Coventry City Council

Public report
Cabinet Report

Cabinet	10th December 2013
Audit and Procurement Committee	6th January 2014

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 Second Quarter Revenue and Capital Monitoring and Treasury Management Report (to September 2013)

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 in the second quarter of 2013/14.

The current forecast for 2013/14 is a revenue overspend of £1.5m subject to approval of the reserve contribution outlined in recommendation 1 below. This compares to a forecast of £4m at the first quarter. The reported overspend at the same point in 2012/13 was £1.3m. The report outlines the actions planned to bring the 2013/14 position into balance.

The Capital spending forecast as at the second quarter is projected to be £82m. This represents a net increase of £4.1m compared to the £77.9m reported at the first quarter. This increase in the capital programme comprises £3.6m rescheduling of expenditure into 2014/15, £7.8m new spending approvals, 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. Approve a reserve contribution of £0.8m to fund one-off expenditure relating to temporary additional staffing within Children's Social Care within the People Directorate.

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

3. Approve the revised capital estimated outturn position for the year of £82m incorporating:
(i) £7.8m increase in spending relating to approved/technical changes, (see Appendix 2),
(ii) £3.6m net rescheduling of expenditure into 2014/15, (see Appendix 4).
(iii) £0.1m net underspending on the programme.

Audit and Procurement Committee is recommended to:

4. Note the contents of the report.

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Approved Budget/Technical Changes
Appendix 3	Capital Programme: Period 6 Estimated Outturn 2013/14
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Background Papers
None

Other useful documents:
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 6th January 2014

Will this report go to Council?
No

Report Title:
2013/14 Second Quarter Revenue and Capital Monitoring and Treasury Management Report (to September 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 second quarterly monitoring report for 2013/14.

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

1.3 The current forecast for 2013/14 is a revenue overspend of £1.5m. This compares to a forecast of £4m in at the first quarter. The reported overspend at the same point in 2012/13 was £1.3m. The report outlines the actions planned to bring the 2013/14 position into balance.

1.4 The headline reasons for the movement since quarter 1 are a £1.2m improvement in the forecast for the Asset Management Revenue Account within Contingency and Central Budgets and improved forecasts across a range of areas within the People Directorate amounting to £0.9m. However, the overall bottom line reflects additional time-limited support for one-off Children's Social Care costs within the People Directorate amounting to £0.8m. This report is recommending a proposed £0.8m contribution to fund these costs funded from the Council's reserve set aside to pay for Early Retirement/Voluntary Redundancy related expenditure.

1.5 Capital spend is projected to be £82m, an increase of £4.1m since the Quarter 1 report in September. This is due in large part to new member approvals / technical changes that have arisen since September 2013 offset by expenditure rescheduled into 2014/15. This spend will all be met by resources identified previously.

2. Options considered and recommended proposal

2.1 Revenue Forecast

The Quarter 2 revenue budget monitoring exercise has identified an overall overspend of £1.5m. 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	4.3	4.3	0.0
People	163.2	168.8	5.6
Place	28.9	30.0	1.1
Resources	12.6	12.8	0.2
	209.0	**215.9**	**6.9**
Contingency & Central Budgets	59.4	54.0	(5.4)
Total	**268.4**	**269.9**	**1.5**

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 Directorate actions or Corporate strategy 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.

People - Overspend £5.6m

The two most significant pressures across the Directorate continue to be Children's Social care and Community Purchasing within Adult Social Care. Increasing demand or activity levels at the same time as a decrease in funding is creating significant budgetary pressure across both these areas within the People Directorate.

The programme of change from the CLYP FSR has now been implemented including a restructured and refocused Early Intervention Service and restructured Family Placement Service, but the activity reduction identified will not be achieved in the short-term at least. This will result in the savings targets identified not being delivered, as the numbers of LAC and Child protection cases are much higher than when the assumptions were made at the commencement of the FSR and the increase in in-house fostering and adoption places has not been achieved. To reduce caseloads, additional staff are being recruited within Children's Social Care on a time limited basis, which increases the overspend by a further £0.8m. This is incorporated into the total over-spend figure shown above but it is proposed will be matched with a £0.8m contribution from corporate reserves referenced in Recommendation 1 and the Section in Contingency and Central Budgets below.

Contingency & Central Budgets – Underspend £5.4m

The Asset Management Revenue Account reflects a significant underspend of £3.1m. This reflects an improvement of £1.2m compared with period 3 and is 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 and Inflation Contingencies (£1.6m) alongside the recommended contribution from reserves of £0.8m.

