
Audit and Procurement Committee
Cabinet

11th December 2023
12th December 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 Second Quarter Financial Monitoring Report (to September 2023)

Is this a key decision?

No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2023. The net revenue forecast position after management action is a net overspend of **£11.5m**. At the same point in 2022/23 there was a projected overspend of £11.3m.

The Council continues to face budget pressure within both Adults and Children's social care, Housing, and Streetscene services. Other smaller but still significant overspends are also being reported in Project Management and Property and Transportation and highways. Financial pressures are being caused by a combination of continuing high levels of inflation, increased service demands, difficult conditions within social care markets and recruitment difficulties in some services.

Recent months 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 includes a number of largely one-off actions that have already been taken to reduce the overspend, which means that the underlying position is higher than has been experienced in recent years. In response, the Council is implementing a range of measures, proposed at quarter 1, to address the pressure in order to manage down the overspend to a less severe level.

The Council's capital spending is projected to be £129.7m 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 is reflected in the Pre-Budget report which is being considered at the same meeting of Cabinet as this report.

Recommendations:

The Audit and Procurement Committee is requested to:

- 1) Consider the proposals in the report and forward any recommendations to the Cabinet.

The Cabinet is requested to:

- 1) Approve the Council's Second Quarter revenue monitoring position.
- 2) Approve the revised forecast capital outturn position for the year of £129.7m incorporating £2.2m net increase in spending relating to approved/technical changes, £0.2m underspend and £35.9m of net rescheduling of expenditure into future years.

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, 29th January 2024

Will this report go to Council?

No

Report title:

2023/24 Second Quarter Financial Monitoring Report (to September 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 Second 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 **£11.5m over budget** (after management action). The reported forecast at the same point in 2022/23 was an overspend of £11.3m. Capital spend is projected to be £129.7m.
- 1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the remainder of the year. However, this is a significantly high figure by historical standards, and represented a serious enough position for the Council to approve the emergency in year actions endorsed by Cabinet at Quarter 1. As significant management action has already been factored in, the **underlying position is significantly** higher than the £11.5m forecast. The overspend is caused largely by factors external to the Council and which can be expected to be ongoing, affecting future years' financial positions if the actions approved are not successful.
- 1.4 Following on from the £6.7m reported at 2022/23 outturn 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.
- 1.5 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.

	Revised Budget	Forecast Spend	Forecast Variance Overspend/ (underspend)
	£m	£m	£m
Adult Services & Housing	113.7	119.7	6.0
Business, Investment & Culture	8.1	9.3	1.2
Children & Young People's Services	93.2	97.4	4.2
Contingency & Central Budgets	(26.7)	(28.7)	(2.0)
Education & Skills	19.3	18.6	(0.7)
Finance & Corporate Services	9.2	9.6	0.4
Human Resources	0.7	0.7	0.0
Legal & Governance Services	7.6	7.8	0.2

People Directorate Management	0.9	1.2	0.2
Project Management & Property Services	(8.6)	(8.5)	0.1
Public Health	0.9	(0.4)	(1.3)
Streetscene & Regulatory Services	32.0	34.4	2.4
Transport & Highways	10.3	11.1	0.8
SUBTOTAL	260.5	272.0	11.5

- 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 £6.0m

Within Adult Services & Housing the largest element of overspend relates to Housing and Homelessness (£3.1m) due to a greater than 40% increase in the number of people seeking assistance and being placed in temporary accommodation – a trend which is continuing on an upward trajectory. Alongside this there has been 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. The other significant variance is an overspend on Adult Social Care (£2.9m) which is due to increased activity & complexity of placements and increased package costs (inflation).

Children's and Young People £4.2m

Within Children & Young People's Services £3.3m 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 £1.2m

Of the total Business Investment and Culture overspend, £0.8m relates to one-off holding costs of the Cultural Gateway building, sponsorship income shortfall and Godiva Festival costs. An increase of £0.2m is reported this quarter due to the potential loss of St Marys income for which an action plan is being drawn up.

