

Cabinet
Audit and Procurement Committee

3rd September 2013
16th September 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

2013/14 Quarter 1 Revenue and Capital Monitoring and Treasury Management Report (to June 2013)

Is this a key decision?

No

Executive summary:

The purpose of this report is to advise Cabinet of the first quarter forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity in the first quarter of 2013/14.

The current forecast for 2013/14 is a revenue overspend of £4m. This compares to a forecast balanced revenue position at the same point in 2012/13 and an outturn underspend in 2012/13 of £3.5m. The report outlines the actions planned to bring this position into balance.

Capital spending in 2013/14 is projected to be £77.9m. This represents a net increase of £14.1m compared to the £63.8m February Budget Setting figure. This increase comprises £8.4m expenditure rescheduled from 2012/13, £11.3m new spending approvals, £5.5m rescheduling of expenditure into 2013/14 and a small underspend of £0.1m. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Note the projected revenue overspend and endorse the proposed actions to balance the budgetary position by year-end.

- 2.** Approve the revised capital estimated outturn position for the year of £77.9m incorporating:
- (i) £11.3m increase in spending relating to approved/technical changes, (see Appendix 2),
 - (ii) £5.5m net rescheduling of expenditure into 2013/14, (see Appendix 4).
 - (iii) £0.1m net underspending on the programme.

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 3 Estimated Outturn 2013/14
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Other useful background papers:

Budgetary Control 2013/14 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 and Procurement Committee 16th September 2013

Will this report go to Council?

No

Report Title:

2013/14 Period 3 Revenue and Capital Monitoring and Treasury Management Report (to June 2013)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £267.9m on the 26th February 2013 and a capital programme of £63.8m. This is the first quarterly monitoring report for 2013/14.
- 1.2 The purpose of this report is to advise Cabinet of the first quarter forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity in the first quarter of 2013/14.
- 1.3 The current forecast for 2013/14 is a revenue overspend of £4m. This compares to a forecast balanced revenue position at the same point in 2012/13 and an outturn underspend in 2012/13 of £3.5m. The report outlines the actions planned to bring this position into balance.
- 1.4 Capital spend is projected to be £77.9m, an increase of £14.1m on the base programme due in large part to expenditure rescheduled from 2012/13 and new member approvals since the budget was set in February 2013. This spend will all be met by resources identified previously.

2. Options considered and recommended proposal**2.1 Revenue Forecast**

The Quarter 1 revenue budget monitoring exercise has identified an overall overspend of £4.0m. Table 1 below provides details of the forecast directorate variances.

Table 1. Forecast Variations

Directorate	Revised Budget £m	Forecast Spend After Action/ Use of Reserves £m	Net Forecast Variation £m
Chief Executives	5.4	5.4	0.0
City Services and Development	29.1	30.4	1.3
Children Learning and Young People	63.6	66.3	2.7
Community Services	100.3	103.3	3.0
Customer and Workforce	4.5	4.2	(0.3)
Finance and Legal Services	4.8	5.5	0.7
	207.7	215.1	7.4
Contingency & Central Budgets	60.7	57.3	(3.4)
Total	268.4	272.4	4.0

The predicted directorate overspends are as a result of a combination of factors. There are some areas where ongoing levels of spend need to be brought under control, and others where income targets are under pressure due to the economic climate. Furthermore, there is also the effect of challenging savings targets, set within the Council's abc Programme, where the actions required to achieve some of these savings have yet to be identified. Determining the actions necessary to deliver these savings remains a key focus of senior management at this time.

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the forecast year-end variances is provided below. Further details are shown in Appendix 1.

City Services and Development – Overspend £1.3m

At period 3 the underlying Directorate position for 13/14 is a deficit of £1.8m. The largest part of this pressure relates to the ongoing deficit on the commercial portfolio (rent and rates void costs) caused by the difficult economic climate. The remaining pressures relate primarily to a shortfall of income against targets for commercial waste and R&M. Management action is in progress which together with minor underspends, reduces the overall net forecast outturn to a £1.3m deficit.

Children, Learning and Young People - Overspend £2.7m

The CLYP directorate continues to face substantial budgetary pressures as a result of continuing high activity within children's social care, including externally purchased residential and fostering placements. This has been further impacted on in 2013/14 by the non-delivery of the CLYP Social Care FSR activity targets. The programme of change from the CLYP FSR has now been implemented, but the activity reduction targets are not forecast to be achieved. This means the savings targets are not being delivered, and numbers of Looked After Children and Child protection cases are higher than when the FSR started.

