Coventry City Council

Public report
Cabinet

Cabinet	11th July 2023
Council	18th July 2023
Audit and Procurement Committee	24th July 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: All

Title:
Revenue and Capital Outturn 2022/23

Is this a key decision?
Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position

Executive Summary:

This report outlines the final revenue and capital outturn position for 2022/23 and reviews treasury management activity and 2022/23 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- An overspend of **£6.7m**, balanced by a contribution from legacy COVID reserves.
- Capital Programme expenditure of **£146.9m**
- A reduction in the level of available Council revenue reserves from £140m to **£123m**

Further detail includes:
- An overspend of £9.4m within Streetscene and Regulatory Services includes the combined impact of the refuse drivers' strike, strike mitigation costs and the loss of commercial refuse service income as a result of the strike.
- An overspend of £4.1m within Childrens' Services reflecting high placement costs and social worker recruitment and retention pressures.
- An overspend of £2.7m in Adults' Social Care reflecting an increased number of high-cost complex cases.
- An overspend of £2.7m on Business & Investment Culture which represents significant energy inflationary pressure, as well as running costs and business rates for the Collection Centre in advance of construction start dates.

- A net underspend of £13.5m within central budgets including lower superannuation costs, interest income from loans and higher than budgeted investment income, and a surplus from the Coventry and Warwickshire Business Rates Pool.

The underlying revenue position has improved by £1.8m since Quarter 3 when an overspend of £8.5m was forecast. In particular the improved position relates to improvements within Contingency and Central budgets which are set out in the report.

The prudent management of the Councils financial position throughout the Covid crisis enabled the Council to retain some resources to manage any legacy issues. £6.7m of this has been used to balance the position at the end of 2022/23. Although the Covid crisis is no longer a significant threat to the Councils service delivery and financial position, the cost-of-living crisis and growing levels of inflation have had tangible impacts on demand for both Childrens and Adults services. The complexity of need, support required and sufficiency of the external market to provide for this has directly impacted the Councils financial outturn reported up to 31st March 2023 and will be an ongoing financial challenge in 2023/24.

Recommendations:

Cabinet is recommended to approve:

1) The final balanced revenue outturn position after a contribution of £6.7m from reserves.

2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £146.9m against a final budget of £160.9m; £14m expenditure rescheduled into 2023/24.

3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.

Cabinet is requested to recommend that Council: -

4) Approves the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.

Council is recommended

1) Approve the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.

Audit and Procurement Committee is recommended to:

1) Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

Appendix 1 - Detailed breakdown of Directorate Revenue Variations
Appendix 2 - Capital Programme Changes and Analysis of Rescheduling
Appendix 3 - Prudential Indicators

Other useful background papers:

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 24th July 2023

Will this report go to Council?

Yes – 18th July 2023

Report title: Revenue and Capital Outturn 2022/23

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position for 2022/23 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £237.4m and has a revised Capital Programme of £160.9m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position for each division and the required contribution from reserves to achieve a balanced position for the Council.

Table 1 Summary Outturn Position

Quarter 3 Forecast Variance		Revised Budget	Final Outturn	**Outturn Variance** Overspend/ (underspend)	Movement from Q3 worse/ (better)
£m		**£m**	**£m**	**£m**	**£m**
(0.7)	Adult Services & Housing	99.6	102.3	**2.7**	3.4
2.1	Business, Investment & Culture	5.7	8.3	**2.7**	0.6
4.0	Children & Young People's Services	84.9	89.0	**4.1**	0.1
(9.7)	Contingency & Central Budgets	(22.5)	(36.0)	**(13.5)**	(3.8)
0.0	Education & Skills	19.8	19.5	**(0.4)**	(0.4)
1.8	Finance & Corporate Services	6.9	7.6	**0.8**	(1.0)
(0.5)	Human Resources	1.9	0.9	**(1.0)**	(0.5)
0.8	Legal & Governance Services	4.8	5.5	**0.7**	(0.1)
0.0	People Directorate Management	1.2	1.1	**0.0**	0.0
1.0	Project Management & Property Services	(7.1)	(6.0)	**1.1**	0.1
(0.5)	Public Health	2.2	0.7	**(1.6)**	(1.1)
8.5	Streetscene & Regulatory Services	31.6	41.0	**9.4**	0.9
1.6	Transport & Highways	8.3	10.0	**1.7**	0.1
8.5	**SUBTOTAL**	**237.3**	**243.9**	**6.7**	**(1.8)**
-	Contribution from reserves	-	-	**(6.7)**	(6.7)
8.5	**TOTAL**	**237.3**	**243.9**	**0.0**	**(8.5)**

The quarter 3 position reflected an overspend of £8.5m with the key variations between quarter 3 and Outturn occurring within Contingency and Central Budgets which improved by £3.8m and Adults Services worsening by £3.4m. The reasons for these variations are included in the explanations of overall budgetary variations below.

Explanation of Variations

Movement from Quarter 3

The most significant unfavourable movement since Quarter 3 has been within **Adult Services & Housing** which has worsened by £3.4m. This was driven by a larger than normal number of high complex social care cases being transferred retrospectively from Health to Adult Services which was further exacerbated by a revision to one element of the income forecast.

Other significant unfavourable movements have occurred in both **Streetscene** and **Business Investment & Culture,** primarily relating to less income from commercial waste customers than forecast as a legacy impact of the driver strike, together with a higher cost of maintaining interim arrangements for domestic waste collections, and less planning application income reflecting a worse trend in the development industry than had been expected.

A £3.8m favourable movement in **Corporate and Contingency** budgets incorporates an improved Asset Management Revenue Account position (£1.1m), a windfall distribution of Business Rates Levy Account Surplus by the Government (£0.7m), service commercial income in excess of budget (£0.5m), reserves not required for their original purpose contributed to the bottom line (£0.5m), increased Business Rates Pool income (£0.4m) and lower superannuation costs (£0.2m).