Streetscene & Regulatory Services £2.4m

The Streetscene & Regulatory Services overspend includes £1m accumulation of changes in gate fee calculation at the Waste to Energy Plant and additional refuse vehicle costs to meet safety standards. The remaining variance includes a c£0.4m reduction in Planning income due to delayed major applications, however planning fees will increase in October 2023 to partially mitigate this. £0.9m relating to the agency and overtime costs relating to vacancies (Streetpride and Parks and Street Team Enforcement), income shortfalls (Car Parks and Pest Control)

Transport & Highways £0.8m.

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. 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 £0.3m form part of an additional overspend £0.6m. However, savings generated in Transport Policy

(£0.3m) by foregoing expenditure and utilising grant more effectively has reduced the overall spend from £1.2m at Quarter 2 to £0.8m

Corporate

Contingency and Central (£2.1m Underspend)

There is a forecast overspend for pay inflation contingencies (£1.6m) reflecting the final agreed local government employers' pay award. This is more than offset by favourable variances for other contingency budgets (£1.7m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.

2.3 Capital

The quarter 2 2023/24 capital outturn forecast is £129.7m compared with the first quarterly outturn of £163.6m. Table 3 below updates the budget at quarter 2 to take account of £2.2m of new approved/technical changes, a £0.2m underspend and £35.9m 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 78.9% of the programme is funded by external grant monies, whilst 10% 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 2 Reporting £m
Revised Programme (Reported at Q1)	163.6
Approved / Technical Changes (see Appendix 2)	2.2
“Net” Rescheduling into future years (See Appendix 3)	(35.9)
Underspend (see Appendix 4)	(0.2)
Revised Estimated Outturn 2023-24	129.7
<hr/>	
RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	13.0
Grants and Contributions	102.3
Capital Receipts	12.9
Revenue Contributions and Capital Reserve	1.5
Total Resources Available	129.7

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

Inflation remains the key driver for setting interest rates with headline Consumer Price Index running at at 6.7% in September. The Bank of England’s Monetary Policy Committee increased the Bank Rate by 0.25% at the beginning of August to 5.25% and this rate was held at the September meeting. Further rises in Bank Rate are unlikely now given the fall in headline CPI already embedded for October and wider economic weakness. Arlingclose, the authority’s treasury advisor, revised its forecast and now believe that this is the peak and that that Bank Rate will remain at 5.25% for some time. Rates may begin to fall in the mid to late part of 2024.

Long Term (Capital) Borrowing

The Council’s long-term borrowing requirement for the Capital Programme is forecast to fall by £1.9m in 2023/24, taking into account borrowing set out in Section 2.3 above (total £13.0m), 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 in February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st of July and 30th of September 2023 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2023/24 to Q2	Maximum 2023/24 to Q2	As at the End of Q2
5 year	5.24%	6.13%	5.42%
50 year	5.06%	5.63%	5.61%

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.

Returns provided by the Council's short-term investments yielded an average interest rate of 5.36% 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: -

	As at 30th June 2023	As at 30th September 2023
	£m	£m
Banks and Building Societies	0.0	0.0
Local Authorities	41.0	33.0
Money Market Funds	36.96	28.08
Corporate Bonds	0.0	0.0
HM Treasury	0.0	0.0
Total	77.96	61.8

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 4.59% over the last 12 months. At 30 September 2023, the pooled funds were valued at £26.9m (£26.8m at 30 June 2023), against an original investment of £30m (a deficit of £3.1m). All seven pooled funds show a deficit, mainly as a consequence of dropping property prices and volatility in bonds and equities. Most of the funds are showing encouraging signs of recovery in their 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 31st 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 September 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 September 2023 the value is -£66.3m (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 September 2023 the value is £223.7m 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 £110.7m 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	53.4	5.2	58.6	32.4
	146.0	105.5	5.2	110.7	35.3

The committed or planned total of £5.2m 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. The commitment figure is £21.4m lower than Q1 due to Tom White Waste confirming that the company will not draw down the loan in respect of recycling developments.

