7.1.1

Public report
Cabinet Report

Cabinet 8th February 2011

Council 15th February 2011

Name of Cabinet Member:
Cabinet Member (Strategic Finance and Resources) – Councillor Duggins

Director approving submission of the report:
Director of Finance and Legal Services

Ward(s) affected:
City Wide

Title:
2010/2011 Period 8 Revenue, Capital Monitoring and Treasury Management Report (to November 2010)

Is this a key decision?
No

Executive summary:

The purpose of this report is to advise Cabinet of the Period 8 revenue and capital forecast outturn position for 2010/11. This is based upon spending and income after 8 months of the financial year. The report also reviews treasury management activity during the year, including borrowing, lending and investments. In addition, 2010/11 Prudential Indicators are reported on under the Prudential Code for Capital Finance.

The report also sets out the actions being taken to ensure that discretionary spending by budget holders is drastically reduced for the remainder of the financial year to assist the Council to meet the massive financial challenges that face us over the medium term.

The current position is a forecast revenue underspend of £1.4m and a balanced capital programme.

Recommendations:

Cabinet is recommended to:

1. Approve the revised capital estimated outturn position for the year of £90.8m incorporating:
  (i) £1.4m net reduction in spending relating to approved/technical changes, (see Appendix 2),

(ii) £2.3m net rescheduling of expenditure into 2011/12, (see Appendix 4).
(iii) £0.1m net overpsending on the programme (see Appendix 5).

This spending level, compared with resources available to fund the capital programme, represents a balanced position in 2010/11.

2. Note the revenue position is a forecast £1.4m underspend.
3. Instruct all Senior Managers and budget holders to take all possible action to limit discretionary expenditure in line with the decision approved by Management Board on 30th September to centralise budgets across a range of discretionary expenditure codes.
4. Request that Council approves revised Prudential Indicators as set out in Section 2.4 and Appendix 6.

Council is recommended to:

1. Approve the revised Prudential Indicators as set out in Section 2.4 and Appendix 6.

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Period 8 Estimated Outturn 2010/11
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Capital Programme: Analysis of Under/Overspends
Appendix 6	Prudential Indicators

Other useful background papers:

Budgetary Control 2010/2011 File, location CRH 3

Has it or will it be considered by scrutiny?
No

Has it, or will it be considered by any other council committee, advisory panel or other body?
Yes. Audit Committee

Will this report go to Council?
Yes

Report title:
2010/2011 Period 8 Revenue, Capital Monitoring and Treasury Management Report (to November 2010)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £269.4m on the 23rd February 2010 and a directorate capital programme of £80.4m on the 8th December 2009. This is the third quarterly monitoring report for 2010/11 which is presented in accordance with the City Council's Constitution, budget and policy framework and financial procedures.

2. Options considered and recommended proposal

2.1 Revenue Forecast

The Quarter 3 revenue budget monitoring exercise has identified a forecast underspend of £1.4m.

Table 1. Forecast Variations

Directorate	Revised Budget £m	Forecast Spend After Action/ Use of Reserves £m	Net Forecast Variation £m
Chief Executives	3.9	3.6	-0.3
City Services and Development	30.5	32.9	2.4
Children Learning and Young People	70.8	76.1	5.3
Community Services	118.3	116.8	-1.5
Customer and Workforce	-0.7	-0.9	-0.2
Finance and Legal Services	2.8	2.9	0.1
Schools	0.3	0.3	0.0
	225.9	**231.7**	**5.8**
Contingency & Central Budgets	26.8	19.6	-7.2
Levies	16.7	16.7	0.0
Total	**269.4**	**268.0**	**-1.4**

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the year-end forecast position is provided below for directorates with a forecasted variation, the details are shown in appendix 1:

<u>Chief Executives - Underspend £0.3m</u>

This underspend relates to a combination of savings from vacant posts across the Directorate and proposed reductions in running costs. Careful budget management will continue across the directorate and as always expenditure will be reduced or avoided where possible.

City Services and Development – Overspend £2.4m

At period 8, the net Directorate forecast position for its operational budget is an overspend of £2.4m. The figures presented include a number of management actions taken and targeted at divisional management level to reduce the overall underlying pressure.

Of the large variations, Car Park income (£0.7m), Planning Fee income (£0.3m) and Commercial Portfolio (£0.3m) pressures are a direct result of the current economic downturn, Building Cleaning (£0.3m) is a pressure expected to be addressed as part of a fundamental service review and Waste Disposal (£0.7m) represents a significant pressure that is to be addressed as part of a fundamental review into the activity and technical related pressures on the account.