In addition a shortfall is forecast on the Education Service Grant of £0.2m. This is as a result of in-year academy conversion. £1.7m of underspends offset the overall overspend, and these are largely as a result of unspent provision for grant clawback and staffing vacancies. Overall the current CLYP forecast is a £2.7m overspend.

Community Services – Overspend £3.0m

The most significant pressure across the Directorate continues to be Community purchasing spend within Adult Social Care due to further reductions to resources, the fallout of one-off funding which supported the underlying position and increasing demand in services for young adults with learning disabilities. Work to manage these pressures continues through the A Bolder Community Services programme.

Customer and Workforce Services – Underspend £0.3m

The underspend position reported by CWS in Quarter One is £0.3m, made up predominantly of the overachievement of the Reed Agency rebate and an underspend on Organisational Development, offset by Equal Pay costs and overspends on ICT applications.

Finance and Legal Services Overspend £0.7m

This position is mainly attributable to one-off professional (legal) Fees incurred, and non-achievement of court Income & credit card charge income and Procurement Services contract rebate income in Procurement Services. A number of Management Actions have been identified that will partially address the current issues. These issues will be closely monitored in the next quarter and mitigating action will be explored and implemented as appropriate.

Contingency & Central Budgets – Underspend £3.4m

The Asset Management Revenue Account reflects a £1.9m underspend as a result of lower interest and debt repayment profiles and delays in incurring prudential borrowing within the Capital Programme incorporating a multi-year dimension. Other significant underspends relate to lower than anticipated calls on energy cost contingencies (£0.4m) and pay/inflation contingencies (£1.5m).

2.3 Capital Position 2013/14

The 2013/14 Budget Setting report (Cabinet 26th February 2013) approved a total capital programme for 2013/14 of £63.8m. Table 2 below updates the budget to take account of £11.3m approved/technical changes of which £5.5m relates to the new Sports Facilities at the AT7 Centre approved by Cabinet in March 2013. £8.4m of expenditure has been brought forward from 2012/13 and £5.5m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2013/14 of £77.9m. Appendix 3 provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the capital programme will be funded in 2013/14. It shows that almost half of the capital programme is funded by external grant monies (45%), whilst 34% is funded from borrowing. The latest projections of capital receipts, arising predominantly from the sale of our assets, show £6.6m capital receipts expected by year end against a target level of £5.9m.

Overall the capital programme and associated resourcing reflects a forecast balanced position in 2013/14.

Table 2. Movement in the Capital Budget

	£m
February 2013 Approved Directorates Programme	63.8
Net rescheduling of expenditure from 2012/13 into 2013/14	8.4
Revised Position After 2012/13 Outturn	72.2
Approved/Technical Changes (see Appendix 2)	11.3
"Net" Underspending	-0.1
"Net" Rescheduling into future years (see Appendix 4)	-5.5
Revised Estimated Outturn 2013/14	77.9
Resources Available:	
Unsupported (Prudential) Borrowing	26.8
Grants and Contributions	35.1
Capital Receipts	6.6
Revenue Contributions	9.0
Leasing	0.4
Total Resources Available	77.9

2.4 Treasury Management Activity in 2013/14

Interest Rates

Notwithstanding more positive messages recently about the state of the economy it is clear that there are no plans in the near future to move from the Bank Rate.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2013/14 capital programme is £13.7m, taking into account borrowing set out in Section 2.3 above (total £26.8m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.1m). No long term borrowing has been taken out to date in 2013/14. The need to borrow will be kept under review in the light of a number of factors, including the anticipated level of capital spend, interest rate forecasts and the level of investment balances.

During the first three months up to period 3, rates for Public Works Loans Board (PWLB) increased from 1.7% to a peak of 2.5%, currently 2.2% for 5 year shorter term loans and from 4.0% to 4.6%, currently 4.5% for longer term loans of 50 years. From late 2012 the PWLB has reduced borrowing rates by 0.2% below the standard rates above for qualifying authorities, including the City Council. This “certainty rate” initiative provides a small, but welcome reduction in the cost of future borrowing. This trend is set to be extended with the planned introduction of a “project rate” which will enable authorities, working with their Local Enterprise Partnership (LEP), to access PWLB borrowing at 0.4% below the standard rate.