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 2 forecast continues to reflect an extremely serious and concerning position for the Council although this has improved marginally from quarter 2. The net forecast, after significant management action is a **£11.5m 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.

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. This position **increases the initial 2024/25 budget gap** as set out in the Pre-Budget Report considered alongside this one.

These circumstances are common to councils across the country with instances of financial stress being widely reported. Alongside authorities that have already been in difficult financial circumstances due to a variety of largely local reasons, 2023 has seen an increasing number of councils 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 cost of service delivery has reflected an upwards trajectory for some time as a result of prevailing inflation and market conditions. However, the unprecedented levels of inflation in the last 2 calendar years have affected all service delivery costs creating a very steep upward trend for the Council's key service costs.

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. In addition, very significant increases in demand for housing have developed through the year. 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

Services have been implementing the budgetary responses outlined in the quarter 1 report to mitigate the overall budgetary position although it is not possible to disaggregate the impact of this from other aspects of the Council's budgetary position. In addition to these primarily one-off solutions, the focus has also turned to other actions with a forward looking perspective to identify options and the service impact of reducing ongoing spend levels to within budget for political decision. Senior managers have undertaken review work looking at service and policy options to feed into the 2024/25 budget process and the result of this work is included within the Pre-Budget Report on today's agenda.

In totality, this work 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 is reminded above that the underlying position for 2023/24 is incredibly challenging and that the Council will face some difficult choices in the future.

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. The large forecast rescheduling of expenditure into later years on the City Centre South scheme results from revised plans to accommodate a second staircase following changes in national government policy, which has led to a delay in entering into the Development Agreement.

5.2 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 within a tight resource envelope.

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 that activity across the remainder of the year is successful. 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 in the forthcoming Budget process 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. 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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Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
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Sunny Singh Heer	Lead Accountant Capital	Finance	6/11/23	6/11/23
Michael Rennie	Lead Accountant	Finance	6/11/23	6/11/23
Names of approvers for submission: (officers and members)				
Barry Hastie	Chief Operating Officer	Finance	21/11/23	22/11/23
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	9/11/23	21/11/23
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	21/11/23	22/11/23

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Appendix 1

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

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

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance
	£m	£m	£m	£m	£m
Adult Services & Housing	113.7	119.7	(1.7)	7.7	6.0
Business Investment & Culture	8.1	9.3	0.2	1.0	1.2
Children & Young People's Services	93.2	97.4	(2.1)	6.3	4.2
Contingency & Central Budgets	(26.7)	(28.7)	0.0	(2.0)	(2.0)
Education and Skills	19.3	18.6	(0.8)	0.1	(0.7)
Finance & Corporate Services	9.2	9.6	(0.3)	0.6	0.4
Human Resources	0.7	0.7	0.2	(0.2)	0.0
Legal & Governance Services	7.6	7.8	(0.5)	0.7	0.2
People Directorate Management	0.9	1.2	(0.0)	0.3	0.2
Project Management & Property Services	(8.6)	(8.5)	(0.3)	0.4	0.1
Public Health	0.9	(0.4)	0.0	(1.3)	(1.3)
Streetscene & Regulatory Services	32.0	34.4	(0.6)	3.0	2.4
Transportation & Highways	10.3	11.1	(0.4)	1.1	0.8
Total	260.5	272.0	(6.2)	17.7	11.5

