement | DSG Variance: 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. | (0.2) |
| Ringfenced Funding | Financial Strategy | Technical adjustment to remove total of ringfenced variances from corporate position | 3.6 |
| Ringfenced Funding | Employment & Adult Education | Adult Education Variance: This is due firstly to increases in salary costs due to pay awards (pension, NI & other costs). Secondly WMCA now confirmed clawback of funds due to reduced enrolment & participation caused by covid legacy. | 0.2 |
| **Ringfenced Funding** | | | **0.0** |
| Corporate & Contingency | Corporate Finance | This incorporates favourable variances of £4.7m in the Asset Management Revenue Account (AMRA) and £4.9m across all other contingency budgets.<br><br>The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council plus higher than budgeted investment income | (9.7) |

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| | | which is due to a combination of larger short-term investment balances and higher interest rates.<br><br>For other contingency budgets, 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). | |
| **Corporate & Contingency** | | | **(9.7)** |
| **Total Controllable Variances** | | | **13.1** |

**Appendix 2**

## Capital Programme Approved / Technical Changes

| SCHEME | EXPLANATION | £m |
|---|---|---|
| Onstreet Residential Charge point Scheme phase 6 | The Office for Zero Emission Vehicles (OZEV) have awarded Coventry City Council, a grant with a maximum value of £681,280 to deliver phase 6 of the onstreet residential charge point scheme. | 0.7 |
| City Centre South | Additional funding approved in November 2022, to support the delivery of the scheme | 0.4 |
| Disabled Facility Grant/ Children with Disability | Additional funding virement from the Disabled Facility grant, to avoid Prudential Borrowing | (1.4) |
| Provision of Temporary Accommodation for Families | New funding agreed by Cabinet Report March 2022 | 4.0 |
| Culture Capital Investment Fund | Additional funding for Charterhouse project approved in 2022/23 budget setting report | 0.5 |
| FEL - Purchase of Containers - Commercial Waste | This is due to the industrial action from January to August. There was a reduced service during this period, some customers cancelled their contracts and there were very few new customers. Since the dispute ended, the service has ceased to provide a Skips service. | (0.5) |
| Green Homes Grant Phase 2 | Underspend to be repaid to Nottingham Council who are the administrators of the project as we will not be spending all of the grant | 0.3 |
| Other below £250k | | 0.1 |
| **TOTAL APPROVED / TECHNICAL CHANGES** | | **4.1** |

**Appendix 3**

# Capital Programme Rescheduling and Accelerated Spend

| SCHEME | EXPLANATION | £m |
|---|---|---|
| Coventry South Package - WMCA Investment Programme | There is a need for a study scope to include implications of SWLP Review and wider master planning of the Coventry South / Kenilworth / Balsall Common areas. A cross- boundary project team has been established involving CCC, WCC and SMBC. This will result in the remaining funding for the initial design work to slip into next financial year. | (0.4) |
| Coventry North Package - WMCA Investment Programme | On behalf of the Project Team, CCC will now draft a brief for detailed design work for the preferred option, and continency scheme(s), with the aim of having appointed a consultancy partner before the end of March to undertake this work. Therefore, some of the remaining spend will now slip into 2023-24. | (0.2) |
| Clean Bus Technology Fund | Reschedule of remaining funding into next year to determine remaining demand for clean bus technology. | (0.6) |
| Air Quality | The scheme is progressing well with Coundon cycleway now open, Junction 7 and Spon End moving at pace. Due to a number of programme challenges experienced the latest programme indicates completion next financial year, hence the slippage of spend into 2023-24. | (5.0) |
| Friargate Future Buildings - hotel loan | Delay in drawn down of the loan facility | (1.4) |
| Disabled Facilities Grants | The rescheduling is due to the project at Logan Road not going ahead | 0.4 |
| Albany Theatre | Works to date have been dependent on the installation of a new electricity main, which is required as a result of the wider project and to accommodate the increased power demand. This, unfortunately, has taken considerably longer than initially anticipated and so the programme is in delay (please see below for the latest key dates). Works to install the electricity began in August and the statutory undertaker has been less than proactive in discharging their duties to complete the work. These works are now complete.<br><br>Works were undertaken on site pre-Christmas where possible in readiness for the main works to commence early January.<br><br>Project due for completion in November 2023, revised cashflow reflects the changes. | (1.1) |
| Mixed Recycling Facility - Loan | Adjustment to Loan facility | (0.3) |
| Children with Disability New Build | Approved in January 2022 the project has evolved from a refurbishment project to a new build project as the business case for the refurbishment was too expensive. The rescheduling addresses the time in ‘start from scratch’ to build a business case for a new build and secure land. | (1.4) |
| Other below £250k | | (0.4) |

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| **TOTAL RESCHEDULING** | | **(10.4)** |

**Appendix 4**

## Prudential Indicators

| Indicator | per Treasury Management Strategy 2022/23 | As at 31 December 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% | 14.59% |
| ***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. |

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| ***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.<br>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 | £253.m |
| ***Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)***, as above highlighting interest rate exposure risk. | £94.9m | -£128.5m |
| ***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.<br>The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.<br><br>< 12 months<br>12 months – 24 months<br>24 months – 5 years<br>5 years – 10 years<br>10 years + | 0% to 50%<br>0% to 20%<br>0% to 30%<br>0% to 30%<br>40% to 100% | 7%<br>1%<br>19%<br>5%<br>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 |