

Cabinet  
Council  
Audit and Procurement Committee

29<sup>th</sup> August 2023  
5<sup>th</sup> September 2023  
2<sup>nd</sup> October 2023

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

**Director Approving Submission of the report:**

Chief Operating Officer (Section 151 Officer)

**Ward(s) affected:**

City wide

**Title:**

2023/24 First Quarter Financial Monitoring Report (to June 2023)

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2023. The net revenue forecast position after management action is for spend in 2023/24 of **£12.1m over budget**. At the same point in 2022/23 there was a projected overspend of £9.5m.

The Council continues to face budget pressures within both Adults and Children's social care which together account for £11m of the underlying overspend. The overwhelming majority of this is caused by the continuing high level of inflation within the economy and difficult conditions within social care markets. Other smaller but still significant overspends are also being reported in Business Investment and Culture, Transportation and Highways, and Streetscene and Regulatory Services.

Recent weeks have seen a number of councils with social care responsibilities report large in-year budgetary difficulties and it is clear that there are systemic problems for the whole sector which represent a serious threat to its financial sustainability. The Council's position above reflects a number of largely one-off actions that have already been taken to reduce the overspend. As **the underlying position is significantly higher** than has been experienced in recent years, further urgent action is proposed to address the pressure in order to prevent the 2024/25 position increasing to unmanageable levels.

The Council's capital spending is projected to be £163.6m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city. Inflationary pressures are also affecting capital

projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, has renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This will be a priority across all services as the Council develops its future budget plans in the coming months.

### **Recommendations:**

Cabinet is requested to:

- 1) Approve the Council's first quarter revenue monitoring position and endorse the proposal for officers to seek to identify further ongoing service options to mitigate the position in conjunction with Cabinet Members as appropriate.
- 2) Approve the revised forecast capital outturn position for the year of £163.6m incorporating: £14.0m rescheduling from 2022/23 outturn, £29.7m net increase in spending relating to approved/technical changes, £0.4m underspend and £38.9m of net rescheduling of expenditure into future years.

Cabinet is requested to recommend that Council:

- 1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

Council is recommended to:

- 1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

The Audit and Procurement Committee is requested to:

- 1) Note the proposals in the report and forward any comments they wish to raise with the Cabinet Member for Strategic Finance and Resources.

### **List of Appendices included:**

Appendix 1 - Revenue Position: Detailed Directorate breakdown of forecast outturn position  
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes  
Appendix 3 - Capital Programme: Analysis of Rescheduling  
Appendix 4 - Capital Programme: Analysis of Over / Under Spend  
Appendix 5 - Prudential Indicators

### **Background papers:**

None

### **Other useful documents**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel, or other body?**

Yes - Audit and Procurement Committee, 2<sup>nd</sup> October 2023

**Will this report go to Council?**

Yes – 5<sup>th</sup> September 2023

**Report title: 2023/24 First Quarter Financial Monitoring Report (to June 2023)**

**1. Context (or background)**

- 1.1 Cabinet approved the City Council's revenue budget of £260.5m on 21st February 2023 and a Capital Programme of £159.2m. This is the first quarterly monitoring report for 2023/24. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure, recommending any action required, and also to report on the Council's treasury management activity.
- 1.2 The current 2023/24 revenue forecast is for net expenditure to be **£12.1m over budget** (after management action). The reported forecast at the same point in 2022/23 was an overspend of £9.5m. Capital spend is projected to be £163.6m.
- 1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the course of the year. However, as significant management action has already been factored in, the **underlying position is significantly** higher than the £12.1m forecast. This is a significantly high figure by historical standards, and represents a serious enough cause for concern for the Council, such that emergency in year actions should be considered.
- 1.4 The overspend is caused largely by factors external to the Council and which can be expected to be ongoing (affecting future years MTFS) if action is not taken urgently.
- 1.5 Following on from the £6.7m reported at the end of 2022/23 this indicates a serious financial trend for the Council which is not sustainable over the long-term. Section 2 of the report provides further detail on the revenue position and Section 5 sets out the Council's proposed approach to managing the position.
- 1.6 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, although it should be re-iterated that reserves are a finite resource and should only be applied sparingly to mitigate ongoing revenue overspends, and once a medium-term solution is in place.

**2. Options considered and recommended proposal.**

- 2.1 This is a budget monitoring report and as such there are no options.

**Table1 Revenue Position** - The revenue forecast position is analysed by service area below.

| Service Area                                  | Revised Net Budget | Forecast Spend | Total Over/ (Under) Spend |
|---|--------------------|----------------|---------------------------|
|   | £m                 | £m             | £m                        |
| <b>Adult Services &amp; Housing</b>           | 113.8              | 120.4          | 6.6                       |
| <b>Business Investment &amp; Culture</b>      | 8.1                | 9.1            | 1.1                       |
| <b>Children &amp; Young People's Services</b> | 93.3               | 97.5           | 4.2                       |
| <b>Contingency &amp; Central Budgets</b>      | (28.1)             | (28.7)         | (0.6)                     |
| <b>Education and Skills</b>                   | 19.4               | 19.2           | (0.2)                     |
| <b>Finance &amp; Corporate Services</b>       | 9.3                | 9.2            | (0.1)                     |
| <b>Human Resources</b>                        | 0.7                | 1.2            | 0.5                       |
| <b>Legal &amp; Governance Services</b>        | 7.5                | 7.7            | 0.2                       |

|   |              |              |             |
|---|--------------|--------------|-------------|
| <b>People Directorate Management</b>              | 1.0          | 1.0          | 0.0         |
| <b>Project Management &amp; Property Services</b> | (8.3)        | (8.5)        | (0.2)       |
| <b>Public Health</b>                              | 0.9          | (0.6)        | (1.6)       |
| <b>Streetscene &amp; Regulatory Services</b>      | 32.6         | 33.7         | 1.1         |
| <b>Transportation &amp; Highways</b>              | 10.3         | 11.5         | 1.2         |
| <b>Total</b>                                      | <b>260.5</b> | <b>272.6</b> | <b>12.1</b> |

- 2.2 An explanation of the major forecast variances is provided below, the vast majority of which are of an ongoing nature if urgent action is not taken. Further details are provided in Appendix 1 to the report.

