Coventry City Council

Public report
Cabinet

Cabinet	10th December 2024
Audit and Procurement Committee	29th January 2025

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 Second Quarter Financial Monitoring Report (to September 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 September 2024. The net revenue forecast position after management action is for spend in 2024/25 of **£10.2m over budget**. Whilst not a wholly comparable position, at the same point in 2023/24 there was a projected overspend of £11.5m.

The Council continues to face budget pressures within both Adults and Children's social care, 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 increases in service demand, complexity of cases and social care market conditions, income shortfalls due to reduced activity, and slippage in the delivery of some service savings.

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 required to address the pressure in year and to prevent the 2025/26 position increasing to unmanageable levels.

The Council's capital spending this year is projected to be £143m 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. Although prevailing inflation rates look to be stabilising, legacy inflationary pressures and high borrowing rates 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 financial pressures, both revenue and capital, has reaffirmed 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:

The Cabinet is requested to:

1) Approve the Council's second quarter revenue monitoring position.

2) Approve that senior officers work in collaboration with portfolio holders to continue to identify further cost reductions to mitigate 24/25 pressures.

3) Approve the revised forecast capital outturn position for the year of £143m incorporating: £2.7m net increase in spending relating to approved/technical changes and £53m of net programme rescheduling of expenditure into future years.

The Audit and Procurement Committee is requested to:

1) Consider the proposals in the report and forward any recommendations to 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 - 3rd February 2025

Will this report go to Council?

No

Report title:
2024/25 Second Quarter Financial Monitoring Report (to September 2024)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £277.5m on the 20th February 2024 and a Capital Programme of £157.5m. This is the second 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 **£10.2m over budget** (after management action). The reported forecast at the same point in 2023/24 was an overspend of £11.5m. The capital spend for 2024/25 is projected to be £143m.

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 £10.2m forecast and will materially impact on future years budget setting.

1.4 The overspend is caused partly by factors external to the Council and which can be expected to be ongoing (affecting future years MTFS) if action is not taken urgently. Other pressures included in the forecast reflect slower than expected delivery of some savings approved in the 24/25 budget, although these are expected to be delivered in full in due course.

1.5 Following on from the £1.8m reported at the end of 2023/24, the underlying position for which was somewhat higher, this indicates a continued 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.

1.7 It is therefore suggested that management consider further actions with member portfolio holders to consider other ways to reduce costs.

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.

Total Over / (Under) spend at Q1	Service Area	Revised Net Budget	Total Forecast Spend	Total Over/ (Under) Spend at Q2
£m		£m	£m	£m
3.1	Adult Services and Housing	129.8	134.1	4.3
1.7	Childrens and Education	112.7	116.4	3.7
3.0	City Services	40.7	43.7	3.0
(4.4)	Contingency & Central Budgets	(30.8)	(34.6)	(3.8)
0.0	Finance and Resources	12.4	12.1	(0.3)
0.6	Legal and Governance Services	8.2	8.4	0.2
0.6	People and Organisation Development	0.8	1.3	0.5
(0.4)	Planning and Performance	6.3	6.2	(0.1)
0.1	Policy and Communication	0.0	0.1	0.1
2.0	Property Services and Development	(9.3)	(7.3)	2.0
0.0	Public Health	(1.3)	(1.7)	(0.4)
0.8	Regeneration and Economy Dev	8.0	9.0	1.0
7.1	**Total**	**277.5**	**287.7**	**10.2**

2.2 An explanation of the major forecast variances is provided below, some 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 £4.3m overspend
The largest element of overspend in this area relates to Adult Social Care (£3.6m) which is mainly due to the costs of purchasing packages of care for adults and older people, this is partially offset by increased client fee income. Growth in packages of care continues to be seen in most areas, but particularly in areas of high cost and demand associated with Learning Disability home care, transitions from children to adults, Mental Health, and in general complexity associated with reviewing activity. This increase in spend on packages of care is the main reason for the overall £1.2m increase in the Adult Services and Housing overspend since Q1.

