Coventry City Council

Public report
Cabinet

Cabinet	27th August 2024
Audit and Procurement Committee	30th September 2024

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

Director Approving Submission of the report:
Director of Finance and Resources (Section 151 Officer)

Ward(s) affected:
City wide

Title:
2024/25 First Quarter Financial Monitoring Report (to June 2024)

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 June 2024. The net revenue forecast position after management action is for spend in 2024/25 of **£7.1m over budget**. Whilst not a wholly comparable position, at the same point in 2023/24, there was also a projected overspend of £12.1m.

The Council continues to face budget pressures within both Adults and Children's social care, and Housing, and City Services. Other overspends are also being reported in Property Services and Business Investment & Culture. These financial pressures are being caused by a combination of legacy inflation impacts, continued service demand, complexity, market conditions, and income shortfalls due to the economic climate.

The Council's position above includes a significant number of one-off actions that have been applied to reduce the overspend. Recognising that the underlying position is significantly higher, further urgent action is being assessed to address the pressure to prevent the 2025/26 position increasing to unmanageable levels.

The Council's capital spending is projected to be £193.3m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continues to be fundamental to the Council's role within the city. Although prevailing inflation rates look to be stabilizing, legacy inflationary pressures continue to affect 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 will 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 and 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 £193.3m incorporating: £21.7m rescheduling from 2023/24 outturn, £8.1m net increase in spending relating to approved/technical changes and £6m of net programme acceleration of expenditure from future years.

Audit and Procurement Committee is requested to:

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

List of Appendices included:

Appendix 1 - Revenue Position: Detailed Service breakdown of forecast outturn position
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes
Appendix 3 - Capital Programme: Analysis of Programme Acceleration/(Rescheduling)
Appendix 4 - Prudential Indicators

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee, 30th September 2024

Will this report go to Council?

No

Report title:
2024/25 First Quarter Financial Monitoring Report (to June 2024)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £277.5m on 20 February 2024 and a Capital Programme of £157.5m. This is the first quarterly monitoring report for 2024/25. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure, recommending any action required, and to also report on the Council’s treasury management activity.

1.2 The current 2024/25 revenue forecast is for net expenditure to be **£7.1m over budget** (after management action). The reported forecast at the same point in 2023/24 was an overspend of £12.1m. 2024/25 capital spend is projected to be £193.3m.

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 £7.1m forecast.

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 £1.8m reported at the end of 2023/24 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 budgets and forecast positions are shown below analysed by service area.

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend
	£m	£m	£m
Adult Services and Housing	129.8	132.9	3.1
Childrens and Education	112.3	114.0	1.7
City Services	40.6	43.6	3.0
Finance and Resources	12.2	12.1	0.0
Legal and Governance Services	8.1	8.7	0.6
People and Organisation Development	0.9	1.5	0.6
Planning and Performance	6.1	5.7	(0.4)
Policy and Communication	0.0	0.1	0.1
Property Services and Development	(9.3)	(7.4)	2.0
Public Health	(1.0)	(1.0)	0.0
Regeneration and Economy Dev	7.7	8.5	0.8
Contingency & Central Budgets	(30.3)	(34.7)	(4.4)
Total	**277.1**	**284.0**	**7.1**

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 £3.1m overspend

The largest element of overspend in this directorate relates to Adult Social Care (£2.1m) which is mainly due to the high cost of some children transitioning to adulthood with overall transitions spend increasing due to the complexity of need of service users, but also an increase in the total number of packages of care within Adult Social Care being delivered and projected demand increases during the year.

The other significant variance relates to Housing and Homelessness (£1m) which is predominantly due to the number of families and single people seeking assistance with housing issues, and subsequently the number being placed in Temporary Accommodation, continuing to increase during 2024/25. Actions have been taken to seek to increase prevention and move people on to longer term provision more quickly.

City Services £3.0m overspend

The most significant pressure in this Directorate sits with our Environmental Services division of £1.4m. Representing a £0.7m deficit within Street Pride and Parks due to services that are forecasting income shortfalls, including Coventry Funeral Service and income from parks activities, for example Hermits Hollow hasn’t performed as well as expected. In addition, Traveller Incursion costs associated with the prevention and clean-up of evictions and a yet undelivered MTFS target are currently under review. Another £0.6m relates to our Waste and Fleet Servies, covering additional waste disposal fees for void tonnages, costs of transport and staffing. However, Garden Waste take up has gone well and predications are looking positive.

