Coventry City Council

Public report
Cabinet Report

Cabinet	10th February 2015
Audit and Procurement Committee	16th February 2015

Name of Cabinet Member:
Cabinet Member for Strategic Finance & Resources – Councillor D Gannon

Director approving submission of the report:
Executive Director of Resources

Ward(s) affected:
City Wide

Title:
2014/15 Third Quarter Financial Monitoring Report (to December 2014)

Is this a key decision?
No

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2014. The headline revenue forecast for 2014/15 is an underspend of £0.6m. This reflects an improved underlying position that has enabled funding to be identified for the £2m expenditure commitment Customer Service Centre in line with the approach recommended at quarter 2.

The overall £0.6m 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 balanced position.

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. This issue is addressed within the forthcoming 2015/16 Budget Setting Report.

Capital spending is projected to be £124m for the year. This represents a net decrease of £24.0m compared to the £148m reported at the second quarter but nevertheless represents one of the Council's biggest ever expenditure Programmes. This decrease in the Capital Programme comprises £24.5m rescheduling of expenditure into 2015/16 and £0.6m new spending approvals. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Approve the forecast position at Quarter 3 including the projected revenue underspend and the use of Public Health grant to support £0.8m of public health related children's activity set out in Section 2.2.
2. Approve the revised capital estimated outturn position for the year of £124m incorporating: £0.6m net increase in spending relating to approved/technical changes (Appendix 2) and £24.5m net rescheduling of expenditure into 2015/16 (Appendix 4).

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, 16th February 2015

Will this report go to Council?

No

Report Title:
2014/15 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2014/15 to the end of December 2014 (period 9) 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 £0.6m. The reported forecast at the same point in 2013/14 was a balanced position. 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. This is one of the key issues that is addressed within the 2015/16 Budget Setting Report.

1.3 Capital spend is projected to be £124m, a decrease of £24m since the Quarter 2 report. This is due in large part to Coventry Investment Fund investment being re-profiled into future years and a delay to the Friargate building and Bridge together with some technical changes that have arisen since Quarter 2 and other expenditure rescheduled into 2015/16. This spend will all be met by resources identified previously.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The Quarter 3 revenue budget monitoring exercise has identified an overall underspend of £0.6 m. 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	161.2	164.7	3.5
Place	27.5	27.4	(0.1)
Resources	13.4	12.4	(1.0)
	204.0	**206.4**	**2.4**
Contingency & Central Budgets	54.5	51.5	(3.0)
Total	**258.5**	**257.9**	**(0.6)**

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 £3.5m

The People Directorate is reporting a net overspend of £3.5M. 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 LAC Placements forecast a total overspend of £2.6M for the 2014/15 financial year. The net overspend has reduced since quarter 2 largely as a result of Public Health supporting £0.8M of activity within Children's Services. This includes public health related activity in the areas of early and targeted intervention within Children's Centres.

A further £1.8M 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 3 are £6.9M 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 the OFSTED Action Plan).

Place Underspend £0.1m

Place Directorate is reporting a net £0.1m surplus, largely due to a c£0.5m income benefit, which from 15/16 is built into corporate income budgets. The underlying position is a £0.4m deficit which is primarily due to the following factors:

Firstly, the projected cost of waste disposal and collection is significantly in excess of available budget (£0.9m), the main cause being an increase in the expected level of disposal tonnages.

Additionally, other variations exist which relate to achievement of income targets for Commercial Property, R&M, project management and Bereavement Services. Commercial property rental yields are the most significant of these, which whilst good in the context of the economic climate, will not achieve rental levels budgeted for which were set prior to the downturn in the economy (£0.4m).

These income deficits are however being offset by a variety of smaller one off underspends and management actions.

Public Health Nil variation

A non-recurrent saving of c£800,000 is being forecast for 2014/15 within Public Health as a result of rigorously managed smoking cessation and drugs and alcohol contracts. These contracts are based on payments by results and have been established to ensure that the Council does not fund reduced activity and that high quality services are rewarded financially. The report recommends that this underspend is used to support public health related children's activity in the areas of early and targeted intervention within Children's Centres and this proposed adjustment, which reduces the People Directorate overspend, is reflected in the table above.