Regular monitoring continues for opportunities to reschedule debt by early repayment of more expensive existing loans with less expensive new replacement loans, the current premiums payable on early redemption currently outweigh any potential savings.

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 3, no temporary borrowing was undertaken, while the total volume of temporary investments was £217m, at an average rate of 0.46%. 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 as well as with the Government through the Debt Management Office (DMO).

Investments made between April and June were for periods ranging from 1 day up to 12 months with an average of 71 days. The total of these investments is analysed by type of institution: -

	£m
Banks and Building Societies	119
Money Market Funds	40
Certificates of Deposits	12
Government Debt Management Office	-
Local Authorities	46
Total	217

External Investments

In addition to the above in house investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. The intrinsic Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. However, they are designed to be held for longer durations allowing any short term fluctuations in return to be smoothed out.

As at 30 June 2013 the Pooled funds were valued at £23.235m made up as follows.

	No of Share Units	Cost £m	Valuation £m
Investec Liquidity Fund	900,000	0.9	0.907
Investec Short Dated Bond	465,041	6.3	6.352
Investec Target Return	1,446,248	1.8	1.862
Payden Sterling Reserve	870,203	9.0	9.109
Federated Prime Rate Cash Plus	4,958,842	5.0	5.005
Total		23.0	23.235

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.

The indicators, together with the relevant figures as at 30th June 2013 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2013/14. Specific points to note on the ratios are:

- The ratio of financing costs to net revenue stream (indicator 1) is 12.75% compared to 13.15% within the Treasury Management Strategy, due to lower levels of Prudential Borrowing resourced capital spend in 2012/13;
- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. The Period 3 value is -£28.4m (minus) compared to +£80.8m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

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 Executive Director, Resources

5.1 Revenue

The current forecast for 2013/14 is a projected overspend of £4m.

The financial position facing the Council remains very challenging for 2013/14 with continued implementation of the cuts in formula and specific grants. In parallel with this the Council remains committed to the implementation locally of a number of very significant ABC service reviews that are aimed at achieving large savings. Whilst it is important to reiterate that the 2013/14 budget is a robust one this report reflects that there are some areas with challenging budget pressures that need to be addressed.

In particular it is clear that problems remain in delivering the changes required to achieve savings through the CLYP FSR, compounded by further funding changes in the Education & schools sector. In addition, Community Services is in the early stages of delivering the very large savings required in its FSR whilst at the same time managing the fall-out of several one-off sources of funding received in previous years. These financial issues together with smaller ones across other directorates have created the initial projected over-spend reported here.

Officer action over the next quarter will continue to focus on delivery of FSR savings as a fundamental piece of business as usual. In addition it is expected that all other areas of budgetary overspend will be expected to explore options to move back towards budgetary balance. Finally, it is expected that hard to predict central budgets, in particular the Asset Management Revenue Account will be revisited to refine year-end projections, with the potential for the level of reported underspend to increase towards the year-end.

5.2 Capital

The capital programme shows a projected balanced position for 2013/14.

It is important to note that whilst the borrowing requirement in 2013/14 has risen to £26.8m (Budget Setting report £8.1m) the overall level of borrowing continues to be constrained within previously approved parameters with revisions as appropriate to incorporate new spending on major capital investment such as the AT7 Centre and the Friargate Building.

Of the £26.8m borrowing now forecast, £18.2m relates to spending on specific schemes approved by Cabinet. The remaining £8.6m predominantly relates to borrowing that has previously been approved but not undertaken. Cabinet will recall that at the end of 2012/13 available external grant funding was used to fund spending which had been forecast to be funded from prudential borrowing. This report incorporates the need to now call on the associated level of Prudential Borrowing approvals not utilised in 2012/13. Similarly, there will be a need to incorporate in future years as capital spending is incurred.

The Executive Director, Resources will review the overall level of prudential borrowing undertaken in 2013/14 together with other sources of funding as part of the year end process and continue to re-evaluate future capital spending profiles taking into account economic circumstances, the ability to generate capital receipts and the profile of other areas of significant investment managed by the Council.

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 strives 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 1 there is a forecasted overspend which we are actively seeking further management actions to achieve a balanced budget.