### **Directorate**

#### Adult Services & Housing £6.6m

Within Adult Services & Housing the largest element of overspend is on Adult Social Care of £4.5m, which is due to increased activity & complexity of placements and increased package costs (inflation). The other notable variance is a £2.0m overspend on Housing & Homelessness due to significantly more people seeking assistance and placed in temporary accommodation plus a 15% increase in temporary accommodation fees which is required to ensure temporary accommodation continues to be available and mitigate the use of more expensive Bed and Breakfast accommodation.

#### Children's and Young People £4.2m

Within Children & Young People's Services £3.2m of the total overspend relates to the cost of looked after children's placements. The overspend is caused by a lack of sufficiency in the market to meet the needs of young people in care which has significantly increased the average unit cost of those placements. There is a further overspend of £1.3m against staffing in Help and Protection due to high levels of cases requiring additional workers and agency staff. There are short term one-off savings that are offsetting these budget pressures across the directorate from additional grants, and the use of earmarked reserves.

#### Business Investment & Culture £1.1m

Of the total Business Investment and Culture overspend, £0.8m relates to the one-off holding costs of the Cultural Gateway building and the remainder relates to sponsorship income shortfalls and Godiva festival costs.

#### Streetscene & Regulatory Services £1.1m

The Streetscene & Regulatory Services overspend includes a c£0.6m reduction in Planning income due to delayed major applications, however planning fees will increase in October 2023 to partially mitigate this. The majority of the remaining balance relates to agency and overtime costs relating to vacancies (Streetpride and Parks and Street Team Enforcement), income shortfalls (Car Parks and Pest Control) and higher waste collection costs than budgeted.

#### Transport & Highways £1.2m.

There are income pressures of £0.5m in Bus Lane and Parking Enforcement attributed to temporary bus gates closures and lower than expected enforcement activity due to the impact of sickness and not recruiting to vacancies. This is offset by higher car park usage/income. The remaining overspend relates to the current planned cost of addressing the backlog in highways defects at £0.35m and an under-recovery within Highways Operations as a result of vacancies and sickness of £0.4m.

## 2.3 Capital

The quarter 1 2023/24 capital outturn forecast is £163.6m compared with the original programme reported to Cabinet in February 2022 of £159.2m. Table 3 below updates the budget at quarter 1 to take account of a £14.0m increase in the base programme (net rescheduling from 2022/23), £29.7m of new approved/technical changes, a £0.4m underspend and £38.9m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2023/24. It shows 79.6% of the programme is funded by external grant monies, whilst 11.6% is funded from borrowing. The programme also includes funding from capital receipts of £12.9m.

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

| CAPITAL BUDGET 2023/24 MOVEMENT                       | Qtr 1 Reporting<br>£m |
|---|-----------------------|
| February 2022 Approved Programme                      | 159.2                 |
| Net rescheduling of expenditure from 2022/23          | 14.0                  |
| Revised Programme                                     | 173.2                 |
| Approved / Technical Changes (see Appendix 2)         | 29.7                  |
| “Net” Rescheduling into future years (See Appendix 3) | (38.9)                |
| Underspend (see Appendix 4)                           | (0.4)                 |
| Revised Estimated Outturn 2023-24                     | 163.6                 |

  

| RESOURCES AVAILABLE:                          | Qtr 1 Reporting<br>£m |
|---|-----------------------|
| Prudential Borrowing (Specific & Gap Funding) | 19.0                  |
| Grants and Contributions                      | 130.2                 |
| Capital Receipts                              | 12.9                  |
| Revenue Contributions and Capital Reserve     | 1.5                   |
| Total Resources Available                     | 163.6                 |

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

## 2.4 Treasury Management

### Interest Rates

From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease. However, a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture. Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7%.

After a sharp rise in interest rate expectations, with serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to expect a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting interest rates to rise to 6.5%. Better than expected inflation figures released on 19<sup>th</sup> July 2023 may now, however, dampen down those forecasts.

### **Long Term (Capital) Borrowing**

The net long-term borrowing requirement for the 2023/24 Capital Programme is £4.1m, taking into account borrowing set out in Section 2.3 above (total £19.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.9m). In the current interest rate climate, the Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

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

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1<sup>st</sup> April and 30 June 2023 have varied within the following ranges:

| <b>PWLB Loan Duration (maturity loan)</b> | <b>Minimum 2023/24 to Q1</b> | <b>Maximum 2023/24 to Q1</b> | <b>As at the End of Q1</b> |
|---|------------------------------|------------------------------|----------------------------|
| 5 year                                    | 4.34%                        | 5.91%                        | 5.91%                      |
| 50 year                                   | 4.47%                        | 5.43%                        | 5.15%                      |

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 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. The City Council borrowed £10m in February 2023 to cover a forecasted cash flow shortage. This was repaid in April 2023.