Most other remaining services have improved or maintained their quarter 3 position.

Final Outturn Position

Contingency and Central (£13.5m Underspend)

The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £6.0m in the Asset Management Revenue Account (AMRA) and £7.5m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. 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 by other contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).

Council Services (£20.2m Overspend)

Adult Social Care & Housing

The £2.7m overspend in Adult Social Care is multi-faceted. There has been an increasing number of high-cost complex cases although this has been partially mitigated by reductions in some lower complexity cases. However, a larger than normal number of cases has been transferred retrospectively from Health to Adult Social Care in the final quarter causing a worsened financial position.

Children and Young People

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4.1m overspend, £1.9m is caused by the insufficiency of the children's external placement market to meet demand, which is impacting on the average unit cost of those placements. There are also still significant concerns regarding staffing, accounting for a further £2.2m 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.

Streetscene & Regulatory Services

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 (Tom White Waste) have been incurred. This together with lost contractual income within the commercial service and planning development income pressures have resulted in a net combined pressure of c£9.4m. 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.

Inflation and Other

Within Property, Transport and Highways, and Business Investment & Culture, significant inflation pressures have been reported for operational properties and street lighting energy totalling £2.4m, 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 £1.2m, the vast majority of which relates to business rates which will ultimately credit the fund.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2022/23 is £123m compared with £140m at the end of 2021/22. Resources set aside to support the Better Care Fund (delivered jointly with the health sector), Homes for Ukraine and to support capital projects have increased. These increases have been more than offset by use of resources to balance the year-end position (Covid funding) and the 2023/24 Budget (Business Rates reserve), and to deliver corporate projects such as the Very Light Rail scheme and City Readiness for the City of Culture and Commonwealth Games.

2.2.2 Balances generated from capital receipts and capital grants to fund future capital projects have increased from £37m to £40m and reserve balances belonging to or earmarked to support schools have increased from £31m to £33m. The total reserve movement in 2022/23 is summarised in the table below.

Table 3 Summary of Reserve Movements in 2022/23

	1st Apr 2022	(Increase)/ Decrease	31st Mar 2023
	£000	£000	£000

Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(28,287)	(2,961)	(31,248)
Private Finance Initiatives	(9,626)	1,518	(8,109)
Early Retirement and Voluntary Redundancy	(9,323)	2,082	(7,242)
Management of Capital	(3,410)	(2,913)	(6,324)
Innovation and Development Fund	(5,499)	431	(5,068)
Reset and Recovery	(5,467)	0	(5,467)
Covid 19 Funding	(10,981)	6,721	(4,260)
Air Quality Early Measures	(4,232)	312	(3,920)
Public Health	(2,469)	(1,280)	(3,749)
Potential Loss of Business Rates Income	(7,735)	4,302	(3,433)
Corporate Priorities (2020/21 Outturn Underspend)	(8,698)	5,705	(2,993)
Commercial Developments	(3,348)	666	(2,682)
Homes for Ukraine	0	(2,530)	(2,530)
Friargate Lifecycle	(1,594)	0	(1,594)
City of Culture & Commonwealth Games Legacy	(3,983)	2,582	(1,401)
Adult Education Income	(1,086)	(5)	(1,091)
Insurance Fund	(1,497)	433	(1,064)
Corporate Property Management	(1,369)	550	(819)
Children's Social Care Family Valued Programme	(1,229)	585	(644)
Other Directorate	(14,538)	(613)	(15,151)
Other Corporate	(5,843)	2,383	(3,460)
Total Council Revenue Reserves	**(140,493)**	**17,967**	**(122,527)**
Extra-Ordinary Item - Covid Business Rates Relief	**(18,635)**	**18,635**	**0**
Council Capital Reserves			
Useable Capital Receipts Reserve	(31,187)	(3,292)	(34,479)
Capital Grant Unapplied Account	(5,469)	(276)	(5,745)
Total Council Capital Reserves	**(36,656)**	**(3,567)**	**(40,224)**
School Reserves			
Schools (specific to individual schools)	(25,065)	2,108	(22,956)
Schools (related to expenditure retained centrally)	(5,927)	(4,310)	(10,237)
Total Schools Reserves	**(30,991)**	**(2,202)**	**(33,193)**
Total Reserves	**(226,776)**	**30,833**	**(195,943)**

2.2.3 It should be noted that the Council's reserve balances included an extra-ordinary balance of £19m at the end of 2021/22. Government Covid Business Rates reliefs announced previously had the effect of reducing the amount of Business Rates payable in 2021/22 causing a deficit within the Business Rates Collection Fund. Accounting rules meant that the corresponding grant (from Government) could not be applied to the Collection Fund until 2022/23. This grant has been fully used during 2022/23.

2.2.4 Adult Social Care resources represent the largest area of balances. These are overwhelmingly funded through ring-fenced grant and health sector resources for the delivery of jointly managed pooled budget arrangements with Health. In addition to these, the revenue reserve balances include £13m set aside as Funding for the Future approved previously, £8m set aside as part of the Council's three long-term Private Finance Initiative models and £7m set aside to fund costs arising from early retirement and redundancy decisions.

2.2.5 In line with recent practice, analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2023/24 and going forward.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2022/23 is shown in summary below and in greater detail in Appendix 2:

Table 4: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under-spends £m	Total Variance £m
160.9	146.9	(14.0)	(0.0)	(14.0)

The quarter 3 monitoring report to Cabinet on 14th February 2023 approved a revised capital budget of £159.5m for 2022/23. Since then, there has been a net programme increase of c£1.4m giving a final budget for the year of £160.9m. Since February, a total of £14m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2, a summary of key schemes is in the table below.