Across the Highways division we are reporting £0.8m overspend, £0.5m relating to the repair of our highway's defects and potholes, driven mainly by reactive repairs.

Planning and Development are forecasting £0.4m deficit including the reduction in income generation caused by the decline in planning applications than anticipated and the costs associated with the Local Plan Review

Property Services and Development £2.0m overspend

There are two main elements that form the forecast overspend this quarter, the first being £0.8m short-term costs associated with holding vacant properties within the City Centre South project prior to the demolition. The second relates to the net cost £0.9m for holding voids (including rates and building servicing costs) within our commercial portfolio. In addition, plans in place to bring in new rentals which will meet the remaining £0.7m MTFS targets are taking longer to deliver, however this is being offset in year by the use of the earmarked reserves.

Children's and Education Services £1.7m overspend

Within Children & Education Services £2.3m of the total overspend relates to the cost of placements for children in care. The overspend is caused by a lack of sufficiency in the market to meet the needs of young people in care alongside higher voids across block and internal residential homes than budgeted. There is a further overspend of £1.2m in the Children's Disability Team due to an increase in both demand and prices for short breaks and direct payments. SEND Home to School Transport is forecasting an overspend of £0.5m due to increased demand alongside a mid-year review of the internal passenger service central costs which resulted in a budgetary pressure.

These overspends are offset in part by a circa £1m forecast underspend for Special Guardianship allowances, where the activity is below the level anticipated when the budget was set. There is also an underspend of £0.6m in Early Help, and the division is utilising £0.6m of earmarked reserves to support the bottom line.

Regeneration and Economy £0.8m

This relates to a pressure in Culture, Sports and Events of £0.5m, due to circa3 months of holding costs for the Cultural Gateway at £0.3m, together with an improved but deficit forecast position of £0.1m for the running of St Marys as the venue continues to embed itself as a Visitor, Wedding and Conference Venue. Work continues to generate commercial and sponsorship income by using our assets and has generated c£0.3m of income (excluding Godiva) but below target by £0.1m.

Corporate

Contingency and Central (£4.4m Underspend)

Favourable variances within corporate contingency budgets of £5.0m include the £3.2m grant announced in the final government settlement in February 2024, which was allocated to corporate contingencies. This is being offset by an adverse variance (£1.1m) which is due to a forecast underachievement of 2024/25 savings targets relating to the One Coventry programme, where detailed work is in progress to fully develop the scope and potential impact of the proposals, to inform implementation.

There is also a £0.6m surplus forecast on Asset Management Revenue Account, relating to increased planned income from CWSDC dividend income and increased Service loan interest.

2.3 **Capital**

The quarter 1 2024/25 capital outturn forecast is £193.3m compared with the original programme reported to Cabinet in February 2023 of £157.5m. Table 3 below updates the budget at quarter 1 to take account of a £21.7m increase in the base programme (net rescheduling from 2023/24), £8.1m of new approved/technical changes and £6m of programme acceleration from future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2024/25. It shows 66.6% of the programme is funded by external grant monies, whilst 22% is funded from borrowing. The programme also includes funding from capital receipts of £20.3m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2024/25 MOVEMENT	**Qtr 1 Reporting £m**
February 2023 Approved Programme	157.5
Net rescheduling of expenditure from 2022/23	21.7
Revised Programme	179.2
Approved / Technical Changes (see Appendix 2)	8.1
“Net” (Programme Acceleration) or Rescheduling (See Appendix 3)	6.0
Revised Estimated Outturn 2024-25	**193.3**

RESOURCES AVAILABLE:	**Qtr 1 Reporting £m**
Prudential Borrowing (Specific & Gap Funding)	42.6
Grants and Contributions	128.8
Capital Receipts	20.3
Revenue Contributions and Capital Reserve	1.6
Total Resources Available	**193.3**

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

UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March 2024 to 2.0% in May 2024, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubborn services price inflation at 5.7% in May 2024, helped contribute to the Bank of England maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in 2024, born out by a 0.25% cut on 1 August 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