Returns provided by the Council's short-term investments yielded an average interest rate of 4.87% over the last quarter. This rate of return reflects low risk investments for short to

medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers, and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snapshot at the reporting stages were: -

|                              | <b>As at 31st<br/>March 2023</b> | <b>As at 30<sup>th</sup><br/>June 2023</b> |
|------------------------------|----------------------------------|--|
|                              | <b>£m</b>                        | <b>£m</b>                                  |
| Banks and Building Societies | 0.0                              | 0.0  |
| Local Authorities            | 0.0                              | 41.0                                       |
| Money Market Funds           | 42.96                            | 36.96                                      |
| Corporate Bonds              | 0.0                              | 0.0  |
| HM Treasury                  | 0.0                              | 0.0  |
| <b>Total</b>                 | <b>42.96</b>                     | <b>77.96</b>                               |

### **External Investments**

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. These investments include Certificates of Deposit, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out. In order to manage risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.4% over the last 12 months. At 30 June 2023 the pooled funds were valued at £26.8m (£27.4m at 31 March 2023), against an original investment of £30m (a deficit of £3.2m). All seven pooled funds show a deficit mainly as a consequence of dropping property prices and rising interest rates. Some of the funds are showing encouraging signs of recovery to their original capital value. 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. This override was due to change in April 2023 but a further extension to 31<sup>st</sup> March 2025 has been granted by the government. These investments will continue to be monitored closely and are likely to be redeemed when they reach par value.

### **Prudential Indicators and the Prudential Code**

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



The indicators, together with the relevant figures as at 30 June 2023 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 2023/24. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30 June 2023 the value is -£66.7m (minus) compared to +£96.2m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 June 2023 the value is £204.0m compared to £480.9m within the Treasury Management Strategy, reflecting both the level of actual borrowing and 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 for 2023/24 is £146m, against which there are £131.2m of existing commitments: -

|        | Limit        | Actual 31st March 2023 | 2023/24 Committed and Planned | Total        | Headroom    |
|--------|--------------|------------------------|-------------------------------|--------------|-------------|
|        | £m           | £m                     | £m                            | £m           | £m          |
| Shares | 55.0         | 52.1                   | 0.0                           | 52.1         | 2.9         |
| Loans  | 91.0         | 52.5                   | 26.6                          | 79.1         | 11.9        |
|        | <b>146.0</b> | <b>104.6</b>           | <b>26.6</b>                   | <b>131.2</b> | <b>14.8</b> |

The committed or planned total of £26.6m includes a number of loan facilities to lend which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

## 3. Results of consultation undertaken

3.1 None

## 4. Timetable for implementing this decision.

4.1 There is no implementation timetable as this is a financial monitoring report.

## 5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

### 5.1 Financial implications

#### Revenue

The net quarter 1 forecast reflects an extremely serious and concerning position for the Council. The net forecast, after significant management action is a **£12.1m revenue overspend**, and incorporates a range of intractable ongoing issues and the continuation of inflationary pressures which will have an impact beyond the current financial year. Actions taken, and set out below, are of a largely one-off nature, meaning the **underlying position is significantly higher**.

At this stage of the monitoring cycle there is a real and significant threat that the Council will not be able to balance its revenue position by year-end without the use of reserve contributions, and without further urgent and ongoing action, **will increase the initial 2024/25 MTFS gap approved by Council in February 2023**.

These circumstances are common to councils across the country with instances of financial stress being widely reported. Alongside councils that have already been in difficult financial circumstances due to a variety of largely local reasons, 2023 has seen an increasing number of councils, including noticeably those with social care responsibilities, give dire warnings about their ability to balance their 2023/24 budgetary positions and beyond. The failure of the local government finance system to tackle issues around social care funding plus the continued impact of inflation in excess of that anticipated in the 2023/24 budgets, have put many councils in a perilous financial position.

The trend for cost of service delivery has generally over time reflected an upwards trajectory reflecting prevailing inflation and market conditions. However, the unprecedented levels of inflation in the last 2 calendar years have affected all service delivery costs such that 2022/23, 2023/24 and beyond, will reflect a very steep relative upward trend for the Council's key service costs.

Although the Council had budgeted for above historic levels of inflation, the pay award budget of £6m (4%) falls short of the current employer offer, which has not yet been accepted by the trades unions and which it is estimated would cost in the region of £9m, a minimum pressure of £3m.

Difficulties in the external markets for both children and adults are well documented but issues including the cost of highly complex cases and higher than planned levels of inflationary increases in placement costs have exceeded the additional budgetary provision included within the Council's budget. It is difficult to accurately predict whether current forecast outturn figures reflect a robust forecast for the year or whether further budgetary shocks will continue in these areas.

#### Management Action

This difficult position carries on from that faced in 2022/23 when the Council needed to balance its financial outturn position using £6.7m of reserves. Such a solution would be the Council's backstop position for 2023/24 but is one that the Council should be anxious to avoid. The Council holds limited reserve balances and recognises that such an approach is not sustainable in the medium term. It is therefore imperative to identify and adopt approaches that help the Council to manage its short-term pressures, whilst at the same time supporting the outlook for 2024/25 and medium-term financial problems.

The Council's Leadership Team instigated a range of immediate responses and is in the process of taking forward other actions. The following actions used to mitigate the underlying pressures have been taken so far:

- Urgent spend restrictions have already been put in place to cease non-essential spend.
- Control the filling of vacant posts.
- Control the drawdown of reserves.
- Challenge robustly any proposals for additional spend this year.
- Budget holders reminded of their responsibility to manage services within budget.
- Areas that require more regular forecasts identified

As these are primarily one-off solutions, the Leadership Team have also requested that Financial Management support and challenge Directors and budget managers to:

- identify options and service impact of reducing ongoing spend levels to within budget for political decision.
- undertake a comprehensive review of service reserves.
- identify technical options to resource switch.
- undertake a comprehensive review of service and policy options.

These 'policy' options may require political consideration of cost reduction initiatives which have previously been viewed as unfavourable. Directors have been asked to liaise with relevant cabinet member portfolio holders to identify these, such that members can collectively discuss, and ultimately decide whether they wish to implement in order to mitigate the pressures in 2023/24, but importantly for 2024/25 and beyond.