Table 5: Summary of Rescheduling

Project	**(Rescheduling) /Accelerated Spend £m**	**Explanations**
City Centre South	(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions (Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure
Friargate (Building 2 and Hotel)	(5.3)	£3.3m of the slippage is related to construction which has slipped from April to July 23, the remainder relates to the public realm works being paid in instalments and the Hotel Loan being deferred to 2023/24

Transportation S106 Programme	(1.2)	There have been a number of S106 funded schemes that have been forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive schemes. This has resulted in designs/programmed works slipping into 2023/24
Binley Road Cycleway	(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting	(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Schools Basic Need Programme	3.0	Spend against forecasts works have progressed quicker than expected on secondary expansion. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway	(1.9)	The Albany Theatre Project is progressing well but has been subject to c£1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works.
Other	(2.6)	Smaller schemes
TOTAL	**(14.0)**	

2.3.2 The 2022/23 programme continued to maintain a significant investment in the city's transport and public infrastructure, including schemes demonstrating an increasing engagement with environmental initiatives and a range of other projects showing the Council's desire to make Coventry an attractive place to live, work and do business:

- £35.4m has been spent on transport and highways infrastructure across a range of both major and minor schemes. These included works to deliver the A46 Stoneleigh Junction due for completion in Summer 2023, further research and development investment in Very Light Rail, the overbridge installation on the A45 Eastern Green to unlock development land and schemes to improve and maintain the city's highways via the City Region Sustainable Transport Settlement (CRSTS) for Highways Maintenance and our Local Network Improvement Plan.

- A further £5.0m has been spent on City Centre South, this has predominantly been on the acquisition of land and promoting the CPO Process.

- Further programme spend of £27.2m has been made in 2022/23 on the completion of Friargate Building 2 and commencement of the hotel within Friargate Business District. The new hotel facilities are due to complete in October.

- Air quality and Binley Cycleway works amounting to c£15.3m have continued with the majority of the works completed by summer 2023.

- There have been works totalling £21.3m across the school's property estate as part of the One Coventry Strategic Plan. There is an increasing focus now on providing additional capacity in secondary schools across the city to meet the growing numbers amongst the secondary intake.

- City of Culture capital programme spend of £3.7m has continued this year on a range of Coventry's cultural capital assets, building a legacy for the city following the City of Culture year.

- External grants have been used to allow c£1.7m across a range of greener travel options including the cycle schemes, clean bus and electric vehicle technology and charging points.

- £5m of grant funding for the investment in Climate Change related project has been invested in 22/23 covering activities around solar, green home grant and decarbonisation project, the investment continues into 2023/24.

- Material Recycling Facility investment this year of £6m, the majority of which is a loan facility to Sherbourne Recycling Limited towards the Council's contribution to the creation of the facility.

- A range of smaller scale but not insignificant schemes have advanced including the purchase of more homes to provide homelessness provision, improved facilities at Lenton's Lane Cemetery and continued investment in Disabled Facilities Grants.

2.3.3 The funding in respect of this capital expenditure of £146.9m is summarised in Table 7 below Approximately 77% of the programme has been resourced from capital grants.

Table 7: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	18.9	18.9	0
Grants and Other Contributions	112.9	133.1	(20.2)
Revenue Contributions	4.6	4.6	0
Capital Receipts	9.7	44.2	(34.5)
Management of Capital Reserve	0.6	6.9	(6.3)
Private Finance Initiative (PFI)	0.2	0.2	0
Total Resourcing	**146.9**	**207.9**	**(61.0)**

2.4 Treasury Management Activity

2.4.1 The key policy to combat inflation still seems to be to raise interest rates. At the beginning of the year the Bank of England interest rate was 0.75% and by the end of the year it was 4.25%. The current market forecasts predict the base rate will continue to rise to 5% if not higher. The UK is not alone in this situation as inflation and rising interest rates is at the forefront of most of the world's economies.

Long Term (Capital) Borrowing

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 twelve 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 2021/22 approved by Cabinet on 23 February 2021 it was agreed the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loan Board (PWLB) for 2022/23 have varied within the following ranges:

Table 8: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2022/23	Maximum in 2022/2023	Average in 2022/23
5-year	2.41	5.63	3.82
20-year	2.75	6.08	4.29
50-year	2.44	5.70	3.98

It has been more cost effective in the short-term to either use internal resources (cash balances) or to use short-term borrowing. By doing so, the Council has reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.

2.4.2 At outturn, the Capital Financing Requirement (CFR), which indicates the Council's underlying need to borrow for capital purposes, has reduced by £0.3m: -

Table 9: 2022/23 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2022	513.3
Borrowing required to finance 2022/23 Capital Programme	18.9
PFI & Finance Leases liabilities	(3.0)
Provision to Repay Debt (Minimum Revenue Provision)	(14.4)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.8)
Reduction of Provision and other restatements	0.0
Capital Financing Requirement at 1st April 2023	**513.0**

Within 2022/23, the movements in long-term borrowing and other liabilities were (stated at nominal value, excluding soft loan adjustments): -

Table 10: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2022 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2023 £m
PWLB	190.4	(5.4)	0	185.0
LOBO's	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
West Midlands Combined Authority	18.0	0	0	18.0
Other	0.4	0	0	0.4
subtotal ~ long term borrowing	**258.8**	**(5.4)**	**0**	**253.4**
Other Local Authority Debt	8.4	(1.8)	0	6.6
PFI & Finance Leasing Liabilities	59.9	(3.0)	0	56.9
Total	**327.1**	**(10.2)**	**0.0**	**316.9**

This long-term borrowing is repayable over the following periods: -

Table 11: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	17.2
1 – 2 years	31.0
2 – 5 years	16.5
5 – 10 years	64.9
Over 10 years	123.7
Total	**253.4**

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals.