Long Term (Capital) Borrowing

The net long-term borrowing requirement for the 2024/25 Capital Programme is £1.9m, taking into account borrowing set out in Section 2.3 above (total £42.6m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£16.1m). 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 April and 30 June 2024 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2024/25 to Q1	Maximum 2024/25 to Q1	As at the End of Q1
5 year	3.94%	4.35%	4.10%
50 year	4.33%	4.66%	4.45%

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 5.26% 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 31st March 2024 **£m**	**As at 30th June 2024** **£m**
Banks and Building Societies	0.0	0.0
Local Authorities	10.0	27.5
Money Market Funds	15.0	34.1
Corporate Bonds	0.0	0.0
HM Treasury	0.0	0.0
Total	**25.0**	**61.6**

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 5.48% over the last 12 months. At 30 June 2024 the pooled funds were valued at £27.1m (£27.1m at 31 March 2024), against an original investment of £30m (a deficit of £2.9m). All seven pooled funds show a deficit value but returns on these investments remain strong. As world economies improve and interest rates become lower, then values should improve. The property market still hasn't bottomed out, but the fund is being actively managed to provide good returns. 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. The override to the accounting rules is due to expire on 31 March 2025 and thereafter it is likely that capital value losses will have to be taken to revenue. 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 2024 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 2024/25. 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 2024 the value is -£64.3m (minus) compared to £99.1m 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 2024 the value is £221.0m compared to £495.9m 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, are 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 2024/25 is £125m, against which there are £108m of existing commitments: -

	Limit	Actual 31st March 2023	Committed and Planned 2023/24	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	2.9
Loans	70.0	55.1	1.9	57.0	13.0
	125.0	**107.2**	**1.9**	**109.1**	**15.9**

The committed or planned total of £1.9m 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 Director of Finance and Resources (Section 151 Officer) and the Director of Law and Governance

5.1 Financial implications

Revenue

The net quarter 1 forecast reflects a continuing serious position for the Council. The net forecast, after significant management action is a **£7.1m revenue overspend** and incorporates a range of intractable ongoing issues and the persistence of inflationary pressures which continues to impact finances into 2024/25. Actions taken, and set out below, are of a largely one-off nature, meaning the **underlying position remains 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 2025/26 MTFS gap approved by Council in February 2024**.

These circumstances continue to be common to councils across the country with instances of financial stress again being widely reported. The failure of the local government finance system to tackle issues around social care funding plus the continued legacy impact of inflation, have placed 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 couple of years has affected all service delivery costs such that 2022/23, through to 2024/25 and beyond, reflect a very steep relative upward trend for the Council’s key service costs.

Although the Council had budgeted for significant levels of inflation based on current information, the 2024/25 pay offer has not yet been accepted by the trade unions and therefore it is unknown whether this will present an additional pressure once accepted.

Continuing 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 persisted to apply pressure to the budgetary provision included within the Council's budget.

Management Action

This difficult position carries on from that faced in 2023/24 when the Council needed to balance its financial outturn position using £1.8m of reserves. Such a solution would be the Council's backstop position for 2024/25 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 2025/26 and medium-term financial problems.

The Council's Leadership Team has 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:

- Robust challenge and review of forecasts
- Continuation of Recruitment controls
- Alternative funding opportunities from grant/reserves

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

- identify options and service impact of reducing ongoing spend levels to within budget for political decision.
- Restrictions to cease non-essential spend.
- 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 would require political consideration of cost reduction initiatives which have previously been viewed as unfavourable. Officers will produce a series of options for consideration by Members as appropriate, to mitigate the pressures in 2024/25, but importantly for 2025/26 and beyond.

The above gives sufficient assurance that the Director of Finance and Resources does not need to take any extra-ordinary action <u>at this stage</u> to respond to the financial position (such as issuing a Section 114 Notice) either in respect of 2024/25 or future years. However, Cabinet should be in no doubt that the underlying position for 2024/25 is again incredibly challenging. Additionally, without fundamental change in the funding regime for Local Government, the Council will continue to face some difficult choices in respect of 2025/26 and future years.

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, disabled facilities grant (DfG), construction of Woodlands School, City Centre South and delivery of the City Centre Cultural Gateway development.