Resources Underspend £1.0m

The Resources Directorate is reporting a net underspend of £1m at quarter 3. Although 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, underpinned by vacancy levels following reviews across the Directorate and the ER/VR programme. These underspend will be used to deliver savings in 2015/16 and beyond as part of the budget setting process.

Contingency & Central Budgets Underspend £3.0m

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. 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 overall financial position has improved sufficiently to allow £2m funding to be identified also for the Customer Services Centre in line with the recommended way forward at Quarter 2. 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 £0.6m new approved/technical changes that have arisen since Quarter 2 and £24.5m net expenditure rescheduled into 2015/16. This gives a revised projected level of expenditure for 2014/15 of £124m. Appendix 3 provides an analysis by directorate of the movement since Quarter 2. 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 (70%), whilst (30%) is funded from borrowing and other sources. 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 (SMB / CAB Report)

CAPITAL BUDGET 2014-15 MOVEMENT	£m
Estimated Outturn Quarter 2	148.2
Approved / Technical Changes (see Appendix 2)	0.6
"Net" Underspending (see Appendix 5)	(0.0)
"Net" Rescheduling into future years (see Appendix 4)	(24.6)
Revised Estimated Outturn 2014-15	124.2
RESOURCES AVAILABLE:	
Unsupported (Prudential) Borrowing	25.3
Grants and Contributions	87.6
Capital Receipts	1.1
Revenue Contributions	9.9
Leasing	0.3
Total Resources Available	124.2

2.4 Treasury Management Activity in 2014/15

Interest Rates

National economic recovery is continuing although the current reported pace of recovery has slowed somewhat in recent months whilst inflation is at a 12 year low. As a result of this there has been a slight shift signalling that the expected rise in interest rates may now slip to the first quarter of 2016. When they occur, any rises in interest rates are likely to be at a relatively slow, incremental level and they will settle 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 £13.1m, taking into account borrowing set out in Section 2.3 above (total £25.3m), 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 P9	Maximum 2014/15 to P9	As at the End of P9
5 year	2.14%	2.76%	2.19%
50 year	3.42%	4.04%	3.49%

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. In addition the Council has previously received approval to take advantage of a “project rate” as part of the Coventry and Warwickshire Local Enterprise Partnership (LEP), enabling it to access PWLB borrowing at 0.4% below the standard rate for £31m of borrowing required for delivery of the Friargate Project.

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. In November, £5m of temporary borrowing from another public sector body was taken out to meet short term fluctuations in cash available. This borrowing is due to be repaid in April 2015.

Short term investments were made at an average interest rate of 0.54%. 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).

Any breaches of the Council’s Treasury Management Strategy are required to be reported to members. During the Christmas closure, there was a marginal breach of the Treasury Management Strategy. From 02/01/2015 to 05/01/2015 the Council exceeded the counterparty limit with its own bank, HSBC, by £0.3m. This was an excess of cash due to higher than expected income over the Christmas period. This did not result in any cost to the Council and represents no additional risk to the Council.

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	As at 31st Dec 2014 £m
Banks and Building Societies	59.8	47.8	51.0
Money Market Funds	7.2	24.3	6.8
Government Debt Management Office	0	0	0
Local Authorities	29.0	13.0	18.0
Total	**96.0**	**85.1**	**75.8**

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 investments. The 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 31st December 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 31st December 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 13.04% 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 9 value is -£60.3m (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 of Resources

5.1 Revenue

The current revenue forecast for 2014/15 is a projected underspend of £0.6m.

The Council has faced a challenging financial position in 2014/15 with continued implementation of unprecedented cuts funding and large savings targets. Indications are now that this challenge has been met. Nevertheless some specific areas of challenging budget pressure remain and further funding cuts are being implemented for 2015/16 and this is being addressed within 2015/16 Budget proposals.

The most challenging areas are children's social care services, which continue to face very significant service and financial challenges. 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 £4.9m forecast within this report. The significant medium term expenditure pressure that has emerged in this area has been addressed specifically within the 2015/16 Budget Setting process.