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	Budget Holder Variance £m
Adult Social Care	Strategic Commissioning (Adults)	Underspend relates to New Homes for Old PFI due to additional client fee income and lower than anticipated transport costs to day opportunities.	(0.6)
Adult Social Care	Housing and Homelessness	There are a number of reasons why the service is currently forecasting a significant overspend and why this has increased since Q1. The number of people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation has increased by over 40% during 2023 and is continuing in an upward trajectory. The upward trend has continued throughout Q2. Alongside this the cost of TA with private providers has increased by 15% from 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	3.2

		providers are being progressed. The increases in TA is a national issue with the highest number of households in TA in England being reported in March 2023.	
Adult Social Care	Adult Social Care Director	Overspend relates to an increase in bad debt provision of £0.6m and additional spend on joint health initiatives to improve provision across Health and Social Care of £0.2m partly off-set by iBCF grant under-spend of -£0.3m.	0.5
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.	0.1
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.	0.3
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.	0.4
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.	0.4
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	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.	2.2
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.4m) in particular doctors assessment costs. Additional agency costs have been partly offset by underspends on centralised salaries due to vacancies.	0.8
Adult Social Care			7.7
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	BH £737k overspend mainly relates to: 1. £790k overspend on 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. 2. £78k Godiva overspend mainly due to income underachieved from Premium ticket sales and sponsorship although general ticket sales is higher than previous years even after £130k one off corporate contribution to mitigate part of the pressure (£100k from reserve and £30k on staffing budget). BH (£172k) underspend on General event budget relates to employee budget with (£150k) offsetting centralised variance part of Sports & Culture's overall structure and (£22k) underspend on overtime for event team. 3. £186k income underachieved from sponsorship that the Commercial partner is leading on, with (20k) professional fee reduction to reduce the cost; 4. (320k) underspend from restructure budget, (£100k) from Readiness money to offset overspend in centralised variation before new structure is in place; 5. St Mary's potential loss estimated at	0.7

		£200k, service is in discussion with provider on action plan to bring the business to profit. (Note that Management action on St Mary's code is to correct error in BW forecast). 6. £64k Brandon Wood GC costs with £40k of which to offset centralised underspend variation/staffing, £20k relates to feasibility, valuation of the sites with no budget 7. BH £19k variance DMO overspend is offset against underspend in centralised variance (after reserve of £19k applied from readiness funding)	
Business Investment and Culture	Employment & Adult Education	1. £534k BH variance includes £421k Employment Skills put into reserve for the underspend relates to grant budget in the service. The underspend is due to less grant income e.g for job shop to be claimed with corresponding staffing cost reduction on centralised variation. The remaining £113k is mainly due to reduction in grant claim. E&S is reducing staff cost by limiting vacancies to be filled.	0.5
Business Investment and Culture	Economic Development service (EDS)	(194k) EDS BH variance mainly due to payment reduction to external bodies total around (£1.17m), with extra income of (£35k) offsets reduced grant income of £950k, overspend on consultancy/ professional fees £42k and £21k other overspend.	(0.2)
Business Investment and Culture			1.0
Children and Young People's Services	Children's Services Management Team	Majority of underspend linked to the Social Worker Academy and staffing costs.	(0.8)
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 £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. The position is offset partly by underspends in CAMHS and the Coventry Safeguarding Children & Adults Multi-Agency Boards.	0.3
Children and Young People's Services	Help & Protection	There is an overall budgetary pressure of £0.6m in Help and Protection, which includes the following: A £3m budget holder overspend in the Area Teams, offset by a £1.7m underspend against centralised salaries. This overall £1.3m overspend is linked to staff costs, with high levels of cases requiring additional workers and agency staff. There is a £0.2m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation. There are short-term one-off savings which are currently offsetting the budget pressures from additional grants and the use of earmarked reserves.	2.9

Children and Young People's Services	LAC & Care Leavers	<p>There is a £3.3m 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 £214k 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> <p>There is an overspend of £348k 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 £216k 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 £223k 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 £265k 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. 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>	3.9
Children and Young People's Services			6.3
Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay inflation contingencies (£1.6m) reflecting the final agreed local government employers' pay award. This is more than offset by favourable variances for other	(2.0)