The other significant overspend within this area relates to Housing and Homelessness (£0.7m) which is a result of the number of families and single people seeking assistance with housing issues, and subsequently the number being placed in Temporary Accommodation. A range of different additional temporary accommodation provision is being sought to reduce this cost, however delays to some of the proposed schemes is resulting in a pressure against the delivery target. Management actions are being carried out to help mitigate this.

Children’s and Education Services £3.7m overspend
Within Children & Education Services a £4.8m overspend relates to the cost of placements for children in care. This 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 some voids across block and internal homes. There is an annual trend of increased numbers of children moving to residential care in the summer and alongside this, we have also seen an increase in the number of children entering care, with total numbers having risen by over 40 children between April and the end of September. This means children in care numbers are currently higher than our financial planning assumptions, which has worsened the position reported at quarter 1 by a further £2.5m.

There is a further overspend of £0.9m in the Children's Disability Team due to an increase in both demand and prices for short breaks and direct payments.

A £0.5m overspend for SEND Home to School Transport is also forecast due to increased demand for travel assistance in the new academic year, together with pressures in the internal passenger service.

These overspends are offset in part by a £0.8m forecast underspend for Special Guardianship allowances, due to lower than budgeted activity. There is also an underspend of £0.7M in Early Help, and the division is also utilising £0.7M of uncommitted earmarked reserves to support the bottom line.

<u>City Services £3.0m overspend</u>
The most significant pressure relates to Highways of £1.3m. The DLO have been deployed onto reactive maintenance work whilst capital grant funded business case approvals are awaited, resulting in a £0.5m short-term pressure which is delivering a greater number of pothole repairs in year. This is in addition to programmed highway's defects and potholes repairs which is under a £0.4m pressure due to the volume of defects reported. During 2024/25, there is no ability to manage reactive overspends through the approved capital programme.

Environmental Services represents £1.1m of the Directorates pressure, with income deficits in Coventry Funeral Service (£0.3m) and parks activities (£0.3m). A further £0.2m pressure is forecast relating to Traveller incursion costs due to eviction prevention and clean-ups. Waste & Fleet are holding c£0.4m pressures relating to additional waste disposal fees & cost of passenger transport.

There is also a £0.5m deficit in Planning and Development, primarily due to reduced income generation caused by the decline in planning applications and the cost of the Local Plan Review.

<u>Property Services and Development £2.0m overspend</u>
There are two main elements that form the forecast overspend, the first being £0.8m short-term costs of holding vacant properties within the City Centre South (CCS) project prior to demolition (which if CCS site is handed over to the contractor, will not be incurred next year). The second relates to a net £0.7m cost of holding voids (e.g. rates, building servicing costs) within the commercial portfolio. In addition, plans in place to bring in new rentals, are taking longer to deliver, however this is being offset in the short-term using earmarked reserves. Work is underway to significantly reduce these in-year deficit, however this cannot be confirmed until the end of this calendar year.

Regeneration and Economy £1.0m
This relates to a pressure in Culture of £0.6m, comprising primarily a Godiva Festival deficit and Cultural Gateway holding costs. Commercial sponsorship income is forecasting c£0.1m achieved to date, leaving a c£0.2m pressure remaining.

Corporate

Contingency and Central (£3.8m Underspend)
Favourable variances within corporate contingency budgets of c£4.0m 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 (£1.6m) 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.

In addition to this there is also a £1.6m surplus forecast on Asset Management Revenue Account, relating to increased planned income from CWSDC dividend income, an increase in temporary investment interest, and reduced service loan interest.