The above gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position such as issuing a Section 114 Notice (a self-imposed limit on making any non-statutory expenditure as result of financial distress). However, Cabinet should be in no doubt that the underlying position for 2023/24 is incredibly challenging and that the Council will face some difficult choices in 2023/24 and to an even greater degree in 2024/25. Without further in-year support from Government or as part of the 2024/25 Local Government Finance Settlement, the Council faces the prospect of making some very hard in-year decisions including cutting or charging for some valued services in order to balance its budget.

## **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, Very Light Rail, the Air Quality programme, disabled facilities grant (DfG), the A45 Overbridge Eastern Green, City Centre South and support to the Friargate Hotel development.

## **Legal implications**

None

## **6. Other implications**

### **6.1 How will this contribute to the One Coventry Plan (<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)**

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry 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 a greatly increased level of risk in this area, described in section 5. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. A range of urgent actions has been set out in response to the Council's financial position. It is vital that Council officers and members are aware of the current financial challenge and activity across the second quarter of the year including the measures outlined will provide some indication of the direction of travel for the remainder of the year. This in turn will dictate the extent to which the bottom line can be moved significantly closer to 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. The Council may be forced to make some difficult policy choices over the coming months especially in areas that do not have a strict statutory basis, and which involve material levels of discretionary and flexible expenditure.

## **6.4 Equalities / EIA**

No current policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services through the year. If this is the case, the Council's equality impact process will be used to evaluate the potential equalities impact of any proposed changes.

## **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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| Sunny Singh Heer  | Lead Accountant Capital                            | Finance             | 13/7/23                  | 21/07/23                                  |
| Michael Rennie  | Lead Accountant                                    | Finance             | 13/7/23                  | 21/07/23                                  |
| Claire Maddocks   | Lead Accountant                                    | Finance             | 13/7/23                  | 13/7/23                                   |
| <b>Names of approvers for submission:</b><br>(officers and members) |  |                     |                          |   |
| Barry Hastie  | Chief Operating Officer (Section 151 Officer)      | Finance             | 2/8/23                   | 5/8/23                                    |
| Sarah Harriott  | Corporate Governance Lawyer                        | Law and Governance  | 31/7/23                  | 2/8/23                                    |
| Councillor R Brown  | Cabinet Member for Strategic Finance and Resources | -                   |                          |   |

This report is published on the council's website: [www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

## Appendix 1

### Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

| Service Area                                      | Revised Net Budget | Forecast Spend | Centralised Variance | Budget Holder Variance | Total Variance |
|---|--------------------|----------------|----------------------|------------------------|----------------|
|   | £m                 | £m             | £m                   | £m                     | £m             |
| <b>Adult Services &amp; Housing</b>               | 113.8              | 120.4          | (1.6)                | 8.2                    | 6.6            |
| <b>Business Investment &amp; Culture</b>          | 8.1                | 9.1            | 0.1                  | 1.0                    | 1.1            |
| <b>Children &amp; Young People's Services</b>     | 93.3               | 97.5           | (1.2)                | 5.4                    | 4.2            |
| <b>Contingency &amp; Central Budgets</b>          | (28.1)             | (28.7)         | 0.0                  | (0.6)                  | (0.6)          |
| <b>Education and Skills</b>                       | 19.4               | 19.2           | (0.6)                | 0.4                    | (0.2)          |
| <b>Finance &amp; Corporate Services</b>           | 9.3                | 9.2            | (0.5)                | 0.4                    | (0.1)          |
| <b>Human Resources</b>                            | 0.7                | 1.2            | 0.1                  | 0.4                    | 0.5            |
| <b>Legal &amp; Governance Services</b>            | 7.5                | 7.7            | (0.3)                | 0.5                    | 0.2            |
| <b>People Directorate Management</b>              | 1.0                | 1.0            | (0.1)                | 0.1                    | 0.0            |
| <b>Project Management &amp; Property Services</b> | (8.3)              | (8.5)          | (0.3)                | 0.1                    | (0.2)          |
| <b>Public Health</b>                              | 0.9                | (0.6)          | (0.1)                | (1.4)                  | (1.6)          |
| <b>Streetscene &amp; Regulatory Services</b>      | 32.6               | 33.7           | (0.8)                | 1.9                    | 1.1            |
| <b>Transportation &amp; Highways</b>              | 10.3               | 11.5           | (0.3)                | 1.5                    | 1.2            |
| <b>Total</b>                                      | <b>260.5</b>       | <b>272.6</b>   | <b>(5.6)</b>         | <b>17.7</b>            | <b>12.1</b>    |

### Budget Holder Forecasts

| Service Area      | Reporting Area                   | Explanation  | Budget Holder Variance £m |
|-------------------|----------------------------------|--|---------------------------|
| Adult Social Care | Strategic Commissioning (Adults) | £0.4m 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.  | <b>(0.5)</b>              |
| Adult Social Care | Housing and Homelessness         | There are a number of reasons why the service is currently forecasting a significant overspend. The number of people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation has increased significantly during 2023. Alongside this the cost of TA with private providers has increased by 15% from the 1st April (the first increase since the rates were set in 2019). A number of mitigations including purchasing additional TA, working with a Registered provider to provide us with an additional 50 flats for TA and new contracts with private providers are being progressed. The increases in TA is a national issue with the highest number of | <b>2.1</b>                |