Significant savings are forecast within the Asset Management Revenue Account due in large part to reductions in the level of borrowing required by the Council. Significant savings have now been 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 £12.6m (£37.9m at quarter 2). Of the £25.3m total borrowing now forecast, £10.9m relates to spending on specific schemes approved by Cabinet. This figure has decreased by £13.4m since Quarter 2 as a result of Re-profiling of CIF investment programme and a re-profiling of expenditure on the Friargate Building with no planned delay to the completion date. Borrowing which has previously been approved but not undertaken has increased from Quarter 2 by £0.8m. Potential issues have been identified within the Whitley Junction scheme, which are being reviewed at a strategic level. Any programme overspend will be managed by prioritisation of the Place Capital Programme and there will be no corporate impact. Once this review work is complete the issues and proposals to manage this will be reported to Cabinet in March.

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 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 it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

In Quarter 3 there is a forecasted underspend. 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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Appendix 1 **Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position**

Appendix 1 details directorates forecasted variances.

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
Child Protection	This overspend is made up of: a) £1.6m overspend due to high levels of social care activity (overall caseloads still above 2000 in Neighbourhoods), resulting in additional staffing and significant use of agency staff, and the implementation of the Multi-agency Safeguarding Hub and Child Sexual Exploitation team b) £0.4M overspend in legal costs driven by high activity levels c) £0.5M overspend in 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. This overspend is after contribution from reserves of £5M.	2.5
LAC Services	There are 3 main areas of overspend: a) Placements pressure of £1.3m due to high numbers of looked after Children (LAC) - quarter 3 financials are based on 617 LAC. The overspend has risen by £0.3M since quarter 2 due to higher fostering and external residential numbers. Special Guardianship payments are over budget by £0.6M - this is due to higher SGO numbers (2013/14 - 152, 2014/15 -171). The Family Placement Service overspend is £0.2M, largely due to high agency costs.	2.4
Mental Health & Learning Disabilities	MH Community Purchasing is forecasting an overspend position of £0.9m with significant budget pressure against residential placements in particular. LD Community Purchasing is overspent £0.7m mainly as a result of transitions and on-going out of city placements. Packages continue to be reviewed to ensure all funding options are identified and to reduce existing costs.	1.6
Strategy & Commissioning (CLYP)	Contract efficiencies & vacant post savings off-set by supported accommodation & 'staying put' contract which is a pilot scheme for young adults to remain living with their foster carers.	0.9
Catering	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. However 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.	0.6
ASC Provider Services	Housing with Care & Older People Day Opps over-spend of £366k arising from salary related pressure and short-fall of income against budget. This is partly offset by an underspend of £117k within Older People Residential Services. Mental Health & Learning Difficulties services are showing a forecast over-spend of £215k arising from salary related pressure & a short-	0.5
Safeguarding	The Safeguarding overspend is as a result of high levels of activity and difficulties in recruiting permanently to some posts. We are still therefore incurring costs for agency staff. Whilst we have recruited 5 new Independent Review Officers only 2 are currently in post, as there have been delays in progressing their DBS checks.	0.2
Head of Group - Strategy, Commissioning & Transformation	This overspend relates to project delivery costs to deliver the A Bolder Community Services savings targets	0.1

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
Social Care Targeted Early Intervention Strategic Management	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.	(2.1)
Early Years, Parenting & Childcare	An additional £0.1M 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. In Quarter 3 Public Health have supported £0.8M of activity.	(1.4)
Strategic Commissioning (Adults)	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.	(1.0)
Older People & Physical Impairment	Older People Community Purchasing is overspent by £1m. There has been a positive impact resulting from Electronic Call Monitoring with package costs reducing, however numbers of packages have increased. Residential placement costs have increased; this is attributable to a slight increase in number of admissions. Management actions associated with further benefits from ECM & health funding will improve the position. Alongside this overspend is a continuing underspend within PI of (£1.3m) as well as a (£0.2m) salary saving across social work teams arising from vacant posts.	(0.5)
Business Performance (Safeguarding Performance Quality)	A significant part of this under spend is caused by predicted savings on the pension enhancement budget and the school staff redundancy budget. Expenditure on these codes is demand led by schools or the pension agency. Forecasts have been based on current spend and previous trends.	(0.2)
Integrated Youth Support Service	This underspend is made up of staffing vacancies in Youth Services and a restructure in the Youth Offending Service.	(0.1)
	Forecast Overspend/(Underspend)	**3.5**