Short-Term Borrowing and Investments

2.4.3 The Treasury Management Team acts daily 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. During the year, the Council held short-term investments, as set out in Table 12. The average short-term investment rate in 2022/23 was 2.6%. There was £10m of short-term borrowing in February 2023 to cover a forecasted shortfall in cash at the year-end

Table 12: In House Investments at 31st March 2023

	At 30th June 2022 £m	At 30th Sept 2022 £m	At 31st Dec 2022 £m	At 31st Mar 2023 £m
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	15.0	0.0	0.0	0.0
Money Market Funds	41.85	35.65	56.55	42.96
Corporate Bonds	0.0	0.0	0.0	0.0
HM Treasury	0.0	16.8	0.0	0.0
Total	**56.85**	**52.45**	**56.55**	**42.96**

Pooled Investments

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" are used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out.

In order to manage credit risk these investments are spread across a number of funds as highlighted in the table below:

Table 13: External, Pooled Investments as at 31st March 2023

	Date Invested	Cost £m	Value £m	Annualised Return from Investment %
CCLA LAMIT Property Fund	Nov 2013	12.0	11.82	3.62%
M&G Optimal Income Fund	Aug 2018	1.5	1.34	4.27%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	2.59	3.59%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.69	4.78%
Ninety One (Investec) Diversified Income Fund	Aug 2018	4.5	3.99	4.01%
Schroder Income Maximiser	Aug 2018	4.5	3.59	6.96%
Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.36	3.26%
Total		**30.0**	**27.38**	**4.20%**

Credit risk remains central to local authority investment management and the Council's risk is managed in line with the Treasury Management Strategy, approved by Cabinet as part of the budget setting report at the meeting of 21 February 2023. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose.

Pooled funds provided an income return of £1.3m over the year although as at 31st March 2023 the accumulated deficit on their capital value was £2.62m (£0.92m surplus at the end of 2021/22). All seven funds show a deficit in capital value which is reflective of the current property and financial markets. There remains an expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. These investments will continue to be monitored closely.

Summary Prudential Indicators

2.4.4 The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was 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 explanatory notes and the relevant figures are included in **Appendix 3.** This highlights that the 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 31st March 2023 the value is -£79.4m (minus) compared to +£94.9m within the Treasury Management Strategy, reflecting the fact that the Council has more significantly 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 31st March 2023 the value is £328.0m 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.

Commercial Investment Strategy

2.4.5 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.

In order to manage risk, the Council has limits for investing in shares and service loans, with total limit of £146m in 2022/23.

As at the end of 2022/23, the council had cumulatively invested £106.3m in shares and service loans with this rising to £134.6m when commitments to make potential payments of £28.3m are taken into account.

	As at 31st March 2023				
	Limit	Actual	Committed	Total	Variation
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	(2.9)
Loans	91.0	54.2	28.3	82.5	(8.5)
	146.0	**106.3**	**28.3**	**134.6**	**(11.4)**

The total of £134.6m is within the limit of £146m set for the 2022/23.

The Council's investment in commercial assets is proportionate:

- with commercial income totalling approximately £22.8m in 2022/23 (£23.4m in 2021/22) equivalent to c3.6% of the Council's budgeted net service expenditure of £640.1m in 2022/23.
- With commercial assets valued at £452m (25% of the Councils total asset base of c£1,779m). This is not the amount invested by the Council, for example through past capital programmes, as it includes revaluations over time. In addition, many assets classified by the Council as commercial have significant service dimensions, including economic development aspects, thereby contributing more broadly to the provision of services.
- with a Capital Financing Requirement of £513m representing the Council's underlying need to borrow, at 29% of the Council's total asset base.

3. Results of consultation undertaken

None.

4. Timetable for implementing this decision

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

The final revenue outturn picture for 2022/23 is balanced only after a year-end contribution of £6.7m from legacy COVID reserve balances. The need to draw down from reserves to balance the budget in-year reflects a serious position for the Council although this has improved from the £8.5m revenue overspend forecast at Quarter 3.

External factors, in particular inflationary pressures, contribute largely to the position presented and will have an impact on the Council beyond 2022/23. 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 also managed local time-limited pressures in the year.

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 represented a cost of c£16m, exceeded the budgetary provision available by c£8m. The pay costs reflected the agreed local government pay award. 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. The Council's 2023/24 Budget anticipates further high levels of inflation although early signs are that a continuing high inflation environment will continue to put renewed pressure on the 2023/24 budgetary position.

Despite further increases to Children's Services' budgets for 2022/23, the demand and overall cases in Childrens Services continued to rise in the city leading to high agency social worker levels as well as the sufficiency issues in the external placement market driving costs up disproportionately against already high inflation. The refuse drivers' dispute led to costs being incurred well into the second quarter of the year. A wide range of other challenges are reported in Appendix 1 which, together with the issues reported above, reflect the 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 growing demand on statutory intervention from Children's Services, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts.

Although the Council has faced its most challenging in-year budgetary position for some years, the overall level of overspend has reduced somewhat towards the year end. The Council has taken steps previously to maintain a strong balance sheet position, including robust reserve balances, which have enabled it to manage the adverse budget variations encountered. It will be vital for the Council to continue to ensure that it maintains a prudent approach going forward.