2.3 **Capital**

The quarter 2 2024/25 capital outturn forecast is £143m compared with the first quarterly outturn of £193.3m. Table 3 below updates the budget at quarter 2 to take account of £2.7m of new approved/technical changes and £53m of programme rescheduling into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2024/25. It shows 75.8% of the programme is funded by external grant monies, whilst 17% is funded from borrowing. The programme also includes funding from capital receipts of £8.9m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2024/25 MOVEMENT	**Qtr 2 Reporting £m**
Revised Programme (Reported at Q1)	193.3
Approved / Technical Changes (see Appendix 2)	2.7
“Net” (Rescheduling) (See Appendix 3)	(53.0)
Revised Estimated Outturn 2024-25	**143.0**

RESOURCES AVAILABLE:	**Qtr 2 Reporting £m**
Prudential Borrowing (Specific & Gap Funding)	24.5
Grants and Contributions	108.4
Capital Receipts	8.9

Revenue Contributions and Capital Reserve	1.2
Total Resources Available	**143.0**

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 been 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

CPI inflation figures announced on 16th October 2024 fell unexpectedly to 1.7% in the year to September, the lowest rate in three and a half years. There was no increase in the month-on-month inflation figures. Services CPI has fallen from 5.6% to 4.9%. As a consequence of better-than-expected figures, the financial markets have built in a forecast of a decrease in the Bank of England interest rate at each of the next three MPC meetings. These are likely to be in 0.25% increments. The situation could change though after the Chancellor's budget on 30th October 2024.

Throughout the majority of 2024, the Bank of England Monetary Policy Committee (MPC) maintained interest rates at 5.25% although there were reductions of 0.25% in August 2024 and a further reduction of 0.25% in November 2024 following favourable inflation data taking the rate to 4.75%. The latest forecast from the Council's Treasury Management Advisors, Arlingclose, is for the Bank Interest Rate to fall but not as quickly as was first envisaged. Initial thoughts were that it would be in the region of 3% to 3.5% by December 2025 but this has now been updated in response to both the Chancellor's budget and the US election to 3.75%.

Long Term (Capital) Borrowing

The net long-term borrowing requirement for the 2024/25 Capital Programme is £1.9m, considering borrowing set out in Section 2.3 above (total £24.5m), 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 1st July and 30th September 2024 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2024/25 to Q2	Maximum 2024/25 to Q2	As at the End of Q2
5 year	3.38%	4.01%	3.63%
50 year	3.95%	4.36%	4.20%

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 5.02% 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 2024 £m	As at 30th September 2024 £m
Banks and Building Societies	0.0	0.0
Local Authorities	27.5	26.0
Money Market Funds	34.1	31.0
Corporate Bonds	0.0	0.0

HM Treasury	0.0	0.0
Total	**61.6**	**57.0**

External Investments

In addition to the above in-house investments, there is a core mix of £30m in Collective Investment Schemes or “pooled funds”, 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 Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments). In addition, there is an investment in the CCLA property fund. This fund is not as liquid and access to redemption of units in this fund is subject to 6-months notice.

Returns provided by the Council’s pooled funds yielded an average interest rate of 5.30% over the last 12 months. On 30th September 2024 the pooled funds were valued at £27.5m (£27.1m at 30 June 2024), against an original investment of £30m (a deficit of £2.5m). 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 is predicted to have bottomed out, and 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 31st 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 September 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 September 2024 the value is -£61.6m (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 £223.0m 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 £104m of existing commitments: -

	Limit	Actual 30th September 2024	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	51.8	1.9	53.7	16.3
	125.0	**103.9**	**1.9**	**105.8**	**19.2**

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 2 forecast reflects a continuing serious position for the Council. The net forecast, after significant management action is a **£10.2m revenue overspend** and incorporates a range of intractable ongoing service demand related issues, the persistence of inflationary pressures continuing to impact cost, and the under achievement of a number of income and savings targets. Actions taken so far (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 also 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. Recent government funding announcements will help this position in 25/26, but will not solve fully.

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.

The 2024/25 pay offer was accepted in October 2024 by the trade unions in line with budget provisions assumed during the 204/25 Budget Setting process.

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.

It is necessary therefore to continue to identify and carry out management actions to help reduce the deficit, as discussed below.