		contingency budgets (£1.7m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.	
Corporate & Contingency			(2.0)
Education and Skills	Customer and Business Services	A budget holder underspend of £97k reduced from last quarters forecast of £185k as a result of an unfunded posts in new cross-Council Complaints Team. There have been a number of savings delivered: £102K underspend on Post & Fastprint (equipment costs, increased internal income), £62K underspend on Client Budget (due to resources being identified from time-limited grant funding), £76K release of Reserves from previous underspend. Customer Services Team is now starting to fill vacancies that have been on hold for a time, but due to timing the impact is not yet showing in the Centralised underspend.	(0.1)
Education and Skills	Transformation Programme Office	Work undertaken in Q1 identified contribution from reserves of £143k as council savings contribution. As per Q1, £150k savings target to be met from reserves. Following review of activity, revised forecast for professional fees, creating a variance of a further £54k in addition to variance reported at Q1. Centralised variance related to staff vacancies. Remaining budget lines inc professional fees to be subject to ongoing review dependent on service need.	(0.2)
Education and Skills	SEND & Specialist Services	The SEN Travel Assistance forecast over-spend of £478k, has increased by a further £182k compared to Q1, primarily as a consequence of continuing demand pressures especially in the early years and primary age range. Consequently, the range of specialist provisions has increased to include two additional specialist mainstream units (+20 places) and the City's growing dependency on out of City providers to meet statutory duties. The unit cost of taxis (per mile) has risen significantly reflecting both inflationary increases and market demand as has the length of average journey. The additional pressure compared to Q1 has been offset by use of reserves. 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.	0.6
Education and Skills	Education Entitlement	A 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 means that where passes are not used charges are not incurred. There is also an underspend against the interpreter service and multi-lingual assistant service as a result of cost review and increased efficiencies.	(0.1)
Education and Skills	Other Variances Less than 100K		(0.1)
Education and Skills			0.1

Finance & Corporate Services	Revenues and Benefits	<p>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.</p> <p>There is a net Housing Benefit subsidy pressure of £0.2m caused by an increase in supported accommodation rents for which the Council only receives partial subsidy payments if the provider is not a registered social landlord.</p>	0.7
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			0.6
Human Resources	HR - People & Culture	The People and Culture service is forecasting a £126K 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 £107K. 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 underspend of £432K. A decision to slow down the refresh cycle of laptops has created a one-off saving of over £400K and allowed the release of £250K from the reserves. The shortfall on schools income of £433K due to reduced buy in as schools convert to academies and academies join larger MATs is an on-going and increasing problem. A range of spending reductions have been identified and implemented to offset this and other significant on-going pressures. Where these savings are on-going, they are being built into the MTFs.	(0.4)
Human Resources			(0.2)
Legal & Governance Services	Legal Services	<p>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.</p> <p>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.</p>	0.5
Legal & Governance Services	Procurement	Improved income performance from the early payment scheme	(0.1)

Legal & Governance Services	Regulatory Services	Use of external suppliers to cover vacancies (offset by savings in salaries)	0.2
Legal & Governance Services	Democratic Services	Additional resource required to manage subject access requests whilst a permanent solution is investigated to manage and process the significant number of complex and large cases.	0.1
Legal & Governance Services			0.7
People Directorate Management			0.3
People Directorate Management			0.3
Project Management and Property Services	Commercial Property and Development	Commercial properties BH overspend £1.77m is due to: 1. commercial revenue net income underachieved by £520k as a result of various pressure, e.g. Electricity overspend £136k (Binley Court, street trading, public lighting, voids) although offset by (£74k) recovery of utilities; £122k void service charges pressure etc, £45k overspend professional fees for groundlease review, £14k overspend on service specific software, £50k external fee income underachieved, £250k rental income underachieved (incl. £310k insurance rent forecast) 2. Retail Market overspend around £100k mainly on cleaning and supplies 3. CCS redline overspend £548k including income underachieved £40k and expenditure pressure from business rates & BIDS at £442k, reactive repairs £66k 4. CPM overhead BH overspend of £243k is mainly due to £324k agency overspend partially offset by income overachieved (£13k) and reserve draw down of (£67k) 5. CCS South Aviva sites (code 11949) overspend of £169k is mainly due to voids costs (including estimated business rats £266k, although partially offset by extra income 6. 10310 CCS regeneration overspend £97k (without reserve £154k as there is no forecast of surplus income for Aviva sites) includes £84k agency staff covering principal valuation officer post (partially funded by staffing budget of £67k on centralised variation), £13k relates to Aviva sites cost; 7. £92k Site Development BH overspend on professional fees and repair maintenance is partially covered by underspend in centralised variance of £73k)	1.8
Project Management and Property Services	Facilities & Property Services	Total of (£977k) BH variance is made up of: 1. (£477k) variation in BW as at Qtr2 include: (£300k) Corporate Property Buildings underspend mainly from Friargate (£380k) and net of various other sites (£160k) offsetting pressure on Fairfax £175k and Whitley Depot £65k; (192k) income overachieved from Repair and Maintenance team based on current work plan; net £14k across other services (overspend in compliance, energy is partially covered by underspend in Corporate Property overhead and building cleaning). 2. Further (£500k) saving to be made against corporate property repair and maintenance budget	(1.0)