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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www.coventry.gov.uk/cmis

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:

City Services and Development Directorate

KEY VARIANCES	£m
Overspends:	
Property & Asset Management – Commercial Portfolio	0.6
Planning, Transport & Highways – Transport & Traffic Management	0.3
Property & Asset Management – Repairs & Maintenance	0.2
Streetscene & Greenspace – Domestic Waste	0.2
Streetscene & Greenspace - Streetpride	0.2
Streetscene & Greenspace – Commercial Waste	0.3
Underspends:	
Management Actions	(0.4)
Other Variations Less than 100k	(0.1)
<i>Outturn Overspend</i>	1.3

Overspends

Property & Asset Management – Commercial Portfolio

Despite continuing efforts to maintain footfall and boost economic activity through competitive rental terms, support to pop-up shops and other initiatives, the downturn in rental income and void rates continues. The strategic property FSR is intending to address the current pressure levels as part of the fundamental review.

Planning, Transport & Highways – Transportation & Traffic Management

The main pressures relate to predicted one-off costs associated with HS2 and highway related income targets.

Streetscene & Greenspace – Domestic Waste & Recycling

The pressure relates to both the cost of additional collections, and also higher cost of running the fleet.

Property & Asset Management – Repair & Maintenance

This pressure reflects a projected net trading pressure primarily due to lower than required activity levels.

Streetscene & Greenspace – Streetpride

The deficit largely reflects the requirement to maintain service continuity by use of casual operatives, together with lost business on schools/external work.

Streetscene & Greenspace – Commercial Waste

The service has a challenging income target made more difficult by the current economic situation.

Underspend

Management Action

Management actions are being taken to identify savings to offset the overall adverse position for the directorate.

Children, Learning and Young People Directorate

KEY VARIANCES	£m
Overspends:	
Children's Placements (FSR)	2.6
Legal Fees	0.3
Section 17 Payments	0.3
Fostering & Adoption	0.2
Education Service Grant	0.2
Schools Catering Service	0.2
Supported Accommodation Contracts	0.1
Premature Retirement Costs	0.1
Other overspends under £100k	0.4
Underspends:	
Provision for Clawback (Children's Centres)	(0.3)
Children & Family First Service	(0.2)
Community Based Assessment Service	(0.1)
LAC Caseholding	(0.1)
Other underspends under £100k	(1.0)
Forecast Overspend	2.7

Overspend

Children's Placements (FSR) – (Internal & External Fostering, Internal & External Residential care, including transport costs)

The £2.6m overspend is a combination of existing activity pressure and further activity pressure forecast for 13/14. LAC numbers were on average 586 in the 12/13 financial year, but at quarter 1 they have risen to 612. In addition the number of Internal Foster placements has not increased in line with expectations meaning we need to increasingly continue to use External Fostering placements, which are more expensive. We are not currently forecasting any reduction in LAC throughout the year, this will be reviewed at quarter 2, but we are forecasting a net increase in internal foster care places of 23 in line with the agreed FSR targets.

Legal Services

Costs in this area continue to be driven by high activity levels of Looked after Children.– 108 cases are expected this year against 111 last year The forecast is based on last year's outturn as the number of cases are similar, but it has reduced as significant one-off court fees were incurred in 2012/13, and this year's barrister fees are expected to be lower given the legislation introduced which will reduce court time.

Section 17 Payments

The spend fluctuates throughout the year and is reactive depending on the number of cases.

The pressure on this budget is due to increased case activity which:-

- In line with Public Law Outline, a number of expert assessments are commissioned prior to cases entering the court arena. These can cost in the region of £1,000 to £3,500 each.
- Social Care is paying a number of bonds so that families are able to access privately rented accommodation and exit out of temporary accommodation. Although reluctant to provide this support, it is more cost effective. During the year work was undertaken with Housing Services to manage the use of emergency accommodation across the council. Although in its infancy, this work has not had any significant impact on reducing the demands on this budget.
- An increasing number of families are approaching Social Care for financial assistance due to issues relating to receipt of their benefits.

These additional pressures have resulted in a forecast overspend of £0.3m

Fostering & Adoption

The pressures in this area are largely a result of using agency staff to cover vacancies. If posts can be filled permanently we will be able to reduce the agency forecast. Significant pressure in this area to deliver on increasing internal foster carers, adoption, and so on means that the service is not able to run with vacancies.

Education Services Grant (ESG)

The former academy top-slice arrangements have been replaced with ESG. Each Local Authority's former LEA functions are now funded by ESG rather than core budget. We receive £15 per pupil for all city schools, £116 per pupil for pupils in maintained schools, £495 per pupil for pupils in maintained special schools, £437 per pupil for pupils in PRUs. Adjustments are done on a real time basis. This means that as academies convert in year we lose resource. Our current estimate is that this will create an in-year pressure of £0.2m. The ongoing impact of this will be built into the MTFS from 2014/15.