|  |  |  |            |
|--|--|--|------------|
|  |  | households in TA in England being reported in December 2022.   |            |
| Adult Social Care                      | Adult Social Care Director                       | Overspends relate to an increase in bad debt provision of £0.4m and additional spend on joint health initiatives to improve the provision across Health and Social Care.   | 0.6        |
| 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                      | Internally Provided Services                     | Overspends on other pay and overtime which have been partly offset by centralised underspends in salaries due to vacancies.  | 0.4        |
| 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.   | 1.3        |
| Adult Social Care                      | Partnerships and Social Care Operational         | Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.   | 0.3        |
| Adult Social Care                      | Localities and Social Care Operational           | Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.   | 0.3        |
| 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.  | 2.5        |
| Adult Social Care                      | Mental Health Operational                        | There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.3m). Additional agency costs have been partly offset by underspends on centralised salaries due to vacancies.   | 0.7        |
| Adult Social Care                      | Other Variances Less than 100K                   |  | 0.3        |
| <b>Adult Social Care</b>               |  |  | <b>8.2</b> |
| Business Investment and Culture        | Sports, Culture, Destination & Bus Relationships | Overspend mainly relates to Ikea collection centre/City Centre Cultural Gateway (CCCG) project with no revenue budget this year but still incurs costs for rates, electricity, security costs, BIDs. Final rate charge to be confirmed once VOA completed evaluation. (For information- other service areas: Sports and St Mary's forecast at Q1 shows a breakeven position. Godiva final position is normally clearer two weeks after the event when all relevant costs are confirmed, general ticket sales is significantly higher than last year although premium places generated a loss as ticket sales for premium is much lower than target.) | 0.6        |
| Business Investment and Culture        | Employment & Adult Education                     | BH variance £481k mainly due to overspend in Employment because of reduced grant income offset underspend in Centralised variance from vacancies, overall employment skills variation is close to nil.   | 0.4        |
| <b>Business Investment and Culture</b> |  |  | <b>1.0</b> |

|                                      |                                     |  |       |
|--------------------------------------|-------------------------------------|--|-------|
| Children and Young People's Services | Children's Services Management Team | Financial strategy planned underspend.   | (1.2) |
| Children and Young People's Services | Commissioning, QA and Performance   | <p>"Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £39k has not been met. There are also overspends due to agency spend for Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads.</p> <p>The position is offset partly by underspends in CAMHS and the Coventry Safeguarding Children &amp; Adults Multi-Agency Boards."</p>   | 0.2   |
| Children and Young People's Services | Help & Protection                   | <p>"There is an overall budgetary pressure in Help and Protection, which includes the following:</p> <p>£1.3m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff.</p> <p>£0.3m 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.</p> <p>There are short-term one-off savings which are currently offsetting the budget pressures from additional grants and the use of earmarked reserves. "</p>  | 2.8   |
| Children and Young People's Services | LAC & Care Leavers                  | <p>"There is a £3.2m overspend on looked after children's (LAC) placements. This figure takes into account our expected increase in income from central government for unaccompanied asylum-seeking children which ensures these children do not contribute to the budgetary pressure. All of the overspend relates to external residential and is linked to unit cost. 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. This is despite a decrease in number of looked after children and placement mix being in line with targets.</p> <p>There is a further budget pressure of £400k 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. The project team is being phased out in line with paper approved at CSLT-Business and will end fully in October. There are some continued pressures in LAC permanency around unbudgeted costs around therapy and assessments.</p> | 3.6   |



|   |                                 |  |              |
|---|---------------------------------|--|--------------|
|   |                                 | <p>There is an overspend of £312k in internal fostering due to high number of staff on maternity leave and agency cover being provided.</p> <p>LAC transport has an overspend of £190k 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.</p> <p>There is an overspend of £193k on Adoption Central England that relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this and finance sit on working group to explore budgetary needs of ACE moving forwards.</p> <p>There is a further budgetary pressure of £240k within the Children's disability service. This overspend relates to increased costs for short breaks &amp; 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. We are currently in the process of retendering our short breaks contracts to ensure 'best value' and reduce high cost support spend.</p> <p>These pressures are offset in part by underspends across the service."</p> |              |
| <b>Children and Young People's Services</b> |                                 |  | <b>5.4</b>   |
| Corporate & Contingency                     | Corporate Finance               | There is a forecast overspend for pay inflation contingencies (£2.6m) reflecting the latest local government employers' pay offer. This is more than offset by favourable variances for other contingency budgets (£1.4m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.   |              |
| <b>Corporate &amp; Contingency</b>          |                                 |  | <b>(0.6)</b> |
| Education and Skills                        | Customer and Business Services  | A budget holder underspend of £185k mainly as a result of the release of funding previously held in reserve.   | (0.2)        |
| Education and Skills                        | Transformation Programme Office | A budget holder underspend of £143k as a result of the release of funding previously held in reserve.  | (0.2)        |
| Education and Skills                        | SEND & Specialist Services      | SEN Transport is forecasting an overspend of £0.3M. Demand for all SEN services has sharply increased this academic year, because of an unanticipated rise in the population, need and complexity; especially in the early years at the point of admission to reception and transfer to secondary phase. In response the LA has commissioned and delivered an additional 65 specialist placements  | 0.6          |