Project Management and Property Services	PMPs Management & Support	BH variance of (£377k) is made up of reserve contribution (£750k) to fund A60 income target of £373k on Property director code (note that Management action of (£297k) relates to 10523 Director Place to show net nil variation)	(0.4)
Project Management and Property Services			0.4
Public Health	Public Health Staffing & Overheads	A budget holder underspend of £250K as a result of the release of funding previously held in reserve. £250k PH Grant reserve was being held to cover potential FTC redundancy & pension strain costs. PH Grant saving will need to be switched with eligible Core expenditure.	(0.3)
Public Health	Public Health - Migration	A budget holder underspend as a result of additional grant flexibility and the release of funding previously held in reserve. Migration grant income is held centrally and funds costs of other services across the Council.	(1.0)
Public Health			(1.3)
Streetscene & Regulatory Services	Planning Services	There has been an overall reduction in planning applications since COVID which reflects the national trend. This is partly mitigated by an increase in fees w.e.f 1.10.23	0.2
Streetscene & Regulatory Services	Streetpride & Parks	The net variation across Streetpride and Parks is £1.26m overspend due to a) service reviews (Streetpride & Parks) with vacancies (u/spends on centralised variance) being covered by agency/overtime whilst new structures are being implemented, b) some shortfalls in car park income, c) set up costs and non-achievement of savings targets relating to Coventry funeral Service, d) pressures in Urban Forestry as a result of Tree Surveys and associated remedial works as well as inflationary increase and e) traveller incursion costs.	1.3
Streetscene & Regulatory Services	Waste & Fleet Services	Commercial and Domestic Waste has a joint net overspend of £0.742m the majority of which is due to third party Waste Collection costs. The Waste Transfer Station and Waste Disposal are forecasting £0.456m overspend which includes higher than expected gate fees for the disposal of Waste. Additional vehicles and sickness within the Passenger Transport Services forecasting a net overspend of c£0.116m, which includes a Fleet surplus generated by additional income/savings on capital finance as a result of the Electric Vehicle Programme.	1.3
Streetscene & Regulatory Services	Environmental Services	There are vacancies in Street Team Enforcement which are being covered by Agency/Overtime payments c£95k and also a shortfall in Pest Control income c£37k.	0.1
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			3.0
Transportation & Highways	Parking	There are income pressures in Bus Lane and Parking Enforcement due to temporary bus gates	0.6

		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.	
Transportation & Highways	Highways	There is a pressure largely due to the anticipated costs to be incurred to address highways defects (£350k) together with the delayed achievement of some MTFS savings targets (£250k).	0.6
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways	Transport Policy	Savings have been made by forgoing expenditure and utilising grant funding for scheme development costs	(0.1)
Transportation & Highways	Other Variances Less than 100K		(0.1)
Transportation & Highways			1.1
Ringfenced Funding	SEND & Specialist Services	Dedicated Schools Grant Variance: New demand activity for external placements continues to rise above forecast, this is fuelled by the near exhaustion of in-City specialist provision. Following a revenue funding review the LA has invested an additional £600k to secure sustainable budget provision for pupils attending in-City specialist placements. The opportunity to increase the number of in-year commissioned special school placements has been taken. However, a single residential placement commissioned in partnership with social care placed a further £154k pressure on the budget. It is noted that the average cost of a specialist FE placement has increased from 58K (forecast) to 66K (actual).	1.2
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.	1.3
Ringfenced Funding			0.0
Total Non-Controllable Variances			17.7