Schools Catering Service

Catering service continues to recover its direct costs and contribution to corporate overheads but is not forecast to meet FSR targets for take up of school meals. However this shortfall has been partly offset by use of £81k residual School Meals Grant in 2013/14 only.

Supported Accommodation

Delays in tendering for the Supported Accommodation contract and an increase in the requirement for more expensive spot purchased supported accommodation placements due to an increase in young people reaching the age of 16/17 has resulted in an overspend. The tender for the Supported Accommodation for Young People 16-24 contract is due to commence in December 2013 and is forecast to reduce the overspend in 2013/14 and achieve budgetary savings in 2014/15.

Underspends

Provision for Clawback (Children's Centres)

Provision was made for potential grant clawback in 2012/13 in relation to Children's Centres. DFE have confirmed that they will not clawback grant funding so provision is no longer needed.

Children and Family First Service

The underspend is due to ongoing vacancies in this area. Further recruitment is planned.

Community Based Assessment Service

The underspend is the result of staff vacancies that will be recruited to in-year.

LAC Caseholding

The underspend is the result of staff vacancies that will be recruited to in-year.

Community Services Directorate

KEY VARIANCES	£m
Overspends:	
Community Purchasing	3.7
Housing: Temporary Accommodation/Homelessness	0.1
ABCS Programme	0.1
Libraries	0.1
Community Services – other overspends below £100k	0.4
Underspends:	
Neighbourhood Wardens	(0.3)
Community Safety Initiatives	(0.5)
Strategic Commissioning	(0.2)
New Homes For Old	(0.3)
Healthwatch	(0.1)
Forecast Overspend	3.0

Overspends

Adult Social Care Community Purchasing

The Adult Social Care Community Purchasing spend reflects external packages of care across all service user groups.

Continuing sustained pressure on the budget arising from high service demand with the highest areas of pressure relating to older people being supported to live at home and increasing numbers of young adults with a Learning Disability.

Housing: Housing and Advice

The rate of homelessness continues to result in an overspend on temporary accommodation and associated costs.

ABCS Programme

The ABCS Programme is working to manage significant reductions in resources up to 2016. This cost relates to the programme management costs which will ultimately be resourced from the savings delivered.

Libraries

This relates to a forecast shortfall in income due to loss of rental income and a general decline in the demand for other goods/services.

Underspends

Neighbourhood Wardens

Salary underspends forecast due to staff vacancies which are being held pending the outcome of the Neighbourhood Working Review.

Community Safety Initiatives

Savings arising from the reprioritisation of projects and reduced spend on Community Safety Initiatives.

Strategic Commissioning

The forecast underspend relates to salary savings and savings on a number of contracts.

New Homes for Old

This variation arises from both a reduction in cost compared to budget as well as an increase of income against budget from client care contributions.

Healthwatch

Forecast savings following the introduction of the proposed arrangements for the establishment of a local Healthwatch in Coventry.

Customer and Workforce Services Directorate

KEY VARIANCES	£m
Overspends: ICT	0.1
Underspends: HR Customer Service	(0.3) (0.1)
Forecast Underspend	(0.3)

Overspend

ICT

Overspends are mainly on running cost budgets, including a forecast overspend on Application Management, which will be closely managed throughout 2013/14 to keep the overspend to a minimum. ICT are currently assuming full achievement of income targets.

Underspends

Customer Services

The position reported by Customer Services is made up largely from underspends on Organisational Development.

HR

The underspend forecast by HR includes a large overachievement of the Reed Agency rebate income. This offsets other shortfalls in other income generated by HR and also offsets costs that are being incurred in relation to Equal Pay claims.

Finance and Legal Services

KEY VARIANCES	£m
Overspends: Management Team Revenues Benefits Procurement	0.3 0.4 0.2 0.2
Underspends : Legal Management Action	(0.1) (0.3)
Forecast Overspend / (Underspend)	0.7

Overspends

Management Team - £255k net overspend

Overspend on Running costs due to one-off Professional fees on Legal costs. Plus overspend on salaries relating to non-achievement of savings target for ABSS & supplies & services top-slice.