Children, Learning and Young People - Overspend £5.3m

The CLYP directorate is facing substantial budgetary pressures including residential and fostering externally purchased placements, transport, and legal fees within children's social care. The overall forecast has reduced by £0.4m since period 6, which includes a reduction in the forecast overspend for neighbourhood social work teams and an increase in the level of reported underspends.

The externally purchased placements are forecast to be £5.2m overspent, and this assumes some reduction in activity levels in year. Children's transport is forecast to be £0.7m overspent for home to school, and £0.7m overspent for LAC, mainly due to increased numbers of journeys and average journey cost. This includes some savings arising from e-auctions, and the fostering framework but also reflects increased costs of the in-house provision. The Legal Services budget is overspent by £0.6m largely due to the current High Court cases that involve the use of a Queens Counsel. The neighbourhood social work teams are forecasting a £0.7m overspend due to use of agency staff to cover vacant posts and to support Newly Qualified Social Workers.

In reporting the outturn, we have included underspends of £3.3m that reflect the continuous work of budget holders to assist in the reduction of the overall CLYP spend and the application of grant funding where appropriate.

Community Services – Underspend £1.5m

Significant pressures within older people's (OP) social care services, of approximately £1.8 million represents the majority of the projected pressure at period 8.

A review of one off resources held in reserves has identified opportunities to offset some of this pressure within the financial year

Work to reduce ongoing costs of services across the Directorate continues, and action taken to manage recruitment and limit in year spending has improved the overall position, leading to a forecast outturn position of a £1.5m underspend.

Customer and Workforce Services – Underspend £0.2m

Customer and Workforce Services is forecasting a £0.2m underspend as at Period 8. This includes the absorption of unbudgeted external legal costs (£0.3m) relating to Equal Pay claims. Much of the underspend has been achieved through holding numerous posts vacant across the Directorate.

Finance and Legal Services – Overspend £0.1m

The net financial position at Period 8 is a £0.1m overspend position. Pressures in Legal Services from non-achievement of income (land charges) have been offset by the forecast housing benefit subsidy achieved. Housing Benefits Subsidy is a very volatile area and so will continue to be monitored closely throughout 2010/11.

The main changes this period is an increase in Housing Benefits Administration running costs (£60k).

Contingency & Central Budgets – Underspend £7.2m

In addition to the anticipated zero pay award, energy contract prices have now been confirmed and are lower than anticipated. Also the Street Lighting contract has been signed allowing us to include more precise figures regarding the part year saving. Together these items increase the under spend reported at period 6 from £6.4m to £7.2m.

Debt repayment costs within the Asset Management Revenue Account (AMRA) are lower than forecast, following a review of the debt repayment profile of the provision for equal pay claims and lower levels of prudential borrowing to the end of 2009/10.

2.3 Capital Position 2010/11

Table 2 below updates the budget to take account of approved/technical changes, net over/under spendings and net expenditure rescheduled into future years. This gives a revised projected level of expenditure for 2010/11 of £90.8m. Appendix 3 provides an analysis by directorate of the movement since Period 6.

The Resources Available section explains how the capital programme will be funded in 2010/11. It shows that the majority of the capital programme is funded by external grant monies (67%). A further 18% is funded by borrowing (supported borrowing resources allocated via the capital settlement and unsupported (prudential) borrowing). Latest projections of capital receipts arising predominantly from the sale of our assets show £5.4m capital receipts expected by year end against a target level of £4.4m.

The capital programme shows a balanced position in 2010/11.

It is important that this position is closely monitored throughout the last quarter of the financial year. Continued proactive management of our asset disposals programme and delivery of capital receipts on or above target, together with ensuring spending remains within budget will ensure a stabilized position.

Table 2. Movement in the Capital Budget

	£m
Estimated Outturn Period 6 (Cabinet 30th November 2010)	**94.4**
Approved/Technical Changes (see Appendix 2)	-1.4
"Net" Over / Underspend (see Appendix 5)	0.1
"Net" Rescheduling into future years (see Appendix 4)	-2.3
Revised Estimated Outturn 2010/11	**90.8**
Resources Available:	
Supported Borrowing	8.8
Unsupported (Prudential) Borrowing	7.9
Grants and Contributions	60.6
Capital Receipts	5.4
Revenue Contributions	6.2
Leasing	1.9
Total Resources Available	**90.8**

2.4 Treasury Management Activity in 2010/11

Interest Rates

The recovery in growth is likely to be slow, uneven and more "Square Root" than "V" shaped and although initial reaction to the CSR is positive, implementation risks remain. The future path of base rates reflect the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank of England will stick to its lower for longer stance on policy rates with first movement at around quarter 3 of 2011. The level of the base rate impacts on the Council in two ways: by altering the level of return on investments and also the cost of any day to day or cashflow borrowing.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2010/11 capital programme is £3.8m, taking into account borrowing set out in Section 2.3 above (total £16.7m), less amounts set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.0m). No long term borrowing has been taken out in 2010/11. In the light of capital programme requirements long term borrowing will be timed with the aim of minimising the long term interest cost to the authority.