The underlying position for future years continues to be very challenging and the Council needs to identify how it will be able to manage its medium-term financial position which is likely to come under severe pressure without further support from Government. The Council's strong financial planning approach has taken account of the risk of volatility across a range of budgets such as those in Children's Services, Adult Services, and inflationary pressures. In 2022/23, the level of demand and the increase in costs for this area have continued to exceed the Council's budgetary provision. Further funding has been provided by the Council as part of its 2023/24 budget although it remains to be seen whether this will be sufficient, especially given the economic and social realties currently being experienced across the country.

Several areas within corporate budgets including dividends, investment interest, superannuation and the Coventry and Warwickshire Business Rates Pool yield can be subject to volatility and were budgeted for on a prudent basis in 2022/23. The outturn position on these items was favourable against the range of reasonable expected outcomes and this has enabled the Council to partly absorb overspent budgets elsewhere within the bottom line and minimise the overall overspend. Several of these favourable financial outturns have occurred in areas that have been subject to affirmative Council decisions in recent years such as dividends and investment income.

The local government sector has witnessed risks materialise in the form of some high-profile financial failures often linked to ambitious local plans with scope to deliver financial returns. The Council is itself involved in a range of commercial ventures, company structures and external loan financing arrangements and is committed to ensuring that it maintains a high degree of self-awareness of its position. High standards of due diligence, good governance and monitoring arrangements and the maintenance of a broad mix of activities to guard against a concentration of risk are all vital factors to protect the Council's financial position. The Council continues to be bold with its aspirations for the city and maintains a measured appetite for risk to achieve this. It is important for the Council to maintain contingency balances to protect against the risk of financial failure in one or more key areas.

With the exception of the Council's General Fund balance all reserves have been set aside to deliver specific projects or risks. Given the size of the Council's ambitions defined by its Capital Programme, its transformation programme and its financial involvements that extend beyond traditional local authority service provision it is entirely appropriate for the Council to support this in the form of balances to pump prime such areas and provide some financial risk mitigation. Nevertheless, the Council remains firmly within a 'mid-table' position with the most recent CIPFA Resilience Index in relation to the level of its reserve balances. This has enabled the Council to place itself in a strong financial position as well as providing the best basis for the Council to improve services for residents and invest in the city and its communities.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. Although the Programme has, not surprisingly, dipped below the very high levels experienced previously it is nevertheless still high in a historical context and has been 77% funded from external grant. The programme's coverage of projects affecting the city centre skyline, enhancing transport infrastructure, improving the profile of the city, and providing support to local economic development, a range of projects dealing with the issues of Air Quality and helping to deliver the Council's climate change agenda.

Although the Council has undertaken some borrowing in-year this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget.

A report to the Council's Finance and Corporate Services Scrutiny Board 1 (29th March 2023) provided a detailed update on the background to the Council's decision to make a £1m loan to the Coventry City of Culture Trust during 2022/23. The Trust entered into administration during the year leaving the loan unpaid and also owing the Council c£0.6m for other services provided during the City of Culture programme. The Council has made it clear that it does not expect the large majority of this overall debt to be settled and a decision has been taken to write the whole sum off within the Council's accounts. This does not preclude the Council from seeking repayment from any resources available within the administration process although this is not considered a likely prospect. The debt write-off has been funded from c£1m set aside previously to fund legacy City of Culture activity and c£0.6m of City Readiness money approved previously to support initiatives and preparations aligned to the city's hosting of the City of Culture year and legacy programmes. This has enabled the debt to be written off without creating further budgetary pressure within the Council's revenue position.

5.2 Legal implications

The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

This report provides an account of the overall financial performance of the Council compared with its original Budget. The Council also monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry Plan.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be important in the light of the current inflationary risks and the continued uncertainty with regard to the level of funding available to local government.

6.4 Equalities / EIA

No specific impact.

6.5 Implications for (or impact on) Climate Change and the Environment

None.

6.6 Implications for partner organisations?

None.

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This report is published on the council's website:www.coventry.gov.uk/councilmeetings

Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

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 must work within the existing establishment structure and salary budgets are controlled centrally rather than at this local level. The centralised forecast under-spend shown below is principally the effect of unfilled vacancies.

	Revised Budget	Actual Spend	Centralised Variance	Budget Holder Variance	Total Over/ (Under) Spend
	£m	£m	£m	£m	£m
Adult Social Care & Housing	99.6	102.3	(1.2)	4.0	**2.7**
Business Investment & Culture	5.7	8.3	0.5	2.1	**2.7**
Children & Young People's Services	84.9	89.0	(1.3)	5.4	**4.1**
Contingency & Central Budgets	(22.5)	(36.0)	0.0	(13.5)	**(13.5)**
Education and Skills	19.8	19.5	(0.9)	0.6	**(0.4)**
Finance & Corporate Services	6.9	7.6	(0.3)	1.1	**0.8**
Human Resources	1.9	0.9	0.0	(1.1)	**(1.0)**
Legal & Governance Services	4.8	5.5	(0.5)	1.2	**0.7**
People Directorate Management	1.2	1.1	(0.1)	0.1	**(0.0)**
Project Management & Property Services	(7.1)	(6.0)	0.2	0.9	**1.1**
Public Health	2.2	0.7	(0.0)	(1.5)	**(1.6)**
Streetscene & Regulatory Services	31.6	41.0	(0.6)	10.0	**9.4**
Transportation & Highways	8.3	10.0	(0.4)	2.1	**1.7**
Total	**237.4**	**244.1**	**(4.6)**	**11.3**	**6.7**

n.b. The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

Centralised Variance Explanation	**£m**
These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services. Turnover has remained consistent across the Council, however areas such as Adults & Childrens Services remain high, due to the national and regional Social Worker retention issues. Some of these vacancies will be covered by agency and overtime to ensure services can be maintained. These costs are included within the service positions described below.	(4.6)
Total Centralised Variance	**(4.6)**