5.2 **Legal implications**

There are no legal implications arising at this stage.

The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables Cabinet to remain aware of issues and understand the actions being taken to maintain a balanced budget.

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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Names of approvers for submission: (officers and members)				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	Finance and Resources	02/08/24	02/08/24
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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	02/08/24	02/08/24

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Appendix 1
Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Table 1 below shows budget variations analysed between those that are subject to a centralised forecast variance and those that are managed at service level (termed “Budget Holder Variance” 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 of £4.7m shown below is principally the effect of unfilled vacancies.

Table 1

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance
	£m	£m	£m	£m	£m
Adult Services and Housing	129.8	132.9	(1.7)	4.8	3.1
Childrens and Education	112.3	114.0	(1.3)	3.0	1.7
Finance and Resources	12.2	12.1	0.2	(0.2)	0.0
Legal and Governance Services	8.1	8.7	(0.1)	0.7	0.6
People and Organisation Development	0.9	1.5	0.3	0.3	0.6
Property Services and Development	(9.3)	(7.4)	(0.5)	2.5	2.0
City Services	40.6	43.6	(0.5)	3.6	3.0
Public Health	(1.0)	(1.0)	(0.2)	0.2	0.0
Planning and Performance	6.1	5.7	0.1	(0.5)	(0.4)
Policy and Communication	0.0	0.1	0.1	0.0	0.1
Regeneration and Economy Dev	7.7	8.5	(1.1)	1.9	0.8
Contingency & Central Budgets	(30.3)	(34.7)	0.0	(4.4)	(4.4)
Total	**277.1**	**284.0**	**(4.7)**	**11.9**	**7.1**

Table 2:

Service Area	Reporting Area	Explanation for variance from budget	Total Forecast variance £m
Adult Services	Strategic Commissioning (Adults)	The underspend relates to New Homes for Old Private Finance Initiative additional client fee income above budget and the continuation of lower transport costs to day opportunities.	(0.5)
Adult Services	Adult Social Care Director	This overspend is an accumulation of smaller overspends across salary budgets as well as a contribution of £45k to an integrated ICT solution to support the operationalising of Local Integrated Teams with University Hospital Coventry & Warwickshire.	0.1
Adult Services	Adult Social Care Business & Financial Management	The underspend relates to the decommissioning of the Electronic Call Monitoring system and staff vacancies which are in the process of being recruited to.	(0.2)

Adult Services	Partnerships and Social Care Operational	The overspend relates to additional agency staff costs due to a large number of vacancies. This overspend is only partly offset by underspends due to those staff vacancies.	0.2
Adult Services	Localities and Social Care Operational	The overspend relates to additional agency staff costs due to a large number of vacancies. This overspend is only partly offset by underspends due to those staff vacancies.	0.3
Adult Services	Community Purchasing Mental Health	The community purchasing budget is managed as a whole - please refer to the explanation against 'Community Purchasing Other'.	3.8
Adult Services	Community Purchasing Other	The budget for purchasing packages of care for adults and older people in adults social care continues to see significant pressures. The largest element of the overspend (£1M) relates to the high cost of some children transitioning to adulthood with overall transitions spend is increasing due to the complexity of need of service users. As well as increased activity across existing service users resulting in higher average package costs. The service has also seen an increase in the total number of packages of care during Q1 (£0.6M) with greater spend incurred in All Age Disability and Mental Health. Increased activity reflects the complexity of the casework and the higher needs of those seeking our support across adult services with increased demand projected during the year (£0.7M). Scrutiny continues across all areas where budgets are authorised to ensure cost effectiveness and escalation where appropriate when people meet Continuing Health Care (CHC) or joint funding criteria.	(1.6)
Housing & Homelessness	Housing and Homelessness	The number of families and single people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation increased at a higher level than expected at the start of the year and continues to increase during 24/25 (£0.7M). A range of different additional temporary accommodation provision is being sought as part of the Medium-Term Financial Strategy, however delays to one of the proposed schemes is resulting in a pressure against the delivery target (£0.2M). A number of actions have been taken to seek to increase prevention and move people on to longer term provision more quickly.	1.0
TOTAL Adult Services & Housing			**3.1**

