Coventry City Council

Public report
Cabinet Report

Cabinet	4th November 2014
Audit and Procurement Committee	1st December 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:
2014/15 Second Quarter Financial Monitoring Report (to September 2014)

Is this a key decision?
Yes – Council is being asked to approve new capital expenditure of £2m

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2014. The headline revenue forecast for 2014/15 is an underspend of £0.4m.

The report incorporates three further issues that require approval by Cabinet, the first two of which also require Council approval.

- A change to the Council's Treasury Management Strategy and Investment Policy involving the lowering of minimum credit rating criteria permitted by the Council for its investment counterparties to ensure continued inclusion of mainstream banks on the lending list (section 2.4).
- The incurring of additional costs of £2m for a revised and enhanced scheme to construct the new Customer Service Centre as a change to the Capital Programme. This is a key part of the Council's wider customer transformation and property rationalisation plans which will secure existing £0.5m p.a. savings targets and further savings of £5m p.a. associated with the Kickstart and Customer Journey programme that will be set out within the forthcoming Pre-Budget Report (section 5.3).
- A revision to the Council's multi storey car park lease to City College Coventry to defer the payment of rent by the college for 3 years resulting in a cash-flow impact on the Council of £210,000 p.a. for three years, recovered in the period after this (section 5.4).

The overall £0.4m revenue underspend incorporates significant areas of overspend within the People Directorate, balanced largely by underspends within the Asset Management Revenue Account. At the same point in 2013/14 there was a reported overspend of £1.5m. Given previous budgetary control trends and management expectations of continued robust control of expenditure it is anticipated that the Council will be underspent at year-end and will be available to commit to corporate expenditure priorities. Subject to Council approval, the first call on this will be the Customer Service Centre scheme referred to above.

People Directorate overspends resulting from high numbers of looked after children and increasing numbers of referrals into the service have occurred despite additional budgetary provision being provided previously by Council. Cabinet is reminded that this is one of the key issues that will need to be addressed in the forthcoming 2015/16 Budget Setting process.

The Capital spending forecast as at the second quarter is projected to be £148m. This represents a net decrease of £7.5m compared to the £155.5m reported at the first quarter. This decrease in the Capital Programme comprises £13.6m rescheduling of expenditure into 2015/16, £6.6m new spending approvals, and a small underspend of £0.4m. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Note the projected revenue underspend prior to any new expenditure commitment approvals.

2. Approve the revised capital estimated outturn position for the year of £148.2m incorporating: £6.6m net increase in spending relating to approved/technical changes (Appendix 2), £13.6m net rescheduling of expenditure into 2015/16, (Appendix 4) and £0.2m net underspend on schemes (Appendix 5).

3. Approve an additional £2m one off capital investment to fund a revised and enhanced scheme for the new Customer Services Centre remodelling work to floors 1 and 2 of Broadgate House to incorporate a new ground floor shop and enhanced access to meet accessibility requirements. This will be funded from any underspending on the revenue and capital programmes and if needed a contribution from reserves.

4. Approve a variation to the City College Car Park lease, by way of a £210,000 p.a. reduction in rent for up to 3 years from 2014/15, to be recovered through increased rent over a maximum of 7 years, and to delegate responsibility to the Executive Director Resources to agree the detailed terms of the variation to the lease, as outlined in section 5.4.

5. Recommend to full Council the revisions to the Treasury Management Strategy and Investment Policy as outlined in section 2.4 including the lowering of minimum credit ratings to BBB+.

6. Recommend to full Council the £2m additional cost of works required for the Council's Customer Service Centre and the associated funding proposals outlined in sections 5.3.

Audit and Procurement Committee are recommended to:

7. Consider whether there are any comments they wish to be passed to Cabinet.

Council is recommended to:

8. Approve the revisions to the Treasury Management Strategy and Investment Policy as outlined in section 2.4 including the lowering of minimum credit ratings to BBB+.

9. Approve the £2m additional cost of works required for the Council's Customer Service Centre and the associated funding proposals outlined in section 5.3.