Budget Holder Variance

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Insight	The underspend is due to maximising the utilisation of COMF (Contain Outbreak Management Fund) grant funding	(0.4)
Public Health	Public Health – Inequalities	The underspend is due to maximising the utilisation of Domestic Abuse Safe Accommodation grant funding	(0.2)
Public Health	Public Health - Health Protection	The underspend is due to maximising the utilisation of COMF grant funding	(0.1)
Public Health	Public Health - Health Protection	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.8)
Public Health			**(1.5)**
Education and Skills	Customer and Business Services	The Budget Holder underspend is mainly the result of short-term grant income from the Household Support Fund	(0.1)
Education and Skills	SEND & Specialist Services	The overall SEN Transport variance is predominately attributable to an increase in Out of City placements, coupled with higher value bid awards through the e-auction process and the requirement to expand Post 16 routes in response to a higher number of learners accessing Further Education (FE). Occasionally there has also been a need to commission additional taxis to compensate for unavoidable service disruption.	0.3
Education and Skills	Education Entitlement	A significant proportion of the underspend is as a result of reduced expenditure 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 at the end of last financial year means that where passes are not used charges are not incurred. New passes will be issued for the 2023/24 academic year and the position will continue to be monitored. There was also an underspend on the interpreter service as a result of cost review and increased efficiencies. Work is underway to ensure this is reflected in the charging model for the 2023/24 financial year.	(0.3)
Education and Skills	Employment & Adult Education	The yearend overall position for Employment is net nil with the majority of Budget Holder "overspend" is reserve contribution of £0.38m from underspend against centralised salaries due to high level of vacancies. Overspend in non-salary cost is £0.17m with £0.12m of that relates to delivery of extra programme funded by additional income, remaining of £0.05m non-pay overspend is made up of various minor operational spending.	0.4
Education and Skills	Other Variances Less that 100K		0.3
Education and Skills			**0.6**
Children and Young People's Services	Children's Services Management Team	Budgetary pressure in the Social Worker Academy was linked to staffing a second team to increase the amount of Newly Qualified Social Workers that could be recruited into the service. This cost was offset by an underspend on Financial Strategy.	(0.5)
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. The remaining overspend is agency spend for Independent Reviewing Officers', Child Protection	0.3

		Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads	
Children and Young People's Services	Help & Protection	There is an overall budgetary pressure in Help and Protection, which includes the following: £1.6m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff. £0.3m pressure in LAC legal costs linked to ongoing high levels of demand. Development work regarding pre proceedings work is envisaged to reduce this pressure once new procedures are implemented. £0.4m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation. There is an additional £0.1m pressure in NRPF (No recourse to public funds). This is unavoidable due to statutory responsibilities to financially support children and families who reside in Coventry without legal status to access benefits. There are short term savings which are currently offsetting the budget pressures from additional Grants and vacant posts across Early Help.	2.3
Children and Young People's Services	LAC & Care Leavers	There is a £1.9m overspend on looked after children's (LAC) placements. This is mainly linked to increasing unit costs for placements due to a lack of sufficiency in the market to meet the needs of young people in care. There is a further budget pressure of £500k due to staffing challenges within LAC permanency service and the need for agency staff to ensure that care proceedings continue to be progressed. This is an improving position as measures taken are now starting to have a positive impact. LAC transport has an overspend of £340k and this is as a result of placement arrangements where transport needs to be provided for children to continue in their current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure. There is a overspend of £132k on Adoption Central England, this relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this. There is a further budgetary pressure of £0.3m 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. These overspends are offset by an increase in income from central government for unaccompanied asylum-seeking children.	3.3
Children and Young People's Services			**5.4**

Adult Social Care	Strategic Commissioning (Adults)	£0.6m underspend relates to New Homes for Old PFI due to additional client fee income. A further underspend relates to lower than anticipated transport costs to day opportunities.	(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 partly offset by increases in bad debt provision (£0.5m).	(1.8)
Adult Social Care	Internally Provided Services	Overspends relating to additional hours, agency and overtime costs have been offset by centralised underspends due to staff vacancies.	0.1
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.	0.2
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	Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need.	2.4
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and increased complexity of demand is being seen across all areas alongside increases to package costs driven by high levels of inflation. Activity throughout the year has also increased. In addition, costs relating to Hospital Discharge that were grant funded in the previous year were not funded for the first 6 months of the year. A hospital discharge grant was received covering the latter stage of the year.	3.9
Adult Social Care	Enablement & Therapy Services	Overspends on equipment purchases due to high inflation which have been offset by centralised underspends in salaries due to vacancies.	0.2
Adult Social Care	Housing and Homelessness	The number of households in temporary accommodation has continued to increase, particularly during Jan – April 2023 although the increase was not at the rate forecast. In addition, a further £0.2m homelessness prevention grant has been available by the DLUHC during 2022/23 offsetting the cost of temporary accommodation.	(0.7)
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care			**4.0**
Business Investment & Culture	Sports, Culture, Destination & Bus Relationships	BH overspend of £2m mainly due to £1.22m Cultural services unfunded running costs in respect of the corporate Cultural Gateway project, the majority of which is business rates), £0.46m in respect of the Wave heatline (energy) costs and contribution to lifecycle costs, £0.33m deficit / income not achieved 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.	2.3
Business Investment & Culture	Economic Development service (EDS)	Overspend of £0.15m mainly due to overspend Growth Hub unfunded £0.13m, various other net overspend £0.02m. e.g. MIPIM project deficit.	0.3