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Waste & Fleet Services	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.	1.0
Streetpride & Greenspace	This overspend is due partly to income pressures, in particular Crematorium income & the need to maintain service continuity for the Streetpride team	0.4
Underspends:		
Directorate & Support	Management action planned to offset wider directorate pressures	(0.8)
Building Sustainable Communities	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.	(0.2)
Highways	The forecast over-recovery is based on: additional income from Whitefriars and a small trading surplus for the Highways DLO.	(0.1)
Building Control	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.	(0.1)
Traffic & Transportation	Variation primarily due to an over-recovery of income within parking services and traffic management.	(0.1)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**(0.1)**

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Resources Mgt Team & Overheads	Additional costs for the judicial review, and holding code for savings target being met by underspends across the rest of the directorate	1.1
ICT Operations	Temporary dual running costs in relation to mobile and landline phones (£0.2M), some non-delivery of procurement savings targets, and an underrecovery of schools income.	0.4
HR support	Underachievement of Turnover Target within HR.	0.3
Legal Services	Overspend on agency being reviewed as part of restructure of service, partially offset by an overrecovery of income.	0.1
ICT Strategy & Architecture	Some under-delivery of procurement savings targets due to delays and other difficulties.	0.1
Underspends:	Review of staffing arrangements and vacancies has resulted in an underspend. A review of the learning & development strategy has also provided a one-off underspend for 2014/15.	
Talent & Skills Team	Increase in Agency Rebate due to increased use of agency staff in People Directorate.	(0.7)
HR Recruitment	Staff vacancies within ICT Management Team. Management Restructure and Zero Based Budgeting exercise in progress. Overall salaries across ICT show minimal variance.	(0.7)
ICT Mgt	Review of staffing arrangements and vacancies have resulted an underspend. In addition an overrecovery of income in relation to grant funding and schools.	(0.3)
Financial Mgt	Overachievement of Court Fees Income (£0.4M) partially offset by overspends on salaries and running costs	(0.2)
Revenues	Salary underspend and underspend on Transformation Advisors.	(0.2)
Transformation Programme Office	Salary underspend, a restructure is in progress.	(0.2)
Customer Services Centre	Primarily an underspend on council-wide stationery budgets.	(0.2)
Business Services	Salary underspend and one-off overrecovery of income.	(0.2)
Major Projects	One off income overachievement and salary underspend	(0.1)
Other Variations less than 100k		(0.4)
	Forecast Overspend/(Underspend)	**(1.0)**

Contingency & Central Budgets		
Overspends:		
ER/VR Contribution	Recommended contribution to set aside resources to fund future costs arising from redundancy and early retirement decisions	3.0
Customer Service Centre	Funding of capital investment in new Customer Services Centre in line with Quarter 2 proposal managed through under-spending across the remainder of the bottom line	2.0
ABC Savings	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	1.0
Underspends:		
Asset Management Revenue Account	£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	(5.4)
Pay,Price and Energy Contingencies	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	(3.3)
Other Variations less than 100k		(0.3)
	Forecast Overspend/(Underspend)	**(3.0)**

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need - Primary Schools Expansion Programme	Contribution from Aldermoor Farm towards build costs	0.2
Priority School Building Programme 2 (PSPB2)	Additional EFA Grant which is passported to the schools	0.2
SUB TOTAL - People		**0.4**
PLACE DIRECTORATE		
FGS Phase 2 HLF	Confirmation received of HLF grant award for Far Gosford Street Phase 2 of £977k to be profiled over 2014-15 and 2015-16.	0.5
SUB TOTAL - Place Directorate		**0.5**
RESOURCES DIRECTORATE		
Social Services IT System: Connecting Care	Switched Resources back to Revenue to fund care director costs	(0.3)
SUB TOTAL - Resources Directorate		**(0.3)**
TOTAL RESCHEDULING		**0.6**

Capital Programme: Estimated Outturn 2014/15

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

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 14-15 £M
PEOPLE	37.8	0.4	0.0	(3.5)	34.7
PLACE	103.6	0.5	(0.0)	(18.8)	85.3
RESOURCES	6.8	(0.2)	0.0	(2.3)	4.3
TOTAL	**148.2**	**0.6**	**(0.0)**	**(24.6)**	**124.2**

*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.