Children's Services	Corporate Parenting and Sufficiency	There is a £2.3m forecast overspend on placements for children in care. This figure takes into account income from central government for unaccompanied asylum-seeking children which ensures these children do not contribute to the budgetary pressure. The pressure relates to the use of external residential children's homes and high-cost spot placements due to a lack of sufficiency in the market and higher voids across block and internal homes than budgeted. This is despite a decrease in the number of children in care and overall numbers being in line with our planning assumptions. In addition to the Residential Strategy & Fostering Excellence program, a number of actions are being taken to address this pressure; increase occupancy in internal and block residential children's homes, recommission Regional frameworks (both currently under review) to increase the number of children cared for by framework providers, progress hard to place contracts and move children, when appropriate, to alternative internal / framework provision following review of all children living within a children's home. The overall position is mitigated by underspends and use of reserves across other areas of the service including a £1m forecast underspend for Special Guardianship allowances, where the activity is below the level anticipated when the budget was set.	1.0
Children's Services	Help & Protection	The variance is predominantly due to a £0.6m forecast underspend across Family Hubs and Early Help, where due to staffing vacancies staff costs are expected to be below budget.	(0.7)
Children's Services	Children in Care, Children with Disabilities & Care Leavers	The variance is predominantly due to an overspend of £1.2m in the Children's Disability Team, due to an increase in both demand and prices for short breaks & direct payments. We are currently in the process of retendering our short breaks contracts to ensure 'best value' and reduce high-cost support spend. This has been offset in part by a £0.3M contribution from reserves.	1.0
Education Services	SEND & Specialist Services	SEND Transport is forecasting an overspend of £510k. The forecast demand and cost of home to school travel assistance for the new academic year, is based on the following assumptions: The increase in EHCPs will mirror demand for the 2023/24 year; the proportionality of placements between mainstream and specialist will not change and the mode of travel will continue to require taxi provision as Coventry's fleet capacity will be exhausted. In September 24 service demand forecasts can be revised based on actual rather than forecast demand providing more certainty. A mid-year revision of the internal passenger service central costs has resulted in a £300k budget	0.4

		pressure. The impact of post 16 contributory changes will be evident and strong mitigation action from the service end to end process review will aim to reduce unit costs for eligible travellers in Qtr3 and Qtr4 (2024/25 academic year).	
Education Services	Education Entitlement	A proportion of the underspend (circa £33K) 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 and has not reduced, but we are now only charged where passes are used. There is also an underspend against the Virtual School (circa £110K) linked to staffing vacancies and utilisation of additional grant funding where appropriate.	(0.1)
Education Services	Education Improvement & Standards	An overspend of circa £200K across Schools Trade Union costs is partly offset by an underspend on historic pension costs. The slightly worsened position on Schools Trade Union is linked to inflation and lower amounts of de-delegated funding. Historic pension costs expenditure will continue to reduce over time as there are no new commitments against this.	0.1
TOTAL Childrens and Education			**1.7**
Finance and Corporate Services	Revenues and Benefits	Temporary staffing costs to address workload fluctuations resulting from a buoyant tax base.	**0.2**
Finance and Corporate Services	Financial Management	A number of vacancies existed, largely at the start of the financial year whilst recruitment to a new structure took place.	**(0.1)**
Finance and Corporate Services	Other Variances Less that 100K		**(0.1)**
Digital & Customer Services	Customer and Business Services	Customer and Business Services is currently implementing a revised structure to deliver a more strategic approach to service delivery. To meet all the expectations on the service and deliver organisational priorities recruitment to key leadership and essential roles is taking place to drive change forward. This new approach means it is forecast that not all the service turnover target can be delivered.	**0.1**
Digital & Customer Services	ICT & Digital	A number of one-off underspends has been partially offset by the on-going pressure of £445K arising from under-recovery of schools and academies income, under-achievement of Turnover Target and £100K on the Worker Profile savings target. Work is on-going to ensure achievement of this savings target during the latter part of this year.	**(0.1)**
TOTAL Finance and Resources			**0.0**