Revenues - £356k net overspend

Revenues are reporting an £356K overspend primarily as follows :

- On-going non achievement of Court Income £174k. Option being explored of off-setting some of the income target against over achievement of Council Tax recovery.
- Credit card charges income £43k predicted not achievable in 2013/14
- Bank Charges overspend £43k
- Salaries underspend £23k
- Council Tax Annual Billing charges £55k
- Cost of Court Fees £32k
- Advance Cheque fees no longer being charged £7k as part of CEC charges

Housing Benefits - £215k net overspend

Housing Benefit Administration is reporting a £547K underspend broken down as follows:

- Salaries inc agency spend & non-achievement of Management of Vacancies & Single Status £298k
- Admin grant reduction £288k
- Welfare Reform Grants received as a one-off £368k

Procurement (inc. Accounts Payable) – £178k net overspend

Salary overspend £15k offset by running costs underspend £5k. Shortfall on income £168k due to loss of rebates due to changes in expenditure patterns/recharges.

Underspends

Legal Services - £58k net underspend

Salary overspend £99k & running costs underspend of £30k. Plus over-achievement of income £127k from Registry office, Land & Record charges, Court awards, Schools income & general fees.

Management Actions

- Address directorate savings for ABSS & supplies & services top-slice £114k
- Credit card charges to be addressed corporately £43k
- Savings to offset Armchair Audit £24k
- Welfare Reform initiative £100k draw down reserves

Contingency & Central Budgets

KEY VARIANCES	£m
Overspends:	
Demand Management Savings	0.5
Other Service Areas (less than £0.1m)	0.1
Underspends:	
Asset Management Revenue Account	(1.9)
Energy	(0.4)
Pay & Inflation Contingencies	(1.5)
Policy Contingency	(0.2)
Forecast Underspend	(3.4)

Overspends

Demand Management Saving

No clear actions have been identified to deliver this saving at this stage.

Underspends

Asset Management Revenue Account

The final 2012/13 outturn position for the Asset Management Revenue Account (AMRA) showed an underspend of £2.5m, reflecting a continuation of lower interest and debt repayment profiles and delays in incurring prudential borrowing within the Capital Programme. Much of this underspend has an on-going dimension to it and is therefore likely to re-occur in 2013/14. Therefore, the AMRA is reflecting a significant projected underspend at quarter 1. This may be compounded by further capital spend rescheduling reported at 2013/14 outturn and the position could therefore improve towards the end of the year. Much of the under-spend may crystallise into an on-going saving which will be able to be applied to the 2014/15 Budget Setting process.

Energy

During 2013/14 budget setting a provision was made to cover the anticipated increases in energy costs. However, revised predictions are that this will not all be needed, leading to a £0.4m underspend.

Pay & Inflation Contingencies

The current expectation is that the budget for contingencies to cover pay, inflation and superannuation related costs will be underspent by £1.5m

Policy Contingency

No further plans to spend Policy Contingency resources.

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
CHILDREN LEARNING & YOUNG PEOPLE		
Basic Need	Realignment of budget consistent with actual Department For Education (DfE) capital allocations.	0.4
SUB-TOTAL – Children, Learning & Young People		0.4
CITY SERVICES & DEVELOPMENT		
AT7 Centre	Improving the quality of sports facilities in the north east of the city including a new 25 metre swimming pool (Cabinet 5th March 2013).	5.5
A4600 Congestion Relief Scheme	Department for Transport grant funding for an access improvement scheme to reduce congestion, support new bus services and provide new facilities for pedestrians and cyclists on the A4600 and routes accessing the University Hospital in Walsgrave (Cabinet 13 th August 2013).	0.4
Far Gosford Street	Realignment of budget consistent with resources available and spending plans across the various strands of the Far Gosford Street package of schemes.	(0.5)
Banner Lane - S106 funding	Realignment of budget consistent with more precise estimates of the value of the actual schemes to be delivered in this financial year.	(0.2)
Hinckley Road Cycle Scheme	Grant funding has been earmarked as a contribution to Cycle works that will take place as part of the Local Pinch Point Scheme in Walsgrave.	0.2
International Transport Museum	Investment to restore the 12th Century Old Grammar School and to create new exhibition and event space and to create a new entrance for the Museum. This scheme will incorporate demolition of properties adjacent to the Museum in Hales Street owned by the City Council and is funded from £3.1m European Regional Development Fund (ERDF) monies. (Cabinet 16th April 2013).	0.3
Kickstart – Friargate Building	Development of a new office based district at Friargate. Year 1 project delivery costs funded from the City Deals package (Cabinet 16th June 2013).	0.2
Parking Meters	Extending the introduction of pay-on-street parking to other areas of the city that are within walking distance of the city centre. (Cabinet 23rd April 2013).	0.1
Property Repairs	Following the Strategic Property Review, the Property Repairs programme will be managed within a level of corporate funding reduced from £2.75m to £2.25m.	(0.5)