Business Investment & Culture			**2.6**
Human Resources	ICT & Digital	The Budget Holder variance comprises the some one-off underspends (reductions of £473K as a result of a negotiated one off reduction in first year cost of the contract; underspends on EA licence consumption charges, Network related hardware and Out of Hours allowances, 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 the on-going shortfall of schools income £189K.	(1.2)
Human Resources	Occupational Health, Safety and Wellbeing Services	Continued successful marketing and careful managing of staffing resources has resulted in higher income from external contracts. This continues to support the budget for the Council's core internal service. In 2023/24 most of this additional income will be required to fund continuation of temporary posts.	(0.1)
Human Resources	Other Variances Less that 100K		0.2
Human Resources			**(1.1)**
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. 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. These are offset by a contribution from reserves of £0.2m and by one-off new burdens grant funding for COVID business support and energy rebate administration.	0.8
Finance & Corporate Services	Financial Mgt	The pressure is a result of a significant increase in the number of individuals applying for welfare support from the Household Support Fund resulting in expenditure exceeding the grant allocation for the Oct-22 to Mar-23 period. This is offset by several small cost reductions across the service.	0.4
Finance & Corporate Services	Other Variances Less that 100K		(0.2)
Finance & Corporate Services			**1.0**
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.	1.1
Legal & Governance Services	Procurement	There was an improved income performance from the early payment scheme in 2022-23 (partially one-off).	(0.1)
Legal & Governance Services	Other Variances Less that 100K		0.1

Legal & Governance Services			**1.2**
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	1.1
Transportation & Highways	Highways	An under recovery of income for highways (DLO) operational staff (£0.4m) due to sickness, vacancies, and strike action, together with the delayed achievement of some MTFS savings targets (£0.2m) and greater than anticipated reactive repairs costs (£0.1m).	0.7
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways	Transport Policy	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 has been much lower than expected. This reflects a national trend.	0.8
Streetscene & Regulatory Services	Streetpride & Parks	Income targets are not being achieved (Funeral Services £160k, WMP Car Park £64k, Coombe Play £100k and Activities/Concessions across all parks £90k). Vacancies are being held across Streetpride pending the outcome of the review, so posts are being covered by agency/overtime c£100k. There are also Fleet pressures £200k and costs associated with Traveller Incursions of £193k	0.9
Streetscene & Regulatory Services	Waste & Fleet Services	Domestic Waste has overspent by c£7.1m which is predominantly due to mitigating action taken to maintain a waste collection service both during and after the HGV driver strike including the use of an alternative operator, temporary staff and vehicle hire. Additionally, Commercial Waste have overspent by £1.3m as a direct consequence of the dispute. These pressures are slightly offset by a reduction in Waste Disposal costs of (£650k) There were also pressures in Passenger Transport Service of £230k as a result of the higher than expected pay award (not passed on to internal customers) & additional staff required to cover high sickness levels.	8.0
Streetscene & Regulatory Services	Environmental Services	This variation is predominantly due to reduced income as a result of the number of vacancies across the area affecting the opportunity to generate new business, particularly Pest Control.	0.2
Streetscene & Regulatory Services	Other Variances Less that 100K		0.1
Streetscene & Regulatory Services			**10.0**
Project Management and Property Services	Commercial Property and Development	(0.1m) underspend in CPM is mainly due to: (£0.26m) landfill site provision released, which is offsetting Property Development overspend of £0.1m and Major City development £0.07m mainly on professional costs.	(0.1)

Project Management and Property Services	Facilities & Property Services	This pressure of £1.3m 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 around (£0.17m) in the R&M function.	1.3
Project Management and Property Services	PMPS Management & Support	This reflects accelerated achievement of corporate MTFS savings for the strategic property review.	(0.3)
Project Management and Property Services			**(0.9)**
Contingency & Central Budgets	Corporate Finance	The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £5.8m in the Asset Management Revenue Account (AMRA) and £7.2m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. 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 by other inflation contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).	(13.5)
Total Budget Holder Forecast Variances -Contingency & Central Budgets			**11.5**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING) / ACCELERATED SPEND £m	EXPLANATION
Coventry South and North Package - WMCA Investment Programme		(0.5)	Spend on the M6 J3 design has been deferred to 2023/24 following National Highways funding being secured in 2022/23 to undertake an initial Options Appraisal. A46 Link Road spend was re-profiled to align the next phase of Options Appraisal with the programme for the South Warwickshire Local Plan Review.
City Centre South		(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions (Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure.
Friargate (Building 2 and Hotel)		(5.3)	It was anticipated that Two Friargate would complete at the end of April 2023, however, the anticipated completion date has moved to July 2023. This change is caused by delays to the provision of utilities (power) on site and resultant impacts on the final commissioning works for the building. As a result, a larger element of spend has slipped into 2023/24.
Transportation Key Route Network (KRN)		(0.4)	The remainder of this work is scheduled for Quarter 1 2023/24.
Transportation S106 Programme		(1.2)	There have been a number of S106 funded schemes that have been either forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive schemes. This has resulted in designs/programmed works to slip into next financial year. However, the strategic approach to the S106 programme has allowed a successful bid for additional funding, i.e. Sustrans £1.4m grant award to deliver Lynchgate but has also secured additional development packages in areas such as Keresley that will bring forward additional S106 contributions and greater housing numbers.
Active Travel Neighbourhood - Earlsdon & Lower Coundon		(0.9)	Engagement work has commenced for the Earlsdon scheme, but implementation has been deferred to 2023/24 to allow time for full consideration of consultation feedback. The Lower Coundon scheme has not yet commenced engagement due to a need to co-ordinate this with the change control request for the Local Air Quality Action Plan.
CRSTS Foleshill Transport Package		0.3	The delivery of cycle works at Junction 9 of the Ring Road were more than initially estimated due to the impact of inflation on construction prices. This cost