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 unearmarked 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 already instigated a range of immediate responses and is in the process of taking forward other actions in support of 25/26. The following actions used to mitigate the underlying pressures in year have been taken so far:

- Continued robust challenge and review of forecasts
- Continuation of tight recruitment controls
- Alternative funding opportunities from grant/reserves
- Undertake a comprehensive review of service reserves.
- Continued communication and challenge to all staff to embed a strong financial culture.
- Identification of service management actions to reduce cost

In the lead up to the Budget Report in December 2024, the Leadership Board have been identifying options and service impact of reducing ongoing spend levels to within budget for political decision.

Continued efforts from both officers and portfolio holders are needed in order to minimise overspend. This, together with the above would give sufficient assurance that the Director of Finance and Resources 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) 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 and will have an impact on Budget Setting for 2025/26.**

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.

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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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 £5.5m shown below is principally the effect of unfilled vacancies, and are offsetting service (Budget Holder) pressures.

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	134.1	(2.0)	6.3	4.3
Childrens and Education	112.7	116.0	(1.8)	5.5	3.7
City Services	40.7	43.7	(0.9)	3.9	3.0
Finance and Resources	12.4	12.1	0.0	(0.3)	(0.3)
Legal and Governance Services	8.2	8.4	(0.3)	0.5	0.2
People and Organisation Development	0.8	1.3	0.1	0.4	0.5
Planning and Performance	6.3	6.2	0.1	(0.2)	(0.1)
Policy and Communication	0.0	0.1	0.1	0.0	0.1
Property Services and Development	(9.3)	(7.3)	(0.3)	2.3	2.0
Public Health	(1.3)	(1.7)	(0.3)	(0.1)	(0.4)
Regeneration and Economy Dev	8.0	9.0	(0.2)	1.2	1.0
Contingency & Central Budgets	(30.8)	(34.6)	0.0	(3.8)	(3.8)
Total	**277.5**	**287.3**	**(5.5)**	**15.7**	**10.2**

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.	(0.7)
Adult Services	Adult Social Care Director	Identified underspend on appointee ships provision and other adult social care projects off-set by an accumulation of salary related overspends and a contribution of £45k to an integrated ICT solution to support the operationalisation of Local Integrated Teams with University Hospital Coventry & Warwickshire.	(0.2)

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	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 which are in the process of being recruited to.	0.3
Adult Services	Community Purchasing Mental Health	The budget for purchasing packages of care for adults and older people in adults social care continues to see significant pressures. We continue to see growth in most areas, but in particular areas of high cost and demand associated with Learning Disability home care, transitions from children to adults, and Mental Health and in general complexity associated with reviewing activity. Increased activity reflects the complexity and acuity of the casework with increased demand projected during the year. Scrutiny continues across all areas where budgets are authorised to ensure cost effectiveness and escalation where appropriate including people with Continuing Health Care (CHC) or joint funding criteria.	4.3
Adult Services	Other Variances Less that 100K		0.1
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 means is resulting in a pressure against the delivery target (£0.6M). However, a number of management actions have been taken to mitigate against these pressures which has resulted in a slightly stronger position than at Q1.	0.7
TOTAL Adult Services & Housing			**4.3**

Children's Services	Corporate Parenting and Sufficiency	There is a £4.8m forecast overspend on placements for children in care. This figure considers 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 some voids across block and internal homes. There is an annual trend of increased numbers of children moving to residential care in the summer and alongside this, we have also seen an increase in the number of children entering care, with total numbers having risen by over 40 children between April and the end of September. This means children in care numbers are currently higher than our financial 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 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 or a foster home following a review of all children living within a children's home. In addition, children continue to be supported to return home through our reunification project. The overall position is mitigated in part by use of reserves and underspends across other areas of the service including a £0.8m forecast underspend for Special Guardianship allowances, where the activity is below the level anticipated when the budget was set.	3.6
Children's Services	Help & Protection	The variance is predominantly due to a £0.7m forecast underspend across Family Hubs and Early Help, where due to staffing vacancies staff costs are expected to be below budget.	(0.9)
Children's Services	Children in Care, Children with Disabilities & Care Leavers	The variance is predominantly due to an overspend of £0.9m 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.	0.7
Education Services	SEND & Specialist Services	SEND Transport is forecasting an overspend of £547k. The forecast demand and cost of home to school travel assistance for the September 2024 academic year, was 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. As we progress through Autumn Term 2024 service demand forecasts continue to be revised based on actual rather than forecast demand providing more certainty. A mid-year revision of the	0.4