Place - Overspend £1.1m

At quarter 2 the underlying Directorate position is a deficit of £1.5m. Management action is in progress which together with some largely one-off underspends, reduces the overall net forecast outturn to **£1.1m deficit.** The largest part of the over-spend relates to on-going rent and rates void costs of £0.6m within the commercial portfolio caused by the difficult economic climate and additional cost of £0.4m within refuse collection. The remaining pressures relate primarily to a shortfall of income against targets for commercial waste, car parking & parking enforcement.

Resources – Overspend £0.2m

The combined Resources Directorate position is a net overspend of £0.2m. The largest budget overspend is £0.6m in the ICT service, which is a combination of temporary employee costs (covering difficult to recruit to vacant posts), one off pressures in contractual costs and a lower than expected income projection. These will be the subject of a more detailed financial review of the ICT service during the next quarter. Further options to reduce the overall Directorate overspend will be explored prior to the next reporting period.

2.3 Capital Position 2013/14

Table 2 below updates the budget to take account of £7.8m new approved/technical changes that have arisen since Quarter 1, £3.6m net expenditure rescheduled into 2014/15 and a small underspend of £0.1m. This gives a revised projected level of expenditure for 2013/14 of £82m**.** Appendix 3 provides an analysis by directorate of the movement since Quarter 1.

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 (42%), whilst 37% is funded from borrowing. The latest projections of capital receipts, arising predominantly from the sale of our assets, show £7.4m 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
Estimated Outturn Period 3	**77.9**
Budget/Technical Changes (see Appendix 2) "Net" Underspending "Net" Rescheduling into future years (see Appendix 4)	7.8 (0.1) (3.6)
Revised Estimated Outturn 2013/14	**82.0**
Resources Available: Unsupported (Prudential) Borrowing Grants and Contributions Capital Receipts Revenue Contributions Leasing	 30.4 34.8 7.4 9.0 0.4
Total Resources Available	**82.0**

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 very near future to move from the current Bank Rate.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2013/14 capital programme is £17.3m, taking into account borrowing set out in Section 2.3 above (total £30.4m), 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 although it is anticipated that some temporary borrowing at least will be required before the year-end. 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 2013/14 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

PWLB Loan Duration	Minimum 2013/14 to P6	Maximum 2013/14 to P6	As at the End of P6
5 year	1.70%	2.80%	2.52%
50 year	4.04%	4.71%	4.53%

The PWLB now 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, 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 to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans with less expensive new replacement loans. However, 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 6, no temporary borrowing was undertaken, whilst short term investments were made at an average interest rate of 0.53%. 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).

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 snap-shot at each of the reporting stages were: -

	As at 30th June 2013 £m	As at 30th Sept 2013 £m
Banks and Building Societies	53.8	54.7
Money Market Funds	19.8	7.4
Government Debt Management Office	0	0
Local Authorities	28.0	13.0
Total	**101.6**	**75.1**

External Investments

In addition to the above 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. In order to manage risk these investments are spread across a number of funds.

As at 30 September 2013 the pooled funds were valued at £23.3m (£23.2m as at 30th June 2013).

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 September 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 12.66% 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 6 value is -£11.0m (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 £1.5m.

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 Social Care and Early Intervention FSR, compounded by further funding changes in the Education & schools sector. In addition, the People Directorate is in the early stages of delivering the very large savings required in its A Bolder Community Services 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 continues 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 (AMRA) will be revisited regularly to refine year-end projections. The position at quarter 2 indicates that the AMRA position will improve by c£1.2m compared with the quarter 1 forecast, with further potential for the level of reported underspend to increase towards the year-end.

The recommended £0.8m reserve contribution will be funded by resources set aside to pay for Early Retirement/Voluntary Redundancy related expenditure. The ER/VR reserve stood at £6.3m at the end of 2012/13.

The Council has not yet called upon the £4m Business Rates contingency established to protect against unforeseen fluctuations caused by the part localisation of Business Rates. It is anticipated that close monitoring of this area will allow robust analysis of trends by the next reporting period to establish how much if any of this contingency will be unspent by year-end or set aside to protect against loss in future years.

5.2 Capital

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

The overall level of prudential borrowing required in 2013/14 has increased by £3.6m (£26.8m at quarter 1). Of the £30.4m total borrowing now forecast, £24.5m relates to spending on specific schemes approved by Cabinet. This figure has increased by £6.6m since Quarter 1 as a result of the Coombe Abbey Park Hotel refinancing arrangement approved in September. The remaining £5.9m 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.