|   |  |  |            |
|---|--|--|------------|
|   |  | within and outside of the city. Contract costs following e-auctions has increased and in-house salary costs reflect inflationary increase. The remainder of the budget holder over spend relates to staffing in Educational Psychology, but this is offset by an equivalent under spend against centralised staffing costs.  |            |
| Education and Skills                    | Libraries, Advice, Health & Information Services | The forecast Budget Holder overspend of £157K comprises a £64K net under-recovery of income on the Schools' Library Service, an under-recovery of £75K on other income targets, unfunded salary pressure of £126K, an overspend on casual posts and overtime of £17K offset by a £75K spending reduction on the media fund and several other smaller spending reductions. The under-recovery of income across the service is an on-going pressure that has steadily worsened over the last few years (particularly around buy in from schools). The Service is currently investigating opportunities for new and alternative income streams. This may reduce the pressure but will not remove it completely, and impact in the current year will be reduced due to timing. Salary pressure is due to regrading of staff (£44K higher in the current year due to backdating). There are currently a large volume of vacant posts within the service which is resulting in the use of over-time and casual staff in order to keep libraries open | 0.2        |
| <b>Education and Skills</b>             |  |  | <b>0.4</b> |
| Finance & Corporate Services            | Revenues and Benefits                            | The pressure is primarily attributable to the cost of temporary staffing as a result of increased levels of work being received, cover for a higher than normal level of staff absence and increased underlying work levels in council tax.  | 0.5        |
| Finance & Corporate Services            | Other Variances Less than 100K                   |  | (0.1)      |
| <b>Finance &amp; Corporate Services</b> |  |  | <b>0.4</b> |
| Human Resources                         | HR - People & Culture                            | The People and Culture service is forecasting a £118K overspend. This mainly relates to pressures within the Resourcing Team including an un-met savings target, agency covering sickness, increased costs for subscriptions and DBS costs. In addition, there are growing pressures on training and development budgets   | 0.1        |
| Human Resources                         | Employment Services                              | Employment Services has a forecast over-spend of £112K. This relates to a reduction in income from external organisations. It has not been possible to reduce costs further as a range of legislation and regulatory changes has created an increase in overall workload   | 0.1        |
| Human Resources                         | ICT & Digital                                    | Digital Services is forecasting a Budget Holder overspend of £183K. This relates to a shortfall on schools' income of £433K due to reduced buy in as schools convert to academies and academies join larger MATs offset by a one off release of £250K reserves. A range of spending reductions are expected to offset the significant pressures of £188K email filtering costs. Spending reductions  | 0.2        |

|  |                                     |  |            |
|--|-------------------------------------|--|------------|
|  |                                     | include a short-term lower level of Microsoft Enterprise licence consumption charges, short-term reduction in "out of hours" service costs and other changes which are in the process of being worked on.  |            |
| <b>Human Resources</b>                   |                                     |  | <b>0.4</b> |
| Legal & Governance Services              | Legal Services                      | "Recruitment of staff (particularly lawyers) into vacant positions remains a challenging situation within the service despite numerous attempts made to advertise vacancies. As a consequence, there is a significant amount of expenditure (circa £600k) on agency staff which is offset in part by vacancies within the Legal Services team. The service is also managing additional workload in the children's social care sector which has made it difficult to end locum contracts.<br><br>An action plan is in place to address the recruitment and retention issues within the team with the expectation that this will show reductions in subsequent quarters."  | 0.7        |
| Legal & Governance Services              | Other Variances Less than 100K      |  | (0.2)      |
| <b>Legal &amp; Governance Services</b>   |                                     |  | <b>0.5</b> |
| People Directorate Management            |                                     |  |            |
| <b>People Directorate Management</b>     |                                     |  | <b>0.1</b> |
| Project Management and Property Services | Commercial Property and Development | £1.3m BH variance mainly due to £546k from CPM rental operation and £767k from CCS (City Centre South) project relates to red line area and new acquisitions due to a mix of income reduction and cost increase for void properties/sites. (Detailed breakdown for CPM rental operation £546k: 1. £370k: 4 Agency costs including a service charge accountant, backfill for legal expert post and covering two vacant posts (although there's underspend in centralised variance £121k, it's offset by saving target of £80k). 2. (£45k) extra income generated by the service charge accountant; 3. £104k Contributions to service charges and sinking funds for void units 4. £146k Public lighting, feeder pillars and voids 5. (£74k) Binley Crt/240 Jardine/Riley Sq Binley Crt/240 Jardine/Riley Sq - recharge to tenants of utility costs 6. £45k Professional fees costs to help service achieve income target). Note that £1m further saving target isn't in the ledger yet, so corresponding A60 saving position will be updated once the £1m saving target is actioned, potentially underachieving by £300k, but could be offset by more income generated from R&M service. | 1.3        |
| Project Management and Property Services | Facilities & Property Services      | (£521k) BH variance due to 1. R&M (£123k) income overachieved based on the current order book for the profit to be generated from margin on jobs (for labour, materials and subcontractors) and additional income from project work expected. 2.   | (0.5)      |

|   |                                    |  |              |
|---|------------------------------------|--|--------------|
|   |                                    | (£407k) Corporate property building potential underspend due to forecasted drop in utilities costs after offsetting a pressure on Fairfax around £175k. Note that the position may still change due to volatility in the market.   |              |
| Project Management and Property Services        | PMPS Management & Support          | BH Variance (£700k) due to PMPS Property service draw down merit funding £750k, offset saving target of £50k.  | (0.7)        |
| <b>Project Management and Property Services</b> |                                    |  | <b>0.1</b>   |
| Public Health                                   | Public Health Staffing & Overheads | A budget holder underspend of £330k, mainly as a result of the release of funding previously held in reserve.  | (0.3)        |
| Public Health                                   | Public Health - Migration          | A budget holder underspend of £900k as a result of additional grant flexibility and the release of funding previously held in reserve.   | (0.9)        |
| Public Health                                   | Other Variances Less than 100K     |  | (0.2)        |
| <b>Public Health</b>                            |                                    |  | <b>(1.4)</b> |
| Streetscene & Regulatory Services               | Planning Services                  | There has been an overall reduction in planning applications since COVID which reflects the national trend. (Affecting Majors in particular.) This is partly mitigated by an increase in fees which is expected to be implemented around the start of September 2023.  | 0.2          |
| Streetscene & Regulatory Services               | Streetpride & Parks                | The net variation across Streetpride and Parks is c£259k overspend and primarily relates to a) service reviews (Streetpride & Parks) with vacancies(part offset by u/spends on centralised variance) being covered by agency/overtime whilst new structures are being implemented, along with some shortfalls in income (i.e. car parks), b) set up costs and non-achievement of savings targets relating to Coventry Funeral Services c) Pressures in Urban Forestry relating to Tree Surveys, associated remedial works and inflationary increases and cd Traveller Incursion Costs. Some s106 (c£100k) will also be applied.  | 1.1          |
| Streetscene & Regulatory Services               | Waste & Fleet Services             | Commercial Waste is currently under review and is forecasting a deficit in excess of £0.5m. A decision has been made for a third party to provide resources to deliver the Waste Collection service alongside CCC staff at a cost of c£522k (partly offset by centralised salary savings on Waste Admin), the WTS no longer has any external customers and although disposal costs have been reduced there is still a deficit of c£156k. Partly offsetting this is an underspend on Waste Disposal costs of (c£314k) due to lower than expected tonnages, anticipated savings of (c£272k) relating to SRL going live in Sept/October and additional income/savings on capital finance costs of c£270k from the EV programme. | 0.4          |
| Streetscene & Regulatory Services               | Environmental Services             | There are vacancies in Street Team Enforcement which are being covered by Agency/Overtime  | 0.1          |