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: Estimated Outturn 2014/15
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Capital Programme: Analysis of Over/Under Spending
Appendix 6	Prudential Indicators

Background Papers
None

Other useful documents:
Budgetary Control 2014/15 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?
Audit and Procurement Committee, 1st December 2014

Will this report go to Council?
Yes

Report Title:
2014/15 Second Quarter Financial Monitoring Report (to September 2014)

1. Context (or Background)

1.1 Cabinet approved the City Council's revenue budget of £258.5m on the 25th February 2014 and a Capital Programme of £149.3m. This is the second quarterly monitoring report for 2014/15 to the end of September 2014 (period 6) the purpose of which is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council’s treasury management activity.

1.2 The current 2014/15 revenue forecast is an underspend of £0.4m. The reported overspend at the same point in 2013/14 was £1.5m. This incorporates a People Directorate overspend which is due in large part to high numbers of looked after children and increasing numbers of referrals into the service. It is now anticipated that despite additional budgetary provision being provided for children’s social care within the 2013/14 Outturn and 2014/15 Budget Setting processes, the increase in costs indicated within this report will create further expenditure pressures in the medium term. It is important to reiterate here, the message reported at the first quarter that this is one of the key issues that will need to be addressed for 2015/16 Budget Setting.

1.3 Capital spend is projected to be £148m, a decrease of £7.5m since the Quarter 1 report. This is due in large part to new member approvals and technical changes that have arisen since Quarter 1 offset by expenditure rescheduled into 2015/16. This spend will all be met by resources identified previously.

1.4 The report incorporates three further issues that require approval by either Cabinet or Council:

- A change to the Council’s Treasury Management Strategy and Investment Policy involving the lowering of minimum credit rating criteria permitted by the Council for its investment counterparties to ensure continued inclusion of mainstream banks on the lending list (section 2.4).
- The incurring of additional costs of £2m required to fund a revised and enhanced scheme for the Customer Services Centre remodelling work to floors 1 and 2 of Broadgate House to incorporate a new ground floor shop and enhanced access to meet accessibility requirements as a change to the Capital Programme (section 5.3).
- A revision to the multi storey car park lease to City College Coventry to defer the payment of rent by the college by up to 7 years (section 5.4).

2. Options considered and recommended proposal

2.1 Revenue Forecast - The Quarter 2 revenue budget monitoring exercise has identified an overall underspend of £0.4m. Table 1 below provides details of the forecast directorate variances.

Table 1 - Forecast Variations

Directorate	Revised Budget	Forecast Spend After Action/ Use of Reserves	Net Forecast Variation
	£m	£m	£m
Chief Executives	2.0	2.0	0.0
Public Health	0.1	0.1	0.0
People	162.0	166.5	4.5
Place	27.7	28.4	0.7
Resources	13.1	12.6	(0.5)
	204.9	**209.6**	**4.7**
Contingency & Central Budgets	53.6	48.5	(5.1)
Total	**258.5**	**258.1**	**(0.4)**

The key reasons for the predicted directorate overspends are set out below. Management action will continue to focus on delivering savings, achieving income targets and controlling expenditure effectively over the remainder of the financial year.

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 £4.5m

The People Directorate is reporting a net overspend of £4.5M. The two most significant pressures across the People Directorate, continue to be Community Purchasing spend within adult social care and the continued increased high levels of activity within childrens' social care. Community Purchasing, and Looked After Children (LAC) Placements forecast a total overspend of £3.3M for the 2014/15 financial year.

A further £1.6M of pressure is as a result of costs linked to the OFSTED Action plan, largely additional social work staffing to lower caseloads as per OFSTED recommendations. The total forecast additional costs at quarter 2 are £6.7M but this is offset by additional funding from corporate reserves of £1.1M (agreed in October 2013 for additional social work staffing), and £4.0M (agreed in the 2013/14 financial outturn report for OFSTED Action Plan). This will be rigorously monitored as we move through the financial year.

Place Overspend £0.7m

Place Directorate is reporting a net £0.7m deficit which is primarily due to 2 main factors:

Firstly, the projected cost of waste disposal and collection is significantly in excess of available budget (£0.8m), the main cause being an increase in the expected level of disposal tonnages. Secondly, whilst commercial property rental yields are good in the context of the economic climate, the portfolio will not achieve rental levels budgeted for which were set prior to the downturn in the economy (£0.4m).

A handful of other variations exist which relate to achievement of income targets for Repairs & Maintenance, project management and Bereavement Services. These are being managed by underspends and management actions in other operational budgets.