Since Period 6 rates for Public Works Loans Board (PWLB) averaged higher at 2.6% (2.3%) for 5 year shorter term loans and 5% (4.3%) for longer term loans of 50 years. Local authorities use long term borrowing, primarily via the PWLB fixed rate loans, to part finance their capital programmes. The Government's Comprehensive Spending Review announcements included an across the board increase from October 2010 in PWLB interest rates for new borrowing by 1%, the rates currently stand at 3.2% for 5 year and 5.4% for 50 years.

Short Term (Temporary) Borrowing and Investments

In managing the day to day cashflow of the authority short term borrowing or investments are undertaken with financial institutions and other public bodies. Up to Period 8, the total volume of temporary borrowing was unchanged at £8m, at an average rate of 0.31%, while the total volume of temporary investments was £736m, at an average rate of 0.37%. The return for the period since the last report shows an increase in average return to 0.45% This upward rate of return reflects low risk investments for short to medium durations with other Local Authorities as well as with the Government through the Debt Management Office (DMO).

Investments made between April and November were for periods ranging from 1 day up to 3 months. The total of these investments is analysed by type of institution: -

	£m
Banks and Building Societies	330
Government Debt Management Office	251
Local Authorities	155
Total	736

External Investments

In addition to managing investments by making deposits with banks and building societies, money is invested through a fund manager (Investec), who is able to use different types of investments, such as government gilts, Treasury Bills and certificates of deposits. Approximately £18m is invested through fund managers. The annualised return on the fund for the year to date is 0.96% (0.95% in 2009/10), higher than the 0.66% benchmark (a market or "interbank" rate calculated on a daily basis as market rates change). This had been achieved through recent tactical trading of UK Treasury Gilts. The level of return is currently still in a depressed phase caused by the current continual low Bank of England base rate. The more attractive longer maturities purchased recently of around 12 month durations are returning yields towards the 1.0 - 1.5% return over future months.

The make up of fund manager investments as at 30th November 2010 was:-

	£m
United Kingdom	8.6
Other EU	9.4
Total	18.0

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 a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

Under International Financial Reporting Standards (IFRS), local authorities have been required to change the way they account for PFI schemes and assets held on finance leases. Both assets and liabilities relating to PFI schemes and finance leases are now to be included in the City Council's balance sheet. Although the underlying structure and financial impact of the arrangements have not altered, these technical accounting changes do impact on the level of assets and liabilities included in the accounts, as well as on the Prudential Indicators. Under the Prudential Code changes to the Indicators need to be approved by Council. The changes are:-

Forecast Capital Financing Requirement

This represents the Council's underlying need to borrow to finance the Capital Programme and increases as existing liabilities move onto the balance sheet. The forecast Capital Financing Requirement increases, over that approved as part of the 2010/11 budget, by £40.0m to £466.0m.

Authorised Limit for External Debt

This indicator represents the level of gross borrowing and other liabilities which could be afforded in the short term, but is not sustainable. The Authorised Limit increases by £40m to £451.0m.

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. The Operational Boundary increases by £40.0m to £401.0m.

The indicators, together with the relevant figures as at 30th November 2010 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2010/11, apart from the ratio of financing costs to the net revenue stream. The forecast as at period 8 is 11.97% against an initial figure of 11.82%. This technical change takes account of the inclusion of PFI and finance leases.

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 Director of Finance and Legal Services

5.1 Revenue

The current forecast for 2010/11 is an underspend of £1.4m at Quarter 3. This compares to a forecast overspend of £1.9m over the same period in 2009/10. The actual outturn in 2009/10 was a underspend position of £1.6m.

The forecast underspend of £1.4m is an improvement on the position reported this time last financial year. However, it should be noted that the on going service area pressures are offset by a £7.2m underspend reported in Contingency and Central Budgets, the majority of which is one off in nature.

In response to the period 6 report, considerable challenge has been thrown at reducing the significant overspends. This is evident in the improved positions of both Community Services (£0.6m) and Children, Learning and Young People (£0.4m). Although improvement within Children, Learning and Young People there continues to be serious concern about specific service areas and in particular that of Children's Placements. This area reflects a national trend in the number and overall cost of placements. Although measures are being taken to mitigate these costs it is evident that a significant ongoing cost pressure is likely to remain in this area. It is likely that we will need to examine the re-basing of this budget in the forthcoming budget setting process.