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 2 there is a forecasted overspend. The Council is actively seeking further management actions to achieve a balanced budget by year-end.

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.

Chief Executives Directorate

KEY VARIANCES	£m
Overspends: Chief Exec's Overheads	0.1
Underspends: Corporate Policy and Research	(0.1)
Outturn Overspend	0.0

Overspend:
Directorate Management of Vacancy & Single Status targets

Underspends:
Salary underspends due to Maternity leave & vacant posts during the year

There is a working assumption that the ring-fenced Public Health Grant will be fully utilised within the year or carried forward as an earmarked reserve.

People Directorate

KEY VARIANCES	£m
Overspends:	
Community Purchasing	3.4
Childrens Placements	2.7
Additional Staffing Costs	0.8
Legal Fees	0.4
Supported Accommodation	0.4
Neighbourhood Social Work Teams	0.3
Fostering & Adoption	0.2
Education Service Grant (ESG)	0.2
Schools Catering Service	0.2
Looked after Children (Neighbourhoods)	0.1
Section 17 Payments	0.1
Housing: Temporary Accommodation/Homelessness	0.1
ABCS Programme	0.1
Underspends:	
Community Safety Initiatives	(0.5)
Neighbourhood Wardens	(0.3)
Public Safety	(0.3)
Strategic Commissioning	(0.3)
New Homes for Old	(0.3)
Provision for Clawback (Children's Centres)	(0.3)
Early Years – Nurseries	(0.2)
Healthwatch	(0.1)
Education Psychologists	(0.1)
Children & Family First Service	(0.1)
Net Other Underspends	(0.9)
Forecast Overspend	5.6

Overspends

Adult Social Care Community Purchasing

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

Continuing pressures on the budget are due to 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.

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

The £2.7m 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 2 they have risen to 617. This is due to the impact of the recent serious case review as well as identification of additional need by the Children & Family First service. The forecast takes account of a significant increase in September, reflected for the remainder of the year. In addition the number of Internal Foster placements has not increased in line with expectations leading to an increase in expensive External Fostering placements. One element of this is a number of existing foster care places being lost as a result of foster carer leavers, and foster carers converting to Special Guardianship orders.

Additional Staffing Costs

Due to significantly higher social work caseload levels, there is insufficient capacity to deliver Children's Social Care. An additional 2 team managers, 18 social workers, and 6 independent reviewing officers are being recruited, on a temporary basis, to bring caseloads down to a sustainable level allowing a full review of workload capacity. There are also additional 1 off costs in relation to recruitment activity, safeguarding board and audit. These costs are all to be funded from reserves in line with recommendation 1.

Legal Fees

Costs in this area continue to be driven by high activity levels of Looked after Children – 104 cases are expected this year against 111 last year. The forecast is based on last year's outturn reflecting reductions in one off costs and changes in legislation.

Supported Accommodation

Supported accommodation spend is increasing due to a delay in the tender process that impacts on cost as well as increased activity as a result of more 16/17 year olds transferring from LAC placements as overall numbers increase and children are transferred into more age appropriate placements.

Neighbourhood Social Work Teams

The pressures in this area are the result of using agency staff to cover vacancies arising from staff turnover, maternity and sickness cover.

Fostering & Adoption

The pressures in this area are the result of using more expensive agency staff to cover vacancies due to difficulties in recruiting.

Education Services Grant (ESG)

The former academy topslice funding arrangements are now being resourced through ESG. With funding based on pupil numbers, as more schools convert to academies this reduces local authority resources to pay for former LEA functions. The impact on resources of academy conversions in year is expected to be £0.2m.

Schools Catering Service

The service continues to recover its direct costs and contribution to corporate overheads but is not forecast to meet FSR targets for school meal take up. This is due to parents choosing alternative options for their children's meals. This shortfall has been partly offset by use of £81k residual School Meals Grant in 2013/14 only.

LAC Costs (Neighbourhoods)

This pressure relates to costs incurred providing additional support to Looked After Children (LAC) including clothing, procuring official documents, home support and child care \ nursery costs.

Section 17 Payments
The current overspend relates to two areas of social work activity. Social Care is paying a number of bonds to enable families to access privately rented accommodation and exit out of temporary accommodation, or where families are homeless. Work undertaken with Housing colleagues has not yet had any significant impact on reducing the demands on this budget. There is also an increasing number of families who are approaching Social Care for financial assistance, due to issues relating to receipt of their benefits.