Resources Underspend £0.5m

The Resources Directorate is reporting a net £0.5M underspend at quarter 2. Although there are some significant additional cost such as the legal costs relating to judicial review, and pressures within ICT, this is offset by underspends in all other divisions within the directorate.

Contingency & Central Budgets Underspend £5.1m

Actions taken at 2013/14 outturn to repay debt plus the rescheduling of capital spend has reduced the Council's planned borrowing needs and consequently reduced debt costs to help deliver a £5.4m underspend within the Asset Management Revenue Account revised upwards from £4.5m at quarter 1. This together with underspends across pay, price and energy contingency budgets provides the flexibility to set aside £3m contribution to fund redundancy and early retirement costs approved in the 5th August 2014 Cabinet reports relating to Staffing Reduction Consultation and Quarter 1 Financial Monitoring. The underlying on-going underspends within this position are being factored into 2015/16 Budget Setting plans.

2.3 Capital Position 2014/15

Table 2 below updates the budget to take account of £6.6m new approved/technical changes that have arisen since Quarter 1, £13.6m net expenditure rescheduled into 2015/16 and an underspend of £0.2m. This gives a revised projected level of expenditure for 2014/15 of £148.2m**.** 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 2014/15. It shows that over half of the capital programme is funded by external grant monies (62%), whilst (25%) is funded from borrowing. The latest projections of capital receipts, arising predominantly from the sale of our assets, show £6.3m capital receipts expected by year end against a target level of £6.2m. Overall, the capital programme and associated resourcing reflects a forecast balanced position in 2014/15.

Table 2 - Movement in the Capital Budget

CAPITAL BUDGET 2014-15 MOVEMENT	**£m**
Estimated Outturn Period 3	155.5
Approved / Technical Changes (see Appendix 2)	6.6
"Net" Underspending	(0.2)
"Net" Rescheduling into future years (see Appendix 4)	(13.6)
Revised Estimated Outturn 2014-15	148.2
RESOURCES AVAILABLE:	
Unsupported (Prudential) Borrowing	37.9
Grants and Contributions	92.4
Capital Receipts	6.3
Revenue Contributions	11.3
Leasing	0.3
Total Resources Available	**148.2**

2.4 Treasury Management Activity in 2014/15

Interest Rates
There has been a gradual improvement in growth in the UK economy up to Q2 2014. However, this growth is fragile in nature due to its reliance on the housing market. As a result of this growth the rhetoric released by the Monetary Policy Committee has indicated that interest rates may rise sooner than financial markets were expecting. Currently, there has been no change to interest rates as these increases are expected to take place next year and will rise at a slow, incremental level and they will be to a lower overall level than in the past.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2014/15 capital programme is £25.7m, taking into account borrowing set out in Section 2.3 above (total £37.9m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£12.2m). No long term borrowing has been undertaken for several years, in part due to the level of investment balances available to the authority. Any future 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 2014/15 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2014/15 to P6	Maximum 2014/15 to P6	As at the End of P6
5 year	2.68%	3.07%	2.77%
50 year	3.92%	4.48%	4.03%

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 short term borrowing was taken out.

Short term investments were made at an average interest rate of 0.55%. 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).

Treasury advice indicates that it is likely that there will soon be a move by credit rating agencies whereby they will no longer include government support in banks' credit ratings. This will mean there is a chance that institutions such as Barclays, Lloyds, Nationwide and Santander could become BBB+ rated, down from their current rating of A- or better. The BBB+ rating is below the Council's current threshold of acceptable credit ratings of A-. In line with advice from the Council's Treasury Management Advisors, in order that we have a sufficient number of counterparties to make investments with, it is proposed that the council adjusts its Treasury Management Strategy and Investment Policy to enable investments to be made with BBB+ rated institutions. BBB ratings indicate a "good credit quality". In addition, it is proposed that a total limit for such non-specified investments is set at £32m. This proposed change is reflected in recommendations 5 and 8.

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 2014 £m	As at 30th Sept 2014 £m
Banks and Building Societies	59.8	47.8
Money Market Funds	7.2	24.3
Government Debt Management Office	0	0
Local Authorities	29.0	13.0
Total	**96.0**	**85.1**

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. These pooled funds 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 30th September 2014 the pooled funds were valued at £17.4m, spread across the following funds: Payden & Rygel; Federated Prime Rate and CCLA.