Legal and Governance Services	Legal Services	Agency used to cover capacity need to support Childrens, Adults and Education. Will be reviewed and updated in Q2 depending on recruitment outcomes.	0.7
Legal and Governance Services	Procurement	Benefits of prompt payment scheme plus vacancies.	(0.2)
Legal and Governance Services	Democratic Services	Agency usage and unfunded posts in Information Governance to meet demands on service (business case pending)	0.1
TOTAL Legal and Governance Services			**0.6**
People and Organisation Development	Employment Services	The overspend mainly relates to a reduction in income from external organisations totalling £130K, £50K remaining from the £150K MTFS target plus under-achievement of Turnover Target. Changes to the team structure have taken place in order to reduce costs and further changes are planned. The impact of this is included in the costs reported as progress towards the MTFS target.	0.3
People and Organisation Development	Employment Policy & Practice	The overspend mainly relates to the unfunded Job Evaluation Team posts £127K, some additional cost of covering sickness plus under-achievement of Turnover Target	0.2
People and Organisation Development	Other Variances Less that 100K		0.1
TOTAL People and Organisation Development			**0.6**
Property Services and Development	Commercial Property and Development	Our void commercial properties see a net pressure of c£892k covering a mixture of loss of income and the associated costs. £823k costs are based on an annual and final projection for 24/25 of the holding costs for the City Centre South property which includes NNDR these two areas form the majority of the overspend. The retail market see pressure of £169k as the costs for supplies and services exceed our budget provision. The balance is smaller pressure for agency and service charges	2.0
TOTAL Property Services and Development			**2.0**
Highways	Highways	This service is forecasting an overspend of £821K more than half of which (£460K) relates to repair of highways defects including potholes. Whilst efforts are being made to reduce costs the nature of the work is largely reactive which makes this difficult. Other pressures include £224K for Flood Risk management and drainage arising from a delay in achieving increased income (progress is being made) plus agency costs and £122K on Highways Inspectors.	0.8
Transport Policy & Innovation	TH Management & Support	The variance is largely due to interim management arrangements	0.1

Transport Policy & Innovation	Transport Policy	The variance is mainly to the use of agency staff where costs cannot be recharged to projects	0.1
Environmental Services and Development	Planning Services	Q1 Planning Application fee income is broadly in line with projections and ahead of the last two years at the same time. However, the number of applications is still below the forecast required even with the price increase. Total deficit c£227k. There is also a pressure in the current year relation to costs associated with undertaking the Local Plan review of £186k	0.4
Environmental Services and Development	Streetpride & Parks	The overall variation across Streetpride and Parks c£723k, which includes; a) £160k non achievement of an historic savings target partly linked to Coventry Funeral Service b) A reduction of c £143k in income from the activities across Parks, including Hermit's Hollow which hasn't done as well as predicted, c) a deficit of c £250k on Traveller Incursion which includes costs associated with prevention, clean up and evictions c£100k and non-achievement of additional savings of c£150k to be achieved via the provision of a Transit Site and d) A reduction in income from Car Park in Parks c£163k	0.7
Environmental Services and Development	Waste & Fleet Services	This net overspend of £692k across Waste & Fleet Services is because of: a) increased Waste Disposal costs c£311k - an increase in void tonnage costs (external partners not using our landfill contracts) and higher than expected Garden Waste tonnages as subscriptions to the paid for service is approximately 30% higher than forecast. This is being partly offset by use of £180k EMR. b) Additional transport costs at the Waste Transfer Station of c£150k. This service is now being provided by a 3rd party. c)Additional staffing costs re: waste collection - some increased costs related to the provision of the paid for Garden Waste service, but mostly due to additional staff/spot hire vehicles during April & May whilst the new structure and T&C's were being implemented c£353k. This has been partly offset by additional income relating to the Garden Waste service of -£30k d) There are also some smaller pressures in Commercial Waste c£16k (residual costs associated with capital financing), Fleet Services c£42k reduced income.	0.7
City Services	Other Variances Less that 100K		0.2
TOTAL City Services			**3.0**