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need - Primary Schools Expansion Programme	As part of the councils SEN inclusion strategy £3m has been rescheduled into 2015/16. This will be used to deliver a second Broad spectrum school. The remaining amount is due to project delays at Castlewood and lower demand than anticipated for access suitability for those with special needs.	-3.4
Housing Policy (Siskin Drive)	The HCA element has been taken out of the capital programme (see report management of council land - Cabinet on 07/10/2014) and there is no need to spend the remaining funds in this financial year.	-0.1
SUB TOTAL - People		**-3.5**

PLACE DIRECTORATE		
Property Repairs	£300k of major works to address backlog maintenance was planned to properties that became subject to strategic reviews during 2014. £50k of slippage to proposed mechanical/electrical systems improvements to the Council House. £113k of slippage to the Commercial Property Programme due to delays in tendering for schemes. All works are scheduled for completion by May 2015.	-0.5
Canley Regeneration	The contractor has had to pull off site as the ground conditions are such that the site is unworkable. As a consequence the completion date has been put back for a minimum of 3 months.	-0.2
Far Gosford Street	Grant take up below expectations. Also, reduced ability to deliver grant for the refurbishment of 31-33 Far Gosford Street due to delay on actioning CPO's.	-0.3
Coventry Investment Fund	The original CIF allocation of £5.6m was in the programme to recognise the funds available this year. In addition the Study inn loan (£5.5m) was not required and has been re-scheduled to meet future investment.	-10.1
RGF3 Business Grants	Re-profiling RGF to align with when the activity is now planned to happen	0.2
RGF3 Friargate Bridgedeck	Rescheduling into 15/16 due to delivery approach to works changing, now will be delivered as part of Coventry Station Masterplan and tendered to obtain more competitive price	-1.9
RGF3 M40 Junction 12	Re-profiling RGF to align with when the activity is now planned to happen	-0.1
RGF4	Re-profiling RGF to align with when the activity is now planned to happen	0.4
Kickstart - Friargate Building	Works which the council are responsible for at Friargate have been rescheduled to align with other projects around the train station and so the original programmed spend has been put back accordingly but with no planned delay to the final completion date.	-2.7

Play Areas	The full proposed programme spend has been slipped as this funding and another S106 contribution, which is due to be received shortly, could be matched if a successful external funding bid to the Football Foundation is made. This would generate up to 400k additional funding to improve the pitches and replace the pavilion at Sowe Common.	-0.2
Public Realm 3 - ERDF	The anticipated start date for Canal Basin has slipped due to uncertainties regarding grant funding, this will be resolved within this quarter and an update provided during the next quarter reporting period.	-0.6
Highways S106 - Banner Lane	Slippage is due to the scheme still being in design phase and other Capital schemes have required priority in terms of delivery due to grant conditions.	-0.6
Vehicle & Plant Replacement	Clawback of some of Qtr 2 re-scheduling because of the increased price of Refuse Vehicles due to new legislation changes around emissions	0.1
A4600 Congestion Relief Scheme (LPPF)	Following award of contract and commencement of works on site, the contractor has experienced a significant delay on the delivery of the scheme due to unforeseen issues that have arisen with statutory utilities. A number of utility apparatus have been found to be previously installed incorrectly, not at the correct depth and not as recorded on the C3 utility plans as requested during the scheme conception.	-1.8
Miscellaneous	Net Rescheduling	-0.2
SUB TOTAL - Place Directorate		**-18.7**

RESOURCES DIRECTORATE		
Strategic ICT Projects	Due to re-organisation & conflicting workloads projects re-profiled to next year	-0.4
Social Services IT System: Connecting Care	Payment profile from the existing Connecting Care project	-0.2
Kickstart - ICT Systems	Original expectation was to procure new software, however, after evaluation the expansion of an existing product was chosen. The capital therefore will be spent more on implementation and development of the product over the two year programme rather than high upfront costs.	-0.3
Kickstart - Customer Journey	Capital was allocated up-front for the entire technical element of the Customer Journey programme. Now that the Customer Portal product has been identified the project is better defined. It is expected that the majority of the cost will be moved into the next financial year and potentially beyond.	-1.3
SUB TOTAL - Resources Directorate		**-2.3**

TOTAL RESCHEDULING	**-24.5**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st Dec 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%	13.04%
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	£380.0m 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	£380.0m 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	£380.0m 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	£249.3m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£88.3mm	-£60.3m
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%	 16% 0% 8% 6% 70%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£0