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 2014 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2014/15. Specific points to note on the ratios are:

- The Ratio of Financing Costs to Net Revenue Stream (indicator 1) is 13.02% compared to 14.24% within the Treasury Management Strategy, due in the main to lower levels of Prudential Borrowing resourced capital spend in 2013/14;

- 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 -£62.5m (minus) compared to +£88.3m 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 revenue forecast for 2014/15 is a projected underspend of £0.5m.

The financial position facing the Council remains very challenging for 2014/15 with continued implementation of unprecedented cuts in formula and specific grants. In parallel with this the Council's budget incorporates very large savings targets resulting from abc service reviews. Whilst it is important to reiterate that the 2014/15 budget is a robust one, this report reflects that there are some areas with challenging budget pressures that need to be addressed.

The most challenging areas are children's social care services, which continue to face very significant service and financial challenges this year. The volume of cases and the cost of care for looked after children and for safeguarding other children and young people who cannot otherwise live safely with their families continues to represent a large service and budget pressure. Notwithstanding additional resources approved for this area within the 2013/14 financial monitoring process (£1.1m), 2013/14 Outturn Report (£4m) and 2014/15 Budget Setting Report (£3.4m), there are further pressures of £4.8m forecast within this report. It is clear that a very significant medium term expenditure pressure is emerging that will need to be addressed within the 2015/16 Budget Setting process.

We are forecasting that the Asset Management Revenue Account will continue to deliver significant savings attributable in large part to efforts to minimise the level of borrowing that the Council has required. As these crystallise they will be built into future medium term financial forecasts.

5.2 Capital

The Capital Programme shows a projected balanced position for 2014/15.

The overall level of prudential borrowing required in 2014/15 has decreased by £12.9m (£50.8m at quarter 1). Of the £37.9m total borrowing now forecast, £24.3m relates to spending on specific schemes approved by Cabinet. This figure has decreased by £5.8m since Quarter 1 as a result of delaying the purchase/lease of new vehicles and the resource switch from prudential borrowing to revenue contribution approved as part of the 2013/14 Outturn Report in relation to leisure facilities. Borrowing which has previously been approved but not undertaken has also reduced from Quarter 1 by of £7.1m

The Executive Director Resources will review the overall level of prudential borrowing undertaken in 2014/15 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 The Customer Services Centre

The Customer Services Centre (CSC) over floors 1 and 2 of Broadgate House is a key part of the Council's wider customer transformation and property rationalisation plans which will secure existing £0.5m p.a. savings targets within the abc programme and further proposed savings of £5m p.a. that will be set out as part of the forthcoming Pre-Budget Report associated with the Kickstart and Customer Journey programme which will modernise and improve the way the Council interacts with its customers. The changes will bring together into one place by September 2015 improved conferencing facilities for customers attending safeguarding and youth offending appointments, the Council's currently disparate city centre based customer facing reception points (including housing benefits, council tax, planning and social care) and the contact centre. The CSC will provide for the first time a modern and efficient city centre based environment for our customers. The remodelled building will also include a variety of self service facilities to encourage customers to interact with us in different ways, which is an important part of the Council being able to focus diminishing resources and face to face support on the most vulnerable in the City.

The original report to Members in June 2013 approved all of the changes to kickstart the Friargate business district, transform the Council and deliver savings. At that stage, the Broadgate House CSC had not been through a full feasibility study and an early capital estimate of £1m was included in the one off capital cost of £59m for the overall programme, all of which is financed and delivers ongoing revenue savings. This £1m scheme was always recognised as sub-optimal, as it did not include ground floor access to the new customer facility. Finance and budgetary risk has always been recognised on the programme, reported and actively mitigated where possible.