Corporate Management Board has committed itself and Directorate Management Teams to take steps to ensure that an underspend is achieved for 2010/11 to help manage the budget cuts now being imposed by Central Government. We are in an increasingly dynamic financial climate and with the Government's Comprehensive Spending Review announcements (20th October), we can now confidently say that a lower level of funding will be available to local authorities. There is no hiding from the fact that the cuts in place will affect the Council and test its ability to deliver quality services with these serious financial pressures.

On September 30th Corporate Management Board approved a report that incorporated a range of measures designed to reduce the level of expenditure in the current year. Given the existing financial climate and with the expectation of significant cuts in resources for 2011/12 and beyond, the report concluded that there is substantial justification for generating a one-off underspend in 2010/11. This would provide resources to help manage any one-off change management costs arising from significant service re-alignments and to help smooth the transition from current expenditure levels to new lower levels following the Spending Review announcements, in particular in relation to grant funded areas. In the light of this CMB is now committed to pursue a range of measures to achieve an end of year 2010/11 budgetary control position that is under-spent.

The actions now being pursued include a Voluntary Redundancy/Early Retirement programme, central control of salary budgets, reductions in supplies and services related budgets, freezing some grant funded expenditure, review non-essential capital projects, implement the Venue Management Policy and review of the Council's balance sheet. These actions will have a different level of impact and their effects will be felt in different ways.

The most significant initial impact is likely to be felt through reductions in supplies and services related budgets. A range of codes have been analysed to identify what scope exists to top-slice budgets in the second half of the year with an indicative target of £3m being established. Budget holders will have their budgets on these codes reduced very shortly and are expected to apply strict expenditure control to try and live within the new lower budgets. It is recognised that this may not be possible in every circumstance and that there will be a degree of rough justice in how this affects some individual areas. It is also recognised that some of the budgets that are reclaimed will be in areas where budget holders may already have declared underspends. In these circumstances budget holders will need to amend their budgetary forecasts accordingly. The current projected underspend of £1.4m does not take into account the impact of these actions and this will be incorporated into future budgetary control reports.

5.2 Capital

The capital programme shows a projected balanced position for 2010/11.

The period 6 report identified a level of unsupported borrowing totalling £17.3m, of which £9.6m was required to fund an overall shortfall in resources to fund the capital programme. The equivalent figures for period 8 have fallen to £7.9m and £2.6m respectively. The vast majority of this £9.4m total reduction in unsupported borrowing has arisen following the incorporation of £7.4m capital grant awarded by DCSF to fund investment in the provision of additional primary age places in permanent accommodation. This funding was allocated after the December 2009 budget setting report had been finalised. The complete spending profile for this resource will be reflected in the new 5 year capital programme in February 2011.

The Director of Finance and Legal Services will review the overall level of prudential borrowing undertaken in 2010/11 together with other sources of funding as part of the year end process. Cabinet will be aware that the Council faces a series of extra-ordinary one-off costs as a result of the Government's Spending Review and subsequent Local Government Settlement announcements. These include early retirement and voluntary redundancy costs and previously grant funded expenditure that may still continue on a temporary basis into 2011/12. The final level of expenditure in these areas will not be clear for some time and officers are in the process of identifying other potential sources of funding. One of the options could be to take advantage of the Council's existing borrowing approvals to help manage the expenditure. This would have the effect of preserving reserve balances and maximising the Council's financial and decision making flexibility at a time of unprecedented uncertainty. Any decisions on this will form part of the Outturn Report to Cabinet in June 2011.

5.3 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The council strive to monitor the quality and level of service provided to the citizens of Coventry and the key objectives of the Sustainable Community Strategy despite financial pressures.

As far as possible we will try to deliver better value for money in the services that we provide and achieving the same or better level of service 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. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

In Quarter 3 there is a forecasted underspend which we are actively seeking further management actions to achieve a greater under spent position for 2010/11, to ensure a smooth transition from current expenditure levels to new lower levels.

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances, breaking down between on going and one off, also detailing whether the variance is due to a change in activity or an increase/decrease in cost:

Chief Executive's Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Underspends: Corporate Policy, Management Team, Performance & Scrutiny, Local Strategic Partnership and Corporate Communications	(0.3)		Cost
Forecast Underspend	**(0.3)**		

Underspends

Corporate Policy, Management Team, Performance & Scrutiny, Local Strategic Partnership and Corporate Communications
Salary and initiatives underspends.