|  |                                |  |             |
|--|--------------------------------|--|-------------|
|  |                                | payments c£95k and a shortfall in Pest Control income c£37k.   |             |
| Streetscene & Regulatory Services            | Other Variances Less than 100K |  | 0.1         |
| <b>Streetscene &amp; Regulatory Services</b> |                                |  | <b>1.9</b>  |
| Transportation & Highways                    | Parking                        | There are income pressures in Bus Lane and Parking Enforcement due to temporary bus gates closures, activity levels remaining lower than expected due to the impact of staff vacancies and sickness. These are offset by higher-than-expected car park usage and income.   | 0.6         |
| Transportation & Highways                    | Highways                       | Pressure is largely due to the anticipated costs to be incurred to address highways defects (£350k) and under-recovery within Highways Operations as a result of vacancies and sickness (£400k).   | 0.8         |
| Transportation & Highways                    | TH Management & Support        | Variance is largely due to unachieved historic MTFS targets  | 0.1         |
| <b>Transportation &amp; Highways</b>         |                                |  | <b>1.5</b>  |
| Ringfenced Funding                           | SEND & Specialist Services     | Dedicated Schools Grant Variance: The LA makes provision for children with high needs in the early years and new to City through a funded support plan, September activity saw an 85% increase against forecast demand. 50% of the forecast demand for external placements has been realised, with the average cost increasing during the year by £6k. In response to the system pressures across Coventry's special schools, top-up values have been inflated to secure sustainability and provision for specialist SEMH has been reviewed in response to increasing needs. | 0.4         |
| Ringfenced Funding                           | Schools                        | Dedicated Schools Grant Variance: The majority of this under spend relates to the Council's High Needs holding pot. This is budget that has been earmarked to support the Council's overall SEND Strategy and fund known provision cost pressures that will arise in future years.   | (2.5)       |
| Ringfenced Funding                           | Financial Strategy             | Technical adjustment to remove total Dedicated Schools Grant Variance from the General Fund position.  | 2.1         |
| <b>Ringfenced Funding</b>                    |                                |  | <b>0.0</b>  |
| <b>Total Non-Controllable Variances</b>      |                                |  | <b>17.7</b> |

## Appendix 2

### Capital Programme Approved / Technical Changes

| SCHEME                                     | EXPLANATION   | £m          |
|--|---|-------------|
| Highways Investment                        | Budget 2023 announced £200 million for highways maintenance for the financial year 2023-2024. Based on the West Midlands Local Authority apportionment this is a further £0.6m funding for Coventry's Highway Investment programme.   | 0.6         |
| Eastern Green - A45 Overbridge             | The awarded £15.6m from Homes England for the delivery of the A45 Overbridge at Eastern Green has now been fully drawn down and passported over to the developer. As Coventry City Council are the accountable body for the delivery of the scheme, there is a legal agreement that the process moving forward will entail the developer re-imbursing CCC all invoiced amounts prior to CCC paying these funds over to the contractor. This ensures no financial risk to CCC.   | 8.0         |
| On street Residential ChargePoints Phase 8 | Report taken to Cabinet 14th February 2023 - Electric Vehicle Charging Infrastructure. Bids were submitted to Office for Zero Emissions Vehicles, which resulted in successful securing £2.8 for On street Residential charge points phase 8.   | 2.8         |
| Routes to Stations                         | Successful bid in securing £1.6m from Sustrans to deliver the National Cycling Network across England, through a series of schemes to make the Network safer and more accessible to everyone, to encourage active travel. The awarded funding will deliver cycling network for Warwick University to Charter Avenue and Kenilworth Road to Spencer Park.  | 1.6         |
| Public Realm - Palmer Lane De-culverting   | Report taken to Cabinet 11th July 2023 - Palmer Lane Regeneration. Approval of additional funding of £318k for the delivery of the Palmer Lane project taking the total budget for the delivery of the scheme to £2.4m. Along with noting the grant acceptance of £534k received from Historic Coventry Trust in March 2023 under delegated authority contained in paragraph 2.3.2 (c) of Part 3F (Financial Procedure Rules) of the Council Constitution.  | 0.9         |
| New Union Street Car Park                  | Report taken to Cabinet Member for Jobs, Regeneration and Climate Change on 15th June 2023. The Proposed Demolition of New Union St Multi Storey Car Park and Construction of a Surface Car Park on the Site.   | 1.0         |
| Social Housing Decarbonisation Fund Wave 2 | Coventry City Council have been successful in a consortium bid with Citizen Housing to improve the energy efficiency of over 2,000 homes in Coventry over the next two and half years. This Government grant funding (c. £23.8 million) together with Citizen's own investment will total circa £60m and deliver energy efficiency measures to just over 2,000 social housing properties in and around the Coventry area. The housing association worked with Coventry City Council to submit the bid to the Department of Energy Security and Net Zero (formally known as the Department for Business Energy and Industrial Strategy – BEIS). The £23.8m grant will see energy efficient works carried out on properties in the city to improve the Energy Performance to an EPC rating of a C. Works on the homes will predominately improve the fabric and ventilation of a property including, cavity / external wall insulation, increased loft insulation and improving ventilation to reduce the potential for mould growth. This funding is part of the second wave of Social Housing Decarbonisation Funding, which was submitted following joint success with Coventry City Council in the first wave of the bid where funding was secured to improve 95 homes across the city last year. | 9.4         |
| Coventry UK Shared Prosperity Fund (UKSPF) | Approval at Cabinet on 14th February 2023, capital allocation for the refurbishment works for the job shop relocation plus grant to business and preparing residents for workspaces   | 1.2         |
| City Centre South                          | 15th November 2022 Cabinet Approved £5.250m additional resources  | 4.1         |
| Miscellaneous                              | Schemes below £250k threshold   | 0.1         |
| <b>TOTAL APPROVED / TECHNICAL CHANGES</b>  |   | <b>29.7</b> |