Planning and Performance	Transformation Programme Office	Underspend represents a release of funding previously held in reserve	(0.2)
Planning and Performance	Public Health - Migration	Underspend represents a release of funding previously held in reserve	(0.4)
Planning and Performance	Libraries, Advice, Health & Information Services	Overspend is largely due to non-delivery of staff turnover and income targets. Traded service is reporting increased up-take however currently awaiting completion of Academy SLAs. This will be monitored and if necessary, a revised forecast for other budgets will be prepared for Q2.	0.2
TOTAL Planning and Performance			**(0.4)**
Policy and Communication	Variances Less that 100K		0.1
TOTAL Policy and Communication			**0.1**
Regeneration and Economy Dev	Culture, Sports, Events & Destination	£504k Culture Sports & Events overspend principally due to; one-off Collection Centre holding costs of £362k pending mobilisation of the construction project on site and £157k current profiled variation (including £80k historic income target) for St Mary's Guildhall pending further management action in Q2-Q4	0.5
Regeneration and Economy Dev	Regen & Economy Management Support	Overall, within the management and support forecast c£172k pressure this in the main shortfall c£140k of income against a challenging income target for sponsorship income, and small pressure against turnover targets as fully established.	0.2
Regeneration and Economy Dev	Other Variances Less that 100K		0.1
TOTAL Regeneration and Economy Dev			**0.8**
Contingency & Central Budgets	Revenue AFC	Favourable variances within corporate contingency budgets of £4.9m, which includes the £3.2m grant announced in the final government settlement in February 2024 which was allocated to corporate contingencies. This is being offset by an adverse variance (£1.1m) which is due to a forecast underachievement of 24/25 savings targets relating to the One Coventry programme, where detailed work is in progress to fully develop the scope and potential impact of the proposals, to inform implementation	(3.8)
Contingency & Central Budgets	Treasury Management	£0.6m Surplus on Asset Management Revenue Account, relating to increased planned income from CWSDC dividend income and increased Service loan interest.	(0.6)
TOTAL Contingency & Central Budgets			**(4.4)**
Total Budget Holder Outturn Variances			**7.1**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Local Network Improvement Programme (LNIP) - Green Light Fund	In March 2024 the Department for Transport awarded £0.6m Green Light Fund grant, to provide funding to tune up traffic signals to better reflect current traffic conditions and get traffic flowing.	0.6
A45 Overbridge - Eastern Green	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.	2.7
Onstreet Residential Charge points Phase 9a and 9b	Report taken to Cabinet 14th February 2023 - Electric Vehicle Charging Infrastructure. Bids were submitted to Office for Zero Emissions Vehicles, which resulted in successfully securing £0.4m for Onstreet Residential charge points phase 9a and 9b.	0.4
Education - Basic Need Section 106 Programme	S106 Funding received that will support the secondary school's expansion programme, this includes Lyng Hall, Ernesford Grange and President Kennedy school.	3.1
Education - Condition Programme	The Department for Education updated in May 2024 the school condition allocation that Coventry City Council will receive. These confirmed allocations are greater than had been assumed at the time of setting the capital budget at February 2024. This funding is to maintain and improve the condition of school buildings and grounds.	3.5
Social Housing Decency Fund	Technical Adjustment to re-align the capital programme	(2.1)
Miscellaneous	Schemes below £250k threshold	(0.1)
TOTAL APPROVED / TECHNICAL CHANGES		**8.1**

Appendix 3

Capital Programme: Analysis of Programme Acceleration/(Rescheduling)

SCHEME	EXPLANATION	£m
Education - Basic Need Programme	The additional section 106 funding received will fund basic need expenditure this financial year, resulting in grant funding being reprofiled into futures years.	2.8
Housing - Disabled Facilities Grants	The introduction of an allocation system to the Health Information Organisation will increase job delivery. A reviewal of our current specification of level access showers and increased specification in line with the Foundations report will increase costs by around 50%, these account for 75% of our workload. Prices for extensions have greatly increased due to inflation and cost of materials. Premiere mobility, who supply hoists and lifts, have been agreed a 4% increase in costs and also demand for lifts has increased, estimated spend of £1.3m for this year.	3.2
TOTAL RESCHEDULING		**6.0**

Appendix 4

<u>Prudential Indicators</u>

Indicator	per Treasury Management Strategy 2024/25	As at 30 June 2024
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.	14.94%	14.43%
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 £525.9m	£254.0m 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.	£545.9m	£254.0m 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.	£525.9m	£254.0m 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.	£495.9m	£221.0m

Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£99.1m	-£64.3m
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 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 5% 17% 5% 16% 57%
Investments Longer than 364 Days (Indicator 11), This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.	£30m	£0.0m