A full CSC feasibility study has now been completed, and a revised and much improved scheme has been developed, which recognises the importance of using this one-off opportunity to provide the best possible facilities for the Council's customers. The costs of delivering the required changes are now estimated at £3m. This has been arrived at following the appointment of the architect and cost consultants and a subsequent review of all elements of the project to reduce them to their lowest cost. There are several reasons for the revised estimate. Firstly, the level of remodelling required on the second floor of the building which is much greater than originally anticipated at business case stage when the exact layout and nature of the CSC had not been developed. Refurbishment projects are inherently more difficult to deliver and cost for compared with new build projects, given the need to work with the challenges of the existing building – in this case the cellular nature of the second floor, its access and the fact that the building has listed status. The designs have also introduced a new ground floor access from a vacant shop in the upper precinct, which will also enable lift access via the shop to the first and second floor. This will provide very significantly improved customer experience within the new CSC, and allow it to meet accessibility requirements which are essential for our customers – previously access would have been via the ramp to the first floor level. Higher than expected construction inflation has also contributed to the increase in costs.

This one off investment will be funded from any underspending in this year's revenue and capital programmes and if necessary a contribution from reserves. It will enable the Council to continue with its plans to transform the customer experience and deliver on-going revenue savings as part of the Kickstart and Customer Journey business case.

5.4 City College Car Park

In 2009, as part of the Swanswell development, the Council granted a long lease to the City College for a multi-storey car park, at a rent of £315k p.a. over 30 years. To date, the College has made 5 payments covering the period 2009/10 to 2013/14. In recent times the City College has received an "inadequate" rating from Ofsted and a notice of concern issued by the Skills Funding Agency (SFA). Following a re-inspection by the SFA the notice of concern was lifted in July 2014. However, the significant financial cost of investing in the post inspection action plan together with the underachievement of income targets have resulted in a forecast deficit of approximately £2.5m in 2013/14, before restructuring costs which will be over £1 million. A detailed Recovery Plan has been produced and the college is in discussion with its partners and stakeholders, including the City Council. As part of a package of measures under consideration within the recovery plan, the college has requested a temporary reduction in the rent payable in order to help manage the financial pressures.

Discussions with the College have been undertaken and it is proposed that the car park lease is varied to reduce the rent payable by a maximum of £210,000 p.a. over 3 years from 2014/15, with the rent being recovered over a maximum period of 7 years from 2017/18. It is further proposed that responsibility for finalising the lease variation is delegated to the Executive Director Resources in line with the above.

5.5 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 Council Plan 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 underspend. The Council will continue to ensure that strict budget management continues to the 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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Members: Cllr Gannon	Cabinet Member (Strategic Finance and Resources)		21/10/14	22/10/14

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Appendix 1

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances.

	£m	**People Directorate**
Child Protection	2.0	A combination of various pressures in children's social care ranging from: a) social work and admin staffing costs due to high levels of activity, meaning we are using agency staff and permanently recruiting additional social workers in line with the OFSTED action plan b) the implementation of the Multi-agency Safeguarding Hub and a Child Sexual Exploitation team c) legal costs driven by high activity levels (currently around 100 cases) and barrister fees, and additional staffing in line with the OFSTED action plan d) discretionary payments to prevent children from becoming looked after, largely made up of housing costs for families who are homeless or in temporary accommodation, or for families awaiting benefits or with no recourse to public funds.
Mental Health & Learning Disabilities	1.9	Mental Health Community Purchasing continues to see a forecasting increase with an overspend position of £1,013k as a result of increasing numbers of service users requiring city council funding. Packages continue to be reviewed to ensure all funding options are identified. LD Community Purchasing is overspent £954k, mainly as a result of transitions and on-going out of city placements.
Looked After Children Services	1.7	The main overspend of £1.0m is due to high looked after Children (LAC) activity - quarter 2 financials are based on 616 LAC. However, numbers and costs have decreased significantly since quarter 1 when the forecast was based on 628 LAC. The most significant variations have arisen as fostering numbers are not as expected. The target for internal fostering is 180 - actual is only 150, while the target for more expensive external fostering placements is 233 - actual is 270. Special Guardianship payments are over budget by £407k. This is due to the approved increase in allowances, and higher SGO numbers.
Catering	0.7	The Introduction of Universal infant free School Meals and the associated forecast income would have provided the income required to reduce the services corporate overhead commitment. The loss of a number of schools to other contractors has resulted in the service being unable to achieve the income target that has been set.
Strategy & Commissioning (CYLP)	0.6	Contract efficiencies & vacant post savings of (£269k) off-set by supported accommodation & 'staying put' contract pressure of £853k.
Adult Social Care Provider Services	0.6	Housing with Care & Older People Day Opportunitiess over-spend of £448k arising from salary related pressure and short-fall of income against budget. This is partly offset by an underspend of £122k within Residential Services. Mental Health & Learning Difficulty services are showing a forecast over-spend of £248k arising from salary related pressure & a short-fall of income against budget.
Safeguarding	0.3	Difficulties in recruiting to IRO and Manager vacancies has resulted in requirement to use significantly higher cost agency staff.
Strategy, Commissioning &Transformation	0.2	This overspend relates to project delivery costs to deliver the A Bolder Community Services Savings targets