This remains as one of the main priorities of the People Directorate to drive down costs and further work to pilot a single point of access for this funding is underway; with a view to reducing budgetary overspend as well as taking into account the impact of housing benefit changes.

Housing: Temporary Accommodation/Homelessness
The rate of homelessness continues to contribute to an overspend in this area.

A Bolder Community Services 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.

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

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

Public Safety
The underspend is due to vacancies in this area and improved income.

Strategic Commissioning
The underspend is due to vacancies in this area and savings on a number of contracts within Adult Social Care.

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.

Provision for Claw back (Children's Centres)
Provision was made for potential grant claw back in 12/13 in relation to Children's Centres. DFE have confirmed that they will not claw back grant funding so provision is no longer needed.

Early Years - Nurseries
The underspend is due to on-going vacancies in this area and additional income received.

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

Education Psychologists
The underspend is due to vacancies in this area and underspends on supplies and services.

Children and Family First Service
The underspend is due to on-going vacancies in this area. This is a key part of the Early Intervention and Prevention Service, and further recruitment is planned.

Place Directorate

KEY VARIANCES	£m
Overspends:	
Property & Asset Management – Commercial Portfolio	0.6
Planning, Transport & Highways – Transport &Traffic Mgmt	0.3
Planning, Transport & Highways – Car Parking	0.1
Streetscene & Greenspace – Commercial Waste	0.1
Streetscene & Greenspace – Domestic Waste & Recycling	0.4
Other Variations Less Than £100k	0.3
Underspends:	
Streetscene & Greenspace – Sustainability	(0.2)
Streetscene & Greenspace – Fleet Management	(0.1)
Property & Asset Management – Corporate Property	(0.2)
Management Actions.	(0.2)
Outturn Overspend	1.1

Overspends:

Property & Asset Management – Commercial Portfolio
Efforts continue to maintain footfall and boost economic activity through competitive rental terms, support to pop-up shops and other initiatives. Letting performance is therefore relatively good, although the downturn in rental income received, together with some inevitable void rate pressures, means historic financial performance can still not currently be achieved. Subject to the realisation of sufficient savings, the strategic property FSR is intending to re-align the current budgets as part of the fundamental review.

Planning, Transport & Highways – Transportation & Traffic Management
The main pressures relate to predicted under achievement of traffic management income targets associated with parking enforcement and street-work permits.

Planning, Transport & Highways – Car Parking
Despite on-street parking generating expected levels of income, off street car parking is slightly down on 12/13, despite having re-aligned income targets. Part of the expected deficit however is one off.

Streetscene & Greenspace – Domestic Waste & Recycling
The pressure relates primarily to avoidable damage costs incurred in relation to the fleet, together with the projected cost of additional collections.

Streetscene & Greenspace – Commercial Waste
The service has a challenging income target made more difficult by the current economic situation. Management actions are being used to reduce the deficit.

Underspends:

Streetscene & Greenspace – Sustainability
This reflects a one-off 'holiday' for Carbon Reduction Commitment (CRC) credits in relation to Street Lighting energy carbon consumption

Streetscene & Greenspace – Fleet Management
The underspend reflects one off income in relation to miscellaneous vehicle sales, training and insurance claims

Property & Asset Management – Corporate Property
This largely reflects the earlier than expected delivery of some savings towards the Strategic Property FSR, targets which increase significantly in 14/15 and 15/16.

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

Resources Directorate

KEY VARIANCES	£m
Overspends:	
Revenues and Benefits	0.2
ICT	0.6
Procurement Services	0.2
Underspends :	
Major Projects and Transformation	(0.3)
Human Resources	(0.4)
Customer Services	(0.1)
Forecast Overspend / (Underspend)	**0.2**

Overspends:

Revenues and Benefits
Increased billing and banking charges in addition to reduced income from Court fees and credit card charges have put financial pressure on Revenues. Housing Benefits have seen their Administration Grant reduced by £288k in 2013/14 which is compounded by additional salary and agency costs. (This has been partly mitigated by the Welfare Reform Grant and earmarked reserve).

ICT
Overspends are as a result of a combination of temporary employee costs (covering difficult to recruit to vacant posts), one off pressures in contractual costs and a lower than expected income projection.

Procurement Services
The rebate income from contracts is reducing which is affecting the ability to meet the challenging income targets.

Underspends:

Major Projects and Transformation
One off underspends from salaries (due to vacancies) and external support were expected pending the transfer of Transformation Team into the Resources Directorate.