City Services and Development Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Overspends:			
City Centre & Development Services - Car Park Income	0.7	Activity	
Streetpride & Fleet Management - Waste Disposal	0.7	Cost	
Property & Asset Management – Commercial Portfolio	0.3		Activity
Property & Asset Management - Building Cleaning	0.3	Cost	
Planning, Transport & Highways - Development Control & Planning Policy	0.3		Activity
Planning, Transport & Highways - Traffic & Network	0.3	Activity	
Streetpride & Fleet Management – Commercial Waste	0.2		Activity
Streetpride & Fleet Management - Bereavement Services	0.2		Activity
Planning, Transport & Highways - Transportation	0.2	Cost	
Planning, Transport & Highways – Building Control	0.1		Activity
Underspends:			
Property & Asset Management - Catering	(0.3)		Activity
Property & Asset Management - Major Projects	(0.2)		Activity
Directorate Management	(0.2)	Cost	
Economy & Community - Sustainability	(0.1)		Cost
Streetpride & Fleet Management – Streetpride, ESU & Neighbourhood Wardens	(0.1)		Cost
Forecast Overspend	**2.4**		

Overspends

City Centre & Development Services - Car Park Income
Income variation based on reduced car park usage figures. Officers are working with CV One on a number of options to improve usage figures.

Streetpride & Fleet Management - Waste Disposal
Forecast overspend resulting from an increase in landfill tax, higher than inflation gate fee increases and non-achievement of a £150k income target for the Landfill Allowance Trading Scheme.

Property & Asset Management – Commercial Portfolio
Variation due to rental income and related void property cost pressures. This is a direct result of the current economic climate.

Property & Asset Management - Building Cleaning
The service is making a trading loss and is being reviewed as part of the ABC programme with savings expected to come into effect from the beginning of 2011/12.

Planning, Transport & Highways - Development Control & Planning Policy
Planning fee income variation based on the current economic climate.

Planning, Transport & Highways - Traffic & Network
Charging for licensing of skips placed on public highway was implemented some years ago, but income generation has always fallen far short of expected levels. The current climate has compounded the problem resulting in this material variance.

Streetpride & Fleet Management – Commercial Waste

There is a shortfall in income in each of the activities of Commercial Waste. This is due to a number of factors including; reduction in activity (market forces); pricing (again market forces) and the recent increases in income targets. There are also some pressures on the expenditure budgets, in particular Disposal and Fuel costs, which have risen in recent months.

Streetpride & Fleet Management - Bereavement Services
There is a significant drop in income on Crematorium due to the falling death rate and loss of business whilst the cremator replacement programme is being completed. Where possible this is being offset by reduced expenditure or additional income.

Planning, Transport & Highways - Transportation
An underlying budget pressure within the service and a Park and Ride funding pressure offset by management action.

Planning, Transport & Highways - Building Control
Building Control fee income variation based on the current economic climate offset by savings against salary and other expenditure budgets.

<u>Underspends</u>

Property & Asset Management – Catering
Forecast positive variation due to expected savings being implemented during 2010/11 as part of the Catering FSR, and an estimated increase in primary school meal numbers.

Property & Asset Management - Major Projects
Forecast trading surplus based on the current work programmed for 2010/11. There is a risk that central government spending reviews could result in a reduction to this programme during the year.

Directorate Management
Primarily salary savings including the impact of City Services and Development management changes.

Economy & Community - Sustainability
Primarily salary savings and the use of one-off grant resources.

Streetpride & Fleet Management - Streetpride, ESU & Neighbourhood Wardens
Primarily salary savings within Neighbourhood Wardens.

Children, Learning and Young People Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Overspends:			
Residential Placements	5.2	Activity	
LAC Transport	0.7	Activity & Cost	
Home to School transport	0.7	Activity & Cost	
Legal Services	0.6	Activity & Cost	
Social Work Teams – South	0.2		Activity & Cost
Social Work Teams – RAS	0.2		Activity & Cost
Social Work Teams – North West	0.2		Activity & Cost
Section 17 Payments	0.2	Activity	
Social Work Teams – North East	0.1		Activity & Cost
Other Service Areas (less than £0.1m)	0.5		
Underspends:			
Foster Carer Fees	(0.3)		Activity
Youth Service	(0.2)		Cost
Unaccompanied Asylum Seeking Children	(0.2)		Activity & Cost
YMCA Contract	(0.2)		Cost
In-house Fostering Payments	(0.1)		Cost
Family Information Service	(0.1)		Cost
Other Service Areas (less than £0.1m)	(2.2)		
Forecast Overspend	**5.3**		

Overspends

External Placements
In 2009/10, the number of children placed in external residential placements rose from 128 to 193. The part year effect of this gradual rise over the year resulted in this budget overspending by £2.3m. The full year effect of this increase plus a further rise in the number of children placed in external residential placements to 240 is forecast to be £5.5m. Work is being undertaken to review and try to reduce current LAC numbers, and to reflect this, the forecast has been reduced to £5.2m.