		central costs for the internal passenger service resulted in a £300k budget 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). This overspend is offset in part by underspends across other areas of the service.	
Education Services	Education Entitlement	This underspend primarily relates to the Virtual School and is linked to staffing vacancies and utilisation of additional grant funding where appropriate.	(0.2)
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 overspend 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
Ringfenced Funding - Dedicated Schools Grant (DSG)	SEND & Specialist Services	The forecast for SEND Provision is an overspend of £356k. The increase in demand for EHCPs is mirroring 23/24 activity creating further growth overall. This reflects ongoing provision demand and costs. The availability of specialist school placements is limited, which has resulted in a significant increase in mainstream expenditure. However, this is compensated by a forecast underspend in special school provision. This overspend is offset in part by underspends across central services due to vacancies.	0.3
Ringfenced Funding - Dedicated Schools Grant (DSG)	Schools	This underspend 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.	(0.9)
Ringfenced Funding - Dedicated Schools Grant (DSG)	Education Entitlement	This underspend is a consequence of staffing vacancies combined with forecast over achievement of income targets.	(0.1)
Ringfenced Funding - Dedicated Schools Grant (DSG)	Financial Strategy	Technical adjustment to remove total Dedicated Schools Grant Variance from the General Fund position.	0.7
TOTAL Childrens and Education			**3.7**
Finance and Resources	Customer & Business Services	Underspend is due to staff vacancies across the service and additional income generated. However, 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.	(0.1)
Finance and Resources	Other Variances Less that 100K		(0.2)

TOTAL Finance and Resources			**(0.3)**
Legal and Governance Services	Legal Services	Agency in Legal Services continues to be reviewed and challenged, but is required to cover caseload capacity need in Children's, Adults and Education. Options to reduce agency usage are being explored.	0.6
Legal and Governance Services	Procurement	Benefits of prompt payment scheme plus vacancies.	(0.2)
Legal and Governance Services	Regulatory Services	Vacant posts across the service with plans to recruit	(0.1)
TOTAL Legal and Governance Services			**0.3**
People and Organisation Development	Employment Services	The overspend mainly relates to a reduction in income from external organisations totalling £130K and £50K remaining from an MTFS target. Changes to the team structure have taken place in order to reduce costs and further changes are planned.	0.3
People and Organisation Development	HR - People & Culture	This is due to an historic MTFS target and budgetary pressures of apprentice salaries.	0.1
People and Organisation Development	Occupational Health, Safety and Wellbeing Services	Underspends driven by vacancies and additional income from fees and charges	(0.1)
People and Organisation Development	Employment Policy & Practice	The overspend mainly relates to unfunded Job Evaluation Team posts £127K and additional cost of covering sickness	0.2
TOTAL People and Organisation Development			**0.5**
Property Services and Development	Commercial Property and Development	Commercial property portfolio income has a pressure of £748k due to voids and the associated void costs. There is also a pressure of £802K reflecting annual net holding costs for the City Centre South property (incl. NNDR), which will fall away once the project goes 'unconditional'. The retail market sees a pressure of c. £169k as the costs for supplies and services are exceeding budget provision.	1.9
Property Services and Development	Management & Support	This reflects the slipped delivery of property savings in year, offset by a one off contribution from reserves.	0.1