Human Resources
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.

Customer Services
The position reported by Customer Services is made up largely from underspends on Organisational Development and an over achievement of vacancy targets. This has been offset by overspends on Post and Fastprint.

Contingency & Central Budgets

KEY VARIANCES	£m
Overspends:	
Demand Management Savings	0.5
Other Service Areas (less than £0.1m)	0.2
Underspends:	
Asset Management Revenue Account	(3.1)
Contribution from Reserves	(0.8)
Energy	(0.4)
Pay & Inflation Contingencies	(1.6)
Policy Contingency	(0.2)
Forecast Underspend	**(5.4)**

Overspends:

Demand Management Saving
No clear actions have been identified to deliver this saving.

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 2, much of which represents 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 in this financial year, leading to a £0.4m underspend.

Pay & Inflation Contingencies
This budget is set aside to meet any undetermined pay awards or contract inflation that have not been agreed at the start of the year, increases in superannuation contributions, in particular in relation to past service and any other extra-ordinary unplanned costs of a corporate nature. The expectation is that the budget will be underspent by £1.6m.

Policy Contingency
No further plans to spend Policy Contingency resources.

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE		
Living Well With Dementia	Department of Health grant funding to help people with dementia to live as independently as possible.	0.4
Miscellaneous	Net programme reduction.	(0.1)
SUB-TOTAL – People		**0.3**
PLACE		
Strategic Enabling Works	To support the Regenerating Coventry Programme and to reduce the impact on traffic, key enabling works will be implemented prior to major construction works across the city (grant funding - Cabinet 13th August 2013).	0.9
Miscellaneous	Net programme reduction.	(0.1)
SUB-TOTAL – Place		**0.8**
RESOURCES		
Coombe Abbey Park Hotel	On the 10th September Council approved a refinancing arrangement in the form of a 15 year loan to Coombe Abbey Park Limited.	6.6
Miscellaneous	Net programme addition	0.1
SUB-TOTAL – Resources		**6.7**
TOTAL PROGRAMME CHANGES		**7.8**

Appendix 3

Capital Programme: Period 6 Estimated Outturn 2013/14

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

DIRECTORATE	ESTIMATED OUTTURN PERIOD 3 £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 13-14 £M
People	24.5	0.3	0	(0.7)	24.1
Place	46.8	0.8	(0.1)	(2.9)	44.6
Resources	6.6	6.7	0	0	13.3
TOTAL	**77.9**	**7.8**	**(0.1)**	**(3.6)**	**82.0**

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE		
Basic Need	Due to the re-phasing of construction works on the Primary School Expansion programme.	(0.7)
SUB-TOTAL – People		**(0.7)**
PLACE		
Friargate Bridgedeck	The projected spend in 2013/14 has increased significantly. A contractor is now on board and spending is being incurred earlier than expected.	2.4
Public Realm Phase 2	Works have been delayed pending the outcome of an ERDF extension funding bid.	(2.1)
NUCKLE (Coventry to Nuneaton railway upgrade scheme)	As a result of tender prices received, the project may now be faced with a reduced and revised programme of works. Work is continuing with partners to develop operating costs, finalise level of train service and agree a risk share proportion to enable scheme packaging that enables maximised impact of higher priority spend areas.	(1.6)
Whitley Junction	Due to planning and legal issues the procurement of design services and contractor has been delayed pending decisions by the LEP. To minimise potential abortive costs, only essential spending has been committed.	(0.7)
Vehicle & Plant Replacement	Rescheduling of vehicle requirements resulting from the ongoing assessment of business need and vehicle condition.	(0.3)
Banner Lane (Section 106 Funding)	Due to the volume of schemes the Council is currently committed to delivering there will be a delay to the on-site construction for the signal and cycle improvement schemes identified for the Bannerbrook Park development. It has been decided to focus on preparing the design and cost estimate work for the schemes and not to commit to on-site construction this financial year.	(0.3)
A4600 Congestion Relief Scheme	Changes to the procurement route have delayed this scheme. Only design and construction works at Norton Hill Drive will be undertaken in 2013-14.	(0.2)
Miscellaneous	Net Rescheduling	(0.1)
SUB-TOTAL – Place		**(2.9)**
TOTAL RESCHEDULING		**(3.6)**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th September 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%	12.66%
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	£352.7m 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	£352.7m 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	£352.7m 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	£210.9m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£80.8m	-£11.0m
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