LAC Transport
Previous forecast based on 2009/10 out-turn, less estimated savings from reduction in transport provision through Fostering Framework agreement. Forecast revised to include increase in cost of in-house transport, increase in activity (2,580 more trips were provided between April and September than during the same period in 2009/10), as well as an increase in the average cost per trip (a result of the higher numbers of children being placed in out of city residential placements resulting in higher mileages). Work continues on reviewing the transport provision, to try and identify more cost effective solutions.

Home to School Transport
Additional support for this area has been agreed from the Dedicated Schools Grant but costs of in-house transport are significantly higher than in 2009/10. Work is underway through the Transport FSR to review the available options for procuring vehicles to reduce costs. Forecast

has now been reviewed to include the increased in-house costs and to reflect the full year effect of the savings being realised from the routes that were e-auctioned.

Legal Services
Current forecast based on 2009/10 activity levels, adjusted for reduction in number of High Court cases, savings achieved from pre-proceedings work reducing the amount of court time required, and for known high cost proceedings in 2010/11. Forecast not yet revised to reflect recommendations highlighted in the recent audit report, as unit costing information is not yet available.

Social Work Teams
Use of agency staff to cover vacant posts and to support Newly Qualified Social Workers (NQSWs) who have to carry a reduced case load during their first year post-qualification. The reduction in the use of agency staff following recent recruitment has reduced the forecast overspend, as well as the application of one-off grant funding, where appropriate.

Section 17 Payments (formerly Community Childcare)
Cost of hardship payments to families to try and prevent children becoming looked after, plus cost of supervised contact sessions ordered by the court.

Other Service Areas (less than £0.1m)
The expectation is that budget holders will manage all overspends where they are not linked to increase in activity or change in policy. This has reduced the level of overspends under £100k to £0.5m.

<u>Underspends</u>

Foster Carer Fees
Forecast based on number of carers who currently receive a fee. Fees are only paid after a probationary period, and then on a sliding scale depending on experience and training, so the numbers of children in foster care does not necessarily affect the overall cost of fee payments. Costs may increase if more foster carers become eligible for fee payments as a result of training etc.

Youth Service
Inability to recruit to posts due to vacancy freeze and difficulty filling part-time contracts. Previous forecast included an estimate for redundancy costs, but these have now been excluded.

Unaccompanied Asylum Seeking Children
The increase in the rate payable for over 15s together with confirmation that we can retain special measures funding awarded by the Home Office (£90k) has resulted in this forecast underspend.

YMCA contract
Underspend consists of recovery of housing benefit from payments to YMCA, plus notification that recharge to Community Services (£99k - Supporting People) will not be required in 2010/11.

In-house Fostering Payments
A review of the processes applied to applications for support, together with having fewer in-house foster carers, has resulted in a significant reduction in expenditure.

Family Information Service
A review of the expenditure and application of one-off grant funding where appropriate has resulted in an underspend.

Other Service Areas (less than £0.1m)
Application of one-off grant funding where appropriate accounts for £0.9m of the £2.2m.

Community Services Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Overspends:			
Older People: Community Purchasing Budgets	1.8	Activity	
Adults: Therapy Services	0.2	Cost	
Older People: Housing With Care	0.1	Activity	
Older People: Case Management	0.1		Activity
Underspends:			
Supporting People	(0.7)		Cost
Adults: Physical Disabilities Community Purchasing	(0.7)	Activity	
Housing: Asylum Seekers	(0.5)	Activity	Cost
Adults: Other	(0.4)	Activity	
Culture Leisure and Libraries	(0.4)		Cost
Older People: Intermediate Care	(0.3)	Activity	
Older People: New Homes for Old	(0.2)	Cost	
Adults: Learning Disabilities Community Purchasing	(0.2)	Activity	
Public Safety	(0.2)		Cost
Older People: Other	(0.1)	Activity/Cost	
Forecast Underspend	**(1.5)**		

Overspends

Older People Community Purchasing Budgets
The overspend is due to the volume and cost of externally provided residential \ nursing placements and Home Support packages supporting citizens in their homes.

Adults Therapy Services
The forecast overspend is due to an increase in lift maintenance costs, and an increase in demand for services.

Older People Housing with Care
There is an overspend of £0.1m due to the ceasing of charging for short term services for the first 6 weeks of care to improve capacity across the health economy.

Older People Assessment Case Management
This overspend relates to two issues, additional temporary case managers and occupational therapist posts until the end of March to support delivery of the promoting independence framework, and the cessation of funding from December by University Hospital of Coventry and Warwickshire of 5.5FTE clerical posts.

Underspends

Supporting People
One off Supporting People Reserves of £0.7m is being drawn down to fund provision of services.

Adults Physical Disabilities Community Purchasing
The forecast underspend is due a range of issues including an increase in health funding for packages, an increase in fully funded health packages and a reduction in ongoing support and demand levels resulting from Promoting Independence.