## Appendix 3

### Capital Programme: Analysis of Rescheduling

| SCHEME                      | EXPLANATION   | £m            |
|-----------------------------|---|---------------|
| Very Light Rail             | Spend has slowed down because we are still working with DfT to understand and agree the process for drawing down the phase 2 to 4 allocation. As yet, Coventry only secured phase 1 spend in 2023 (£6.4m was confirmed in Feb 23 and the remaining phase 1 balance of £2.5m was confirmed in July 23). Consequently, CCC took a decision to limit the amount of spend at risk and the programme was slowed down. CCC are confident we will spend the reprofiled forecast within the current predicted timescales.   | (6.2)         |
| Foleshill Transport Package | Delays in the consultation on Foleshill along with a more detailed approval process than anticipated at WMCA in achieving business case sign off has resulted in the programme slipping.  | (2.8)         |
| Coventry South Package      | The previous forecast was based on a programme to deliver extensive improvements at Asda roundabout as an early phase within the programme. Further transport modelling assessments have demonstrated that a further round of option appraisal is needed to identify the best scheme to achieve all identified objectives at this junction, and the outcome of this will be reported back in due course. The current spend profile reflects the revised programme for design development of the Asda Roundabout scheme, with the Abbey Road junction improvement being the first element of the package to be delivered during 2023/24. | (3.3)         |
| Schools Basic Need          | Forecasts for 23/24 have been realigned to reflect the 22/23 rescheduling. There was £3m more spent in 22/23 which has reduced the forecasts accordingly  | 1.4           |
| Woodlands School            | Project delayed due to planning pre-commencement conditions issues and change of requirement by SSMAT in relation to the temporary accommodation to rehouse pupils out of building scheduled for demolition   | (10.3)        |
| Schools Condition           | Additional funding received in 20/21 of £1m was carried forward to 21/22, we then received a further £1m grant from DFE, taking into account these additional funds being carried forward into 22/23 and not all funds being spent, this has increased the 23/24 available funds to be able to fund additional works on schools this year.  | 0.9           |
| Disabled Facilities Grants  | When the budget was set for 23/24 it included funds for a new home for children with disabilities, this should have reduced the main DFG forecast line but was put in as an additional line so overstated the base budget for the main DFG programme by £1m, this has now been adjusted at Qtr1 to reflect the correct 23/24 forecast   | (0.9)         |
| City Centre South           | It was previously assumed that the demolition would complete during 2023/24. This date has moved as a result of changes to the development programme whilst waiting for the CPO to be confirmed and the relevant legal agreements with the developer to be finalised. The developer is now anticipating they will begin demolition in April 2024. The demolition is currently forecast to be in one phase and take up to 12 months.   | (17.4)        |
| Miscellaneous               | Schemes below £250k rescheduling  | (0.3)         |
| <b>TOTAL RESCHEDULING</b>   |   | <b>(38.9)</b> |

## Appendix 4

### Capital Programme: Analysis of Over / Under Spend

| <b>SCHEME</b>                  | <b>EXPLANATION</b>  | <b>£m</b>    |
|--------------------------------|---|--------------|
| Sustainable Warmth Competition | The underspend is a result of low uptake from residents for the off-gas section of the Sustainable warmth competition. The remaining element of the grant has been returned to Midland Net Zero Hub (MNZH). | (0.2)        |
| Miscellaneous                  | Schemes below £250k threshold   | (0.2)        |
| <b>TOTAL UNDERSPEND</b>        |   | <b>(0.4)</b> |



## Appendix 5

### Prudential Indicators

| Indicator  | per Treasury Management Strategy 2023/24 | As at 30 June 2023                             |
|--|--|--|
| <p><b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b>, This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.</p>   | 14.98%                                   | 14.73%   |
| <p><b>Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2023 plus the estimates of any additional CFR in the next 3 years (Indicator 2)</b>, illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.</p> | Estimate / limit of £546.2m              | £317.0m Gross borrowing within the limit.      |
| <p><b>Authorised Limit for External Debt (Indicator 5)</b>, This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.</p>  | £534.8m                                  | £317.0m is less than the authorised limit.     |
| <p><b>Operational Boundary for External Debt (Indicator 6)</b>, This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.</p>   | £514.8m                                  | £317.0m is less than the operational boundary. |
| <p><b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9)</b>, These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.</p>  | £480.9m                                  | £204.0m  |
| <p><b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)</b>, as above highlighting interest rate exposure risk.</p>   | £96.2m                                   | -£66.7m  |
| <p><b>Maturity Structure Limits (Indicator 10)</b>, This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.</p> <p>&lt; 12 months</p>   | 0% to 50%                                | 8%   |

|  |             |       |
|--|-------------|-------|
| 12 months – 24 months  | 0% to 20%   | 12%   |
| 24 months – 5 years  | 0% to 30%   | 7%    |
| 5 years – 10 years   | 0% to 30%   | 12%   |
| 10 years +   | 40% to 100% | 61%   |
| <b><i>Investments Longer than 364 Days (Indicator 11)</i></b> , 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 |