TOTAL Property Services and Development			**2.0**
Highways	Highways	This service is forecasting an overspend of £1.3m this due to a number of factors, the key ones being: The DLO have been deployed onto reactive maintenance work whilst capital grant funded business case approvals are awaited, resulting in a £500k short-term pressure which is delivering a greater number of pothole repairs in year. This is in addition to programmed highway's defects and potholes repairs which is under a £400k pressure due to the volume of defects reported. There is no ability to manage reactive overspends through the approved capital programme in year. Other pressures include £203k for Flood risk management and drainage arising from a historic income target and costs of highway inspector regrades	1.2
Highways	Traffic	This includes costs associated with Road Traffic Collisions, which may be recovered through insurance.	0.2
Environmental Services and Development	Planning Services	Q2 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£370k. There is also a pressure in the current year relating to costs associated with undertaking the Local Plan review of £124k	0.5
Environmental Services and Development	Streetpride & Parks	Decrease in overall income in bereavement across memorialisation and crematorium due to small decrease in death rates and cost of living. Coventry Funeral Services are forecasting £100k loss in year one against an expected £160k surplus . Income across parks is also down due to reduction in visitor numbers and associated parking and activity income.	0.6
Environmental Services and Development	Waste & Fleet Services	Additional costs at Waster Transfer Station associated with third party transport (£150k). Half price bulky waste service estimated to cost approx. £170k. Additional staffing and vehicle costs (spot hires, fuel, avoidable damage) of approx. £170k associated with removal of task and finish (this forecast presumes settlement costs of £324k will be funded corporately). This is partly offset by use of reserves (£188k).	0.5
TOTAL City Services			**3.0**
Public Health	Public Health - Migration	Underspend represents a release of funding previously held in reserve	(0.4)

TOTAL Public Health			**(0.4)**
Planning and Performance	Transformation Programme Office	Underspend represents a release of funding previously held in reserve	(0.2)
Planning and Performance	Libraries, Advice, Health & Information Services	Overspend is largely due to non-delivery of staff turnover and income targets. Overspend is reducing as vacant posts impact on actual spend. Traded service is reporting increased up-take.	0.1
TOTAL Planning and Performance			**(0.1)**
Policy and Communication	Other Variances Less that 100K		0.1
TOTAL Policy and Communication			**0.1**
Regeneration and Economy Dev	Culture, Sports, Events & Destination	Total overall service pressure mainly comprises Cultural Gateway holding and mobilisation costs (pre-construction) as reported in Q1; forecast Godiva Festival deficit primarily due to lower ticket sales, lower commercials therefore on Food and Bereavages, bad weather and Euro 24 fixture clashes. Service pressures partially mitigated by vacancies in staffing; income generation from wider events; and management actions to reduce costs across Q3-Q4.	0.6
Regeneration and Economy Dev	Regen & Economy Management Support	(£106k) of sponsorship and commercial income has been generated to date and is forecast to achieve (£254k) this year. However, the Q2 position is c£155k due to a shortfall against a challenging income target for sponsorship & advertising, progress is being made but more slowly due to external industry business planning cycles, and internal processes to fulfil procurement, planning and highways obligations.	0.2
Regeneration and Economy Dev	Other Variances Less that 100K		0.2
TOTAL Regeneration and Economy Dev			**1.0**
Contingency & Central Budgets	Revenue AFC	Favourable variances within corporate contingency budgets of c£4.0m 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 (£1.6m) 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.	(2.2)
Contingency & Central Budgets	Treasury Management	£1.6m surplus forecast on Asset Management Revenue Account, relating to increased planned income from CWSDC dividend income, an increase in temporary investment interest, and reduced service loan interest	(1.6)
TOTAL Contingency & Central Budgets			**(3.8)**
Total Budget Holder Outturn Variances			**10.2**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Housing - Local Authority Housing Fund 3 (LAHF3)	Briefing taken to the Leader of the Council, Chief Executive, Cabinet Member for Housing & Communities, S151 Officer and Director of Adult Services & Housing on 10th September requesting approval of £3.5m grant from the Department for Levelling Up, Housing and Communities. A retrospective report to be taken to November full Council. LAHF 3 will fund more high-quality temporary accommodation for homeless families and provide housing for those on the Afghan Citizens Resettlement Scheme (ACRS) who supported UK efforts in Afghanistan.	**1.0**
West Midlands Investment Zone - Greenpower Park	On 12th March 2024 Cabinet approved the report - West Midlands Investment Zone (WMIZ). The report recommendations included approving acceptance of up to £35m in West Midlands Investment Zone (WMIZ) funding, noting that initially £23m will be available for infrastructure provision on the Coventry Airport site. This element if £1.962m of funding from West Midlands Combined Authority for infrastructure works at the WMIZ Greenpower Park.	2.0
Swimming Pool Support Fund - Phase 2	The Council has been successful in securing capital grant funding from Sports England to upgrade Building Management system, replace florescent lighting with LED lighting and photo voltaic (PV) panels at 3 of the city's sports facilities. The works will be carried out at Alan Higgs, AT7 Centre and Exel Arena.	0.6
Duplex Fund	A technical adjustment as the final drawdown of the £2m loan for the Coventry Warwickshire Re-investment Trust run by Duplex project which offers a combination of loan and grant to businesses within Coventry for capital expenditure was processed in March 2023.	(0.8)
Miscellaneous	Schemes below £250k threshold	(0.1)
TOTAL APPROVED / TECHNICAL CHANGES		**2.7**