Housing: Asylum Seeker Team
A higher level of Asylum Seekers supported than anticipated has led to a higher level of contract income. In addition a wind fall £70k reimbursement of transport costs has been received from the west midland consortium. A review of the Asylum Seeker reserve which was created to smooth any variations during the contract period has identified £400k of one off resources which have been drawn down to support the financial position.

Culture, Leisure and Libraries
This relates to savings arising from claw back of grant at Sports Trusts due to reduced utility tariffs.

Older People Intermediate Care
This underspend is due to delaying recruitment pending the outcome of a review of the service as well as additional external funding.

Older People New Homes for Old
The underspend in New Homes for Old is due to an expected increase in income within Godiva and Trinity residential homes due to a higher level of people who use services having significant assets and therefore self funders. Care costs have also reduced due to void levels.

Adults Learning Disabilities Community Purchasing
The forecast underspend is due to a range of issues including the increased / continuing contributions for continuing healthcare, lower than anticipated costs for transitions from children services, negotiations by commissioning resulting in reductions in the cost of packages (including use of care funding calculator for all packages above £500), delays in new accommodation projects and moves back from out of city.

Public Safety
Underspends due to decisions to stop spending on proactive Community Safety initiatives and other supplies and services. Also salary underspends due to holding vacancies and higher than expected income from licensing.

Customer and Workforce Services Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Overspends: Human Resources	0.2	Activity	Activity
Underspend Customer Services	(0.4)		Activity/Cost
Forecast Underspend	**(0.2)**		

Overspends

Human Resources
Pressures relate to Equal Pay Claims offset in part by underspends.

Underspends

Customer Services
Management Development courses have been put on hold and there is a forecast overachievement of income within Consumer Direct.

Finance and Legal Services Directorate

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	**ONE-OFF**
Overspends:			
Legal Services	0.4	Activity	Cost
Housing Benefits	0.1		Cost
Underspends:			
Benefits Subsidy	(0.3)		Cost
Other Service Areas (less than £0.1m)	(0.1)		Cost
Forecast Overspend	**0.1**		

Overspends

Legal Services
Primarily non-achievement of income, overspend on running costs and projected salary overspends.

Housing Benefits
This relates to overspends on running costs (Namely Capita Managed Service).

Underspends

Benefits Subsidy
Improved performance in benefit error rates and the collection of benefit overpayments compared with budgeted levels.

Other Service Areas (less than £0.1m)
There are underspends totalling £0.1m that are individually under £0.1m across various areas within Finance and Legal Services.

Contingency & Central Budgets

KEY VARIANCES	£m	VARIANCE TYPE	
		ONGOING	ONE-OFF
Overspends:			
LABGI Grant	0.3		Cost
Management Structures	0.3	Cost	
Regional Partnership	0.4		Activity
PSA II Performance Reward Grant	0.1		Cost
Total Place PPR: Education Pathways & Social Care	0.1	Cost	
Underspends:			
Pay and Inflation Contingency	(2.8)	Cost	
Asset Management Revenue Account	(3.0)		Cost
Street Lighting	(1.7)		Cost
Uncommitted Provision for Budgetary Control Pressure	(0.5)	Cost	
Energy Contingency	(0.3)	Cost	
Policy Contingency	(0.1)		Activity
Forecast Underspend	**(7.2)**		

Overspends

Local Authority Business Growth Initiative
In line with the report to Cabinet 10th August, Coventry will receive no LABGI grant during 2010/11 as a result of the Governments spending cuts.

Management Structures
Plans to help deliver this saving were included in the October 19th Report to Council, but those are unlikely to take effect, to any significant degree this year.

Regional Partnership Centre
Pension liability costs incurred regarding restructure of the regional partnership centre.

PSA II Performance Reward Grant
Underachievement of two of the targets means that Coventry will not receive any Reward Grant during 2010/11

Total Place
Local Total Place developments have not yet identified how we will achieve this savings target, introduced at 2010/11 budget setting.

Underspends

Pay & Inflation Contingency
Contingency allowed for a 1% pay award. It is now anticipated that this will (for most grades) be 0%. Ongoing savings have also been achieved regarding a freeze of price inflation and a contingency set aside for superannuation.

Asset Management Revenue Account
The reduction in cost in the AMRA arises from the following main areas:

(i) the decision, reported at outturn, to change the debt repayment profile of the City Council's provision for potential equal pay claims (£1.25m);
(ii) lower levels of prudential borrowing required to fund the 2009/10 capital programme (£0.4m);
(iii) delays in the completion of some partially borrowing funded capital schemes, including the WAN (£0.7m);
(iv) Provision was made to meet the potential costs of variations to interest on 2 long term market loans, which are subject to 5 yearly review. In the event, neither interest rate was varied, reducing the provision required (£0.3m).