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Local Authority Housing Fund (LAHF) - Stonewater	<p>On the 22nd December 2022 the Government announced a £500 million capital fund for Local Authorities in order to meet the housing needs of Afghan & Ukrainian families.</p> <p>Each identified Local Authority was provisionally eligible for capital grant funding (Section 31) with an indicative allocation. Coventry City Council (CCC) was allocated £2.6m which was accepted using exercise of emergency functions on the 14th March 2023. The £2.6m capital grant has the following 2 tranches:</p> <ul style="list-style-type: none"> • Main element - £1,806,000 to purchase a minimum of 21 Homes • Bridging element - £759,695 to purchase a minimum of 4 larger 4+ bed properties specifically for households residing in bridging hotels <p>Stonewater were approached by 20 Local Authorities regarding this scheme and their board have confirmed that CCC are one of 6 councils that they will work with to deliver LAHF. It has been agreed with Stonewater that the council will pay them the grant on completion of a property purchase. The council does not retain any financial interest in the properties once they have been purchased.</p>	2.6
Homes Upgrade Grant (Phase 2)	Report - Home Upgrade Grant 2 (HUG2) & Homes Retrofit Programmes Update, taken to Cabinet on 29th August 2023 approves the addition of £2.8m capital grant to the 5-year programme. Forecast of £0.8m spend this financial year, with the remainder of the grant built into 2024-25.	0.8
Material Recycling Facility Loan - Tom White Waste	Shareholder Committee confirmation that the loan facility is now formally withdrawn.	(1.3)
Miscellaneous	Schemes below £250k threshold	0.1
TOTAL APPROVED / TECHNICAL CHANGES		2.2

Appendix 3

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
City Centre South	Transfer of Council land into the scheme and some demolition costs now expected in 2024/25. This is due to delays to scheme development caused by changes in national government policy in relation to dual stair cores requiring all residential schemes above 30m to have a second staircase. The developer has had to revise the plans to accommodate this, which has led to a delay in entering into the revised Development Agreement.	(32.2)
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.	(0.7)
Vehicle & Plant Replacement	Delay on ordering new refuse vehicles. Binlift/HSE investigation; lead times for tippers mean reschedule for 2024/25 and mowing equipment delayed due to trialling alternatives.	(2.9)
Miscellaneous	Schemes below £250k rescheduling	(0.1)
TOTAL RESCHEDULING		(35.9)

Appendix 4

Capital Programme: Analysis of Over / Under Spend

SCHEME	EXPLANATION	£m
Multi Recycling Facility	A significant number of customers were lost during the strike and as a result no skip service is operated (so spend on skips containers will be zero) and FEL & Bulk Bin services are operating at a much-reduced level.	(0.2)
TOTAL UNDERSPEND		(0.2)

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2023/24	As at 30 Sept 2023
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.	14.98%	14.66%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2023 plus the estimates of any additional CFR in the next 3 years (Indicator 2) , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £546.2m	£312.7m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5) , This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.	£534.8m	£312.7m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6) , This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.	£514.8m	£312.7m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9) , These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.	£480.9m	£223.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9) , as above highlighting interest rate exposure risk.	£96.2m	-\$66.3m
Maturity Structure Limits (Indicator 10) , This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.		
< 12 months	0% to 50%	6%

12 months – 24 months	0% to 20%	13%
24 months – 5 years	0% to 30%	7%
5 years – 10 years	0% to 30%	12%
10 years +	40% to 100%	62%
<i>Investments Longer than 364 Days (Indicator 11)</i> , 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