Appendix 3

Capital Programme: Analysis of Programme Acceleration/(Rescheduling)

SCHEME	EXPLANATION	£m
Friargate	Change to the budget profile is a result of delays in receiving the Final Account from the developer.	(3.6)
Coventry Very Light Rail	Further to the review of the Q2 forecast, £10.7m has been rescheduled into the next financial year for the following reasons: 1. The City Centre Demonstrator route is now significantly reduced in Scope in the initial phase (220metres from 860metres). The cost movement for this is in the region of £6.5m 2. The procurement of the slabs for the 640m will now slip into next financial year at a cost of £1.3m 3. The works to the vehicle (from Gen 1.0 to 1.5, i.e. to run in the city) will reschedule £1.6m. 4. The remaining £1.3m is for the slippage to the CCTMP works associated with the CVLR route.	(10.7)
Foleshill Transport Package	Following a consultation exercise and junction modelling, the project team are exploring alternative holistic solutions for Foleshill Transport Package. A change request has been approved by WMCA to re-phase programme with delivery expected in 2026.	(1.9)
Coventry South Transport Package	Change request has been approved by WMCA to phase programme into 5 distinct projects, these will be delivered between October 2024 and March 2027. A BJC has been submitted to WMCA for the first of these schemes, London Road North Cycleway for £2.375m, with construction due to commence in October 2024.	(6.7)
Woodlands School	£10m slip to 2025/26 Woodlands – Additional time was required to; verify the main contract with work undertaken to consider value engineering, discharge planning conditions, structural surveys including laboratory assessments to ensure structural stability of the building frame and foundations. The latter was as a requirement to ensure risk is properly managed.	(10.0)
Basic Need School Programme	Delays on 6 education expansion projects have taken place due to extensive feasibility and design considerations to ensure all stakeholders agree with the overall scope and specification. There have also been complex planning requirements to navigate to ensure application is compliant and consultees agree with the proposals.	(5.4)
Collection Centre	The rescheduling of the capital forecast is due to the main contractor entering into Administration at the end of September and the construction project being on hold till a new contractor can be procured.	(14.6)
Miscellaneous	Schemes below £250k threshold	(0.1)
TOTAL RESCHEDULING		**(53.0)**

Appendix 4

Prudential Indicators

Indicator	per Treasury Management Strategy 2024/25	As at 30 September 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%	14.38%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2024 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	£308.0m 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	£308.0m 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	£308.0m 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	£223.0m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£99.1m	-£61.6m
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