Inclusion & Participation	0.2	Mainly down to the SEN transport overspend of £212k
Public Safety	0.1	Shortfall in meeting Management of Vacancy target based on existing establishment
SCTEI Strategic Management	(2.1)	This is the financial strategy deployed to balance the directorate's bottom line including contributions from reserves, and utilisation of non-ring-fenced grant funding for existing expenditure. The variance against this relates to additional contributions from reserves, and additional savings identified throughout the year.
Strategic Commissioning (Adults)	(0.7)	This underspend is the effect of staffing efficiencies and a number of contractual changes and efficiencies over and above the A Bolder Community Services **programme.**
Older People & Physical Impairment	(0.5)	OP Community Purchasing is overspent by £894k. There has been a positive impact resulting from Electronic Call Monitoring with package costs reducing, however numbers of packages have increased. Residential Home costs have increased; this is attributable to a slight increase in number of admissions. Management actions associated with the implementation of telecare and further benefits from ECM will improve the position further. Alongside this overspend is a continuing underspend within Physical Impairment Services of (£1,323k) as well as a (£78k) salary saving across the teams
Early Years, Parenting and Childcare	(0.4)	An additional £100k income has been received for 2 year olds for Access & Inclusion. Savings have been achieved through holding vacancies, pending finalisation of the service reviews for Nurseries and Children's Centres.
Business Performance (SPQ)	(0.2)	Two thirds of this underspend is attributable to a windfall underspend from budgets which relate to closed historic pension payments. This budget is no longer active, but will gradually reduce over time. The other third of the underspend relates to the holding of vacancies pending a restructure in the service.
	0.1	Other Variations Less Than £100k
	4.5	**Forecast Overspend**

	£m	**Place Directorate**
Waste and Fleet Services	0.8	This is primarily pressure on the cost of domestic waste disposal arising as a result of a combination of increased tonnages (more properties and more waste per property) and increased gate fees. As well as a reduction in clients, Commercial Waste has also seen an increase in tonnages and waste disposal costs, the majority of which cannot be passed on to customers until prices have been reviewed. There are also expected to be some salary pressures and additional fleet costs on Domestic Waste, which are being partly offset by reduced spend on Fleet & Workshops.
Streetpride & Greenspace	0.5	This overspend is due partly to income pressures, in particular Crematorium income and parking income at Coombe, together with the need to maintain service continuity for the Streetpride team
Commercial Property	0.4	Rental income forecast is greater than the previous year, however historic financial performance cannot be achieved in the current market. This, combined with associated void rate pressures (despite significant management actions) forms the basis of the overspend.
Technical Services	0.1	Projected pressure primarily due to lower than required volumes of project work in Project Delivery
Directorate and Support	(0.4)	Management action planned to offset wider directorate pressures
Property Asset Management	(0.3)	This largely reflects the delivery of some savings towards the Strategic Property FSR in advance of 15/16.
Building Sustainable Communities	(0.2)	This is primarily due to overachievement of income in relation to the establishment of a new emissions trading scheme and from an increase in fees to schools for the provision of Display Energy Certificates.
Cultural and Sport	(0.1)	Underspend is due to staff freeze pending a review
Building Control	(0.1)	The forecast over-recovery is based on the current Building Control shared service operating model. It assumes same level of income performance with a reduced number of Building Control staff.
	0.7	**Forecast Overspend**