Public Realm Phase 2	Phase 2 city centre public realm works. (Update Report - Cabinet 9th July 2013).	2.3
Regional Growth Fund	The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) has been successful in securing significant public funding for economic growth and development within the sub-region. (Cabinet 12th February 2013). This programme addition reflects 2013/14 spending projections on the Friargate Bridge Deck, Whitley Interchange and the M40 Junction.	2.3
Vehicle & Plant Replacement	Budget realignment consistent with condition assessment and service reviews.	0.2
SUB-TOTAL – City Services & Development		10.3

COMMUNITY SERVICES		
Tackling Fuel Poverty	Department of Energy & Climate Change grant funding to tackle fuel poverty in Coventry (Cabinet 14th April 2013).	0.8
SUB-TOTAL – Community Services		0.8

CUSTOMER & WORKFORCE SERVICES		
Strategic ICT	Reclassified as revenue expenditure within existing budget approval.	(0.2)
SUB-TOTAL – Customer & Workforce Services		(0.2)

TOTAL PROGRAMME CHANGES		11.3
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Capital Programme: Period 3 Estimated Outturn 2013/14

The table below presents the revised estimated outturn for 2013/14.

DIRECTORATE	FEB 2013 DIRECTORATE PROGRAMME £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 13-14 £M
Children, Learning & Young People	21.0	0.4	0	(0.4)	21.0
City Services & Development	43.7	10.3	(0.1)	(7.1)	46.8
Community Services	2.7	0.8	0	0	3.5
Customer & Workforce Services	4.8	(0.2)	0	2.0	6.6
TOTAL	72.2	11.3	(0.1)	(5.5)	77.9

* The "Feb 2013 Directorate Programme" figure presented in the above table reflects the capital programme as presented in the February Budget Setting report, revised to take into account the net impact of rescheduling expenditure between 2012/13 and 2013/14.

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
CHILDREN LEARNING & YOUNG PEOPLE		
Schools Condition	Resources have now been earmarked for delivery of condition and basic need schemes in 2014/15	(0.4)
SUB-TOTAL – Children, Learning & Young People		(0.4)
CITY SERVICES & DEVELOPMENT		
NUCKLE (Coventry to Nuneaton railway upgrade scheme)	The overall NUCKLE programme is not slipping beyond the original end date. However the preferred procurement route will result in construction works taking place in 2014/15. The reduction in the 13/14 programme is to reflect the reprofiling of the budget to match the construction phase.	(4.7)
Canley Regeneration	Prior Deram Park works will take place over 3 financial years with the majority of the spend now expected to be incurred in 2014/15	(0.2)
Coventry & Warks Enterprise & Business Growth Package	Revised to reflect the agreed change request with Dept for Communities & Local Government in June 2013. The programme is experiencing some slippage as grants are offered to businesses and time is needed to spend and claim the ERDF grant monies.	(0.3)
Play Areas	Due to delays in the procurement process.	(0.7)
Vehicle & Plant Replacement	Some vehicles have been assessed, and can run on for a further year, providing a financial benefit to the authority and the acquisition of three refuse vehicles has been deferred due to a staggered replacement program.	(1.1)
Miscellaneous	Net Rescheduling	(0.1)
SUB-TOTAL – City Services & Development		(7.1)
CUSTOMER & WORKFORCE SERVICES		
Strategic ICT	Comprises accelerated spending across a number of projects including Customer Connect and Network Modernisation.	2.0
SUB-TOTAL – Customer & Workforce Services		2.0
TOTAL RESCHEDULING		(5.5)

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30 th June 2013
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).	13.15%	12.75%
Gross 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 £451.1m	£358.8m Gross 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.	£464.7m	£358.8m 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.	£420.7m	£358.8m 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.	£403.8	£206.9m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£80.8m	-£28.4m
Maturity Structure Limits (Indicator 11) , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 15% 0% to 20% 0% to 20% 0% to 30% 40% to 100%	12% 13% 0% 5% 70%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£15m	£0