Energy Contingency
Due to the volatile nature of energy prices, Coventry City Council has secured a fixed contract for energy provision of gas and electricity via a consortium. This consortium and national rises in energy prices running below previous expectations is likely to result in an under spend against budget provision.

Street Lighting
The delay in finalising the street lighting PFI will generate a part year saving in 2010/11 in addition to energy prices for running below previous expectations.

2010/11 budget setting provision for budget pressure
Contingency provided in the 10/11 budget setting process to support the bottom line. Not yet allocated to specific areas.

Policy Contingency
No further plans to spend Policy Contingency resources.

Capital Programme: Analysis of Budget/Technical Changes

Scheme	Explanation	£m
City Services & Development		
Miscellaneous	Net Programme Reduction	-0.1
Total – City Services & Development		**-0.1**
Community Services		
Integrated Community Equipment Stores	Refurbishment of premises on Widdrington Rd which is used to store equipment for distribution to people with physical needs that prevent them from living / accessing services in the community (CCC and PCT commissioners under powers delegated by section 75 board).	0.1
Total – Community Services		**0.1**
Customer & Workforce Services		
Strategic ICT	Reclassified as revenue expenditure within existing budget approval.	-1.3
Miscellaneous	Net Programme Reduction	-0.1
Total – Customer & Workforce Services		**-1.4**
Total Programme Changes Period 8		**-1.4**

Capital Programme: Period 8 Estimated Outturn 2010/11

The table below presents the revised estimated outturn for 2010/11.

	Estimated Outturn Period 6 £m	Approved/ Technical Changes £m	Over/Under Spend Now Reported £m	Rescheduled Expenditure Now Reported £m	**Revised Estimated Outturn 10/11 £m**
Directorate					
Children, Learning & Young People	47.8		-0.1	-1.3	46.4
City Services & Development	29.2	-0.1		-0.7	28.4
Community Services	9.7	0.1	0.4	-0.3	9.9
Customer & Workforce Services	7.7	-1.4	-0.2		6.1
Total	94.4	-1.4	0.1	-2.3	90.8

Appendix 4

Capital Programme: Analysis Of Rescheduling

Scheme	Explanation	£m
Children, Learning & Young People		
Sidney Stringer Academy	Reprofiling from the original schedule and resequencing to phase 2 of the project. Overall the scheme remains on target for completion in May 2011.	-0.8
Playbuilder	A three month delay on year 3 projects is due to the withdrawal of DCSF funding and delays in the procurement process.	-0.3
Miscellaneous	Net Rescheduling	-0.2
Total – Children, Learning & Young People		**-1.3**
City Services & Development		
NDC Leisure & Neighbourhood Centre	Remedial works to footpath have been rescheduled from autumn to spring.	-0.2
Cremators	Delays due to contractual issues.	-0.2
Miscellaneous	Net Rescheduling	-0.3
Total – City Services & Development		**-0.7**
Community Services		
Sports Centre Repairs	Due to withdrawal of elements of planned repair and maintenance. Rescheduling of this resource will be reviewed as part of the 2010 budget setting process.	-0.2
War Memorial Park	Schedule revised following design changes; completion date is still expected to be end of May 2011	-0.1
Total – Community Services		-0.3
Net Rescheduling Period 8		**-2.3**

Capital Programme: Analysis of Under/Overspends

Scheme	Explanation	£m
Children, Learning & Young People		
Miscellaneous	Net Underspend	-0.1
Total – Children, Learning & Young People		**- 0.1**
Community Services		
Herbert	Additional payments made to contractor following adjudication.	0.3
Miscellaneous	Net overspending	0.1
Total – Community Services		0.4
Customer & Workforce Services		
WAN2	Implementation costs have reduced following a detailed analysis of outstanding liabilities.	-0.2
Total – Customer & Workforce Services		**- 0.2**
Total Overspend Period 8		**0.1**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th November 2010
Ratio of Financing Costs to Net Revenue Stream (Indicator 1), illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	11.82%	11.97%
Net Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 3), 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.	Year 3 estimate/limit of £483.8m	£267.67m net borrowing within the limit.
Authorised Limit for External Debt (Indicator 6), representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£451.0m	£352.6m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 7), representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£401.0m	£352.6m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10), highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	110%	82%
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	30%	18%
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature:		
< 12 months	0% to 15%	0%
12 months – 24 months	0% to 20%	0%
24 months – 5 years	0% to 20%	6%
5 years – 10 years	0% to 30%	10%
10 years +	40% to 100%	84%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£15m	£1.6m