	£m	**Resources Directorate**
Resources Mgt Team & Overheads	0.9	Salary overspend plus additional costs for judicial review
HR Support	0.4	Underachievement of Turnover Target for all HR areas
ICT operations	0.3	Procurement savings targets not being delivered due to delays and other difficulties; Mobile phone dual running; Software pressures mainly arising from inflation on systems plus some underachievement of Turnover Target.
Post and Print	0.2	This relates to corporate MFD expenditure. A greater level of control may need to be put in place to ensure adoption of Kickstart principles and so reduction in spend.
ICT Strategy & Architecture	0.1	Procurement savings targets not being delivered due to delays and other difficulties, plus some underachievement of Turnover Target.
Talent & Skills Team	(0.7)	Vacancies plus underspend on external training partly due to a period of transition both in People's Directorate and Workforce Development and better management of external training spend
HR recruitment	(0.5)	Increase in Agency Rebate due to increased use of Agency staff in People Directorate.
Financial Mgt	(0.3)	Underspend on salaries; Income Nuckle & RGF; additional income from schools; underspend on Other Local Authorities.
Benefits	(0.2)	Underspend on Community Support Grants
Customer Service Centre	(0.2)	Salary underspend - restructure in progress.
Electoral Registration	(0.1)	Funding contribution to IER has offset Electoral registration costs
ICT Mgt	(0.1)	Staff vacancies on ICT Management Team - Management Restructure in progress. Overall salaries across ICT show minimal variance.
	(0.3)	Other Variations Less Than £100k
	(0.5)	**Forecast Underspend**

	£m	**Contingency & Central Budgets**
ER/VR Contribution	3.0	Recommended contribution to set aside resources to fund future costs arising from redundancy and early retirement decisions
ABC Savings	1.0	Overspend relating principally to non-achievement of previous abc target saving relating to Demand Management. For future years this will be incorporated within overarching strategies balance the budget.
Asset Management Revenue Account	(5.4)	£4.5m within the Asset Management Revenue Account relating in large part to reduced previous capital spend and planned borrowing needs with consequent reductions in debt costs.
Pay, Price and Energy Contingencies	(3.3)	Lower than anticipated costs across contingencies. Further work is now being implemented to centralise management and control of salaries budgets that will help to maximise future savings in this area.
	(0.4)	Other Variations Less Than £100k
	(5.1)	**Forecast Underspend**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Housing Policy (Siskin Drive)	The HCA element is being taken out of the capital programme (see report managemant of council land - Cabinet on 07/10/2014)	-1.1
SUB TOTAL - People		**-1.1**

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Integrated Transport Programme	£150k from Centro for Major Scheme Develoment Coventry Station Masterplan.	0.2
South West Coventry Jnct Imp Programme	University of Warwick contribution to the works that the City Council is carrying out around the University.	6.6
Canely Crematorium - New Burial Graves	As per report taken to Cabinet Member (Public Services) 'Creating additional Burial Space at Canley Garden Cemetery adjacent to Charter Avenue' on Tuesday 29th July 2014.	0.1
Super Connectivity	Expected outcome given the substantial change in the project. DCMS has reduced the number of businesses we are due to connect from 800 to c260. Equally some of the more expensive connection mechanisms proposed by suppliers have not been deemed eligible The budget therefore overstates the likely position and has been amended to reflect the forecast	-1.5
Tackling Fuel Poverty	The contractor (Kier Services) were able to raise an additional c.£230k by exceeding carbon savings targets. This has resulted in a reduction in the grant required to fund the Scheme.	-0.2
Public Realm 3	New programme of works utilising ERDF to part fund Gosford Street, Belgrade Plaza and the Canal Basin Junction 1 public realm improvements. (see report Public Realm 3 - Cabinet on 07/10/2014)	3.0
SUB TOTAL - Place Directorate		**8.1**

RESOURCES DIRECTORATE		
Strategic ICT Projects	£450k resourced switched to revenue for the Microsoft Enterprise Licences, £44k switched to revenue for INFORM	-0.5
SUB TOTAL - Resources Directorate		**-0.5**

TOTAL PROGRAMME CHANGES	**6.5**

Capital Programme: Estimated Outturn 2014/15

The table below presents the revised estimated outturn for 2014/15.

DIRECTORATE	ESTIMATED OUTTURN PERIOD 3 £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 14-15 £M
PEOPLE	43.0	(1.1)	0.0	(4.1)	37.8
PLACE	105.2	8.1	(0.2)	(9.5)	103.6
RESOURCES	7.3	(0.5)	0.0	0.0	6.8
TOTAL	**155.5**	**6.6**	**(0.2)**	**(13.6)**	**148.2**

*The "Feb 2014 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 2013/14 and 2014/15.