			pressure will be managed within the overall funding envelope.
Housing Infrastructure Fund - Eastern Green		0.9	The £15.6m Homes England grant has now been fully drawn down and passported to the contractor. As part of Homes England conditions, it was a requirement that CCC is the accountable body for scheme delivery. Therefore, the remainder of the scheme value will be included within CCC accounts. Invoices will be raised to receive income from the land developer prior to passporting this over to the contractor, this ensures CCC avoid exposure to any financial risk.
Binley Road Cycleway		(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting		(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Growing Places		(0.4)	The Duplex Investment Fund had a lower than expected take up of grants due to economic uncertainty in 2022/23. There is a growing pipeline of businesses who are interested in Duplex Fund and further drawdown of Capital Funds is expected in 2023/24.
Vehicle and Plant Replacement	0.4		The change to the programme was due to a group of minibuses that were due on order in April, arrived unexpectedly in late March 2023.
Schools Basic Need Programme		3.0	Spend against forecast works have progressed quicker than expected on secondary expansion. Some of this is due to rescheduling last year and needing to mitigate against this on programmes. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts.
Housing Venture		(0.3)	Problems with obtaining Planning Permission have stopped the majority of the projects being carried out this year.
Whitley Depot		(0.3)	Delay in commencement of demolition works due to relocation of ICT connectivity equipment and commissioning.
Disabled Facilities Grant		0.7	Accelerated spend arising from better than expected progress since Q3 in completing DFG adaptations relating to ramps, lifts and minor adaptations.
Green Homes Grant		(0.4)	Planned to spend all the grant funding by the end March in line with the grant conditions. However, BEIS subsequently extended the schemes beyond March so HUG1 is due for complete by end of this month and LAD3 is due for completion by end Sep 2023.
Tom White Waste Commercial Loan	0.5		Approved at Cabinet on 11th October 2022 this is facility A loan for material Recycling Facility, towards TWW business growth. It forms part of a £22.7m agreement.

Battery Plant & Equipment		(0.7)	Remaining funding for UKBIC project retained due to outstanding negotiations with one of the project's major contractors. It is likely that a settlement payment will be required in order to close down the contract and avoid adjudication, as well as funding for associated legal and technical advice required to resolve the matter.
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway		(1.9)	The Albany Project is progressing well but has been subject some to £1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. This has meant that the team have had to redesign the drainage system to accommodate these and are working on the fit-out programme to mitigate delays to programme. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works, particularly to floors 5&6.
Cycle to Rail		(0.4)	Design work has been undertaken and implementation is being co-ordinated with the adjoining Liveable Neighbourhoods project. Works will be completed in 2023/24.
Interest Capitalisation	0.2		This is in respect to the accounting policy referring to the prudential borrowing costs associated with the new Collection Centre scheme. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Individual schemes less than £250k threshold	0.3	(0.2)	Individual schemes less than £250k threshold
TOTAL CHANGES	**1.4**	**(14.0)**	

Appendix 3

			Per Treasury Management Strategy	Actual
	Summary Prudential Indicators			
	Feb 22 Cabinet Report Appx 6a		**22/23**	**22/23**
	Other Sources		**£000's**	**£000's**
1	**Ratio of financing costs to net revenue stream:**			
	(a) General Fund financing costs		35,814	33,313
	(b) General Fund net revenue stream		237,379	237,379
	General Fund Percentage		15.09%	14.03%
2	**Gross Debt & Forecast Capital Financing Requirement**			
	Gross debt including PFI liabilities		366,048	328,429
	Capital Financing Requirement (forecast end of 23/24)		518,023	513,024
	Gross Debt to Net Debt:			
	Gross debt including PFI liabilities		366,048	328,429
	less investments		-55,000	-79,837
	less transferred debt reimbursed by others		-8,497	-6,666
	Net Debt		302,551	241,926
3	**Capital Expenditure (Note this excludes leasing)**			
	General Fund		145,143	146,856
4	**Capital Financing Requirement (CFR)**			
	Capital Financing Requirement		518,023	513,024
	Capital Financing Requirement excluding transferred debt		529,540	506,358
5	**Authorised limit for external debt**			
	Authorised limit for borrowing		474,362	474,362
	+ authorised limit for other long term liabilities		63,662	63,662
	= authorised limit for debt		538,023	538,023
6	**Operational boundary for external debt**			
	Operational boundary for borrowing		454,362	454,362
	+ Operational boundary for other long term liabilities		63,662	63,662
	= Operational boundary for external debt		518,023	518,023
7	**Actual external debt**			
	actual borrowing at 31 March 2023			264,777
	+ PFI & Finance Leasing liabilities at 31 March 2023			56,986
	+ transferred debt liabilities at 31 March 2023			6,666
	= actual gross external debt at 31 March 2023			328,429
8	**Interest rate exposures**			
	Upper Limit for Fixed Rate Exposures		474,362	328,029
	Variable Rate			
	Upper Limit for Variable Rate Exposures		94,872	-79,437
9	**Maturity structure of borrowing - limits**		**Upper Limit**	
	under 12 months		50%	11%
	12 months to within 24 months		20%	12%
	24 months to within 5 years		30%	7%
	5 years to within 10 years		30%	24%
	10 years & above		100%	46%
10	**Investments longer than 364 days: upper limit**		30,000	0

Prudential Indicators

The CIPFA Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will 'have regard' when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

The Prudential Indicators required by the CIPFA Code are designed to support and record local decision making and not as comparative performance indicators.

There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

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.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the next three financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. it is borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council's future capital expenditure levels, and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) are assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

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.

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.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the CIPFA Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted the CIPFA's *Treasury Management in the Public Services: Code of Practice.*

Interest Rate Exposures for Borrowing (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.

Maturity Structure of Borrowing – 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.

Investments Longer than 364 days: Upper Limit (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.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.