Appendix 4

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need - Primary Schools Expansion Programme	Rescheduling of £3.6million into 2015/16 – funding was to support the delivery of three further primary school expansions at Mount Nod, Pearl Hyde and Keresley Grange. These have been deferred pending further review of pupil numbers/ forecasts in the respective planning areas to quantify potential implications for neighbouring schools.	-3.6
Condition	The Service currently occupies the annexe building at Whitmore Park Primary School, which is in a poor state of repair. £335k was allocated in 2014/15 to address the condition issues but this scheme has been put on hold as a result of the on-going review of educational services. Now rescheduled into 2015/16.	-0.3
Early Years	Demand led and therefore extremely difficult to forecast outturn position.	-0.2
SUB TOTAL - People		**-4.1**

PLACE DIRECTORATE		
Nuckle	The final construction contract awarded to Buckingham has a different cash flow profile than that assumed in January 2014, principally because it is based on the profile of actual construction activities for this project rather than the generic project cost s-curve that the previous estimate was based upon. Built within the cash flow includes an element of contingency for unforeseen risk and these follow the construction costs. The final construction programme is still on target for completion by May 15 so still within the original timescale.	-3.3
Growing Places Fund	The delivery partner has found that it has taken longer than anticipated to complete loan offers and draw down the cash.	-2.8
RGF3 Business Grants	Re-profiling RGF to align with when the activity is now planned to happen.	-0.6
RGF3 Friargate Bridgedeck	The Friargate bridge expenditure profile has been accelerated to reflect the latest contractor programme and cash flow. Costain are forecasting £14.93M expenditure by end of March 2015, and additional to this is professional fees, all of the programme design fees, Network Rail fees, other contractor works and enabling works.	2.3
RGF3 M40 Junction 12	Re-profiling RGF to align with when the activity is now planned to happen.	-0.4
RGF4	Re-profiling RGF to align with when the activity is now planned to happen.	-0.6

RGF2 Wave 2 Growth Hubs	Re-profiling RGF to align with when the activity is now planned to happen.	-0.5
Lythalls Lane (CIF)	The programme has slipped by at least 6 months as we found out that part of the development still had on-going leases until February 2015 which had not been declared as part of the due diligence . We have consequently revised the programme and reduced the amount of budget required as it is likely March will be the first significant claim by a contractor.	-0.1
Play Areas (NEW)	The primary reason for rescheduling is due to a decision to delay spend on sports pitch improvements pending the outcome of external funding bids to the Football Foundation, which if successful, will match the funding the Council has for this work. As the funding process and timescale is dictated by the potential funder, there are no firm dates at present when these S106 contributions will be spent, however, progress on the bids will be provided via the quarterly reporting process	-0.5
Vehicle & Plant Replacement	Delay in the purchase of 5 Cars, 5 Refuse lorries, 28 mini buses and 8 Other vehicles.	-2.7
Integrated Transport Programme	Additional costs will be incurred as a result of unplanned optioneering work that has been required to address previously unidentified land issues impacting the deliverability of the originally planned works. Also in order to ensure the deliverability of key elements of the project, some design work for new station canopies and a footbridge between station platforms previously planned for 2015/16 needs to be bought forward to the current financial year.	0.1
Miscellaneous	Net Rescheduling	-0.5
SUB TOTAL - Place Directorate		**-9.5**

TOTAL RESCHEDULING	**-13.6**

Capital Programme: Analysis of Over / Under Spend

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
AT7 Centre	The forecast underspend has resulted as a consequence of careful monitoring of the contract against the original target budget. Throughout the process a ‘ best value ’ approach was adopted by the Client Team and a number of potential variations presented opportunity to challenge certain design concepts resulting in significant savings being realised. An example being a £40k saving being achieved through a redesign of the perimeter access route”.	-0.2
SUB TOTAL - Place Directorate		**-0.2**
TOTAL RESCHEDULING		**-0.2**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th Sept 2014
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).	14.24%	13.02%
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 £539.8m	£375.0m 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.	£515.4m	£375.0m 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.	£475.4m	£375.0m 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.	£441.5m	£250.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£88.3mm	-£62.5m
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 30% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 15% 0% 9% 6% 71%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£0