

Cabinet
Audit and Procurement Committee

26th November 2015
14th December 2015

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

2015/16 Second Quarter Financial Monitoring Report (to September 2015)

Is this a key decision?

Yes – Cabinet is being asked to approve expenditure in excess of £1m

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 2015. The headline revenue forecast for 2015/16 is an overspend of £4.7m. This is a significant deterioration from the £1.0m projected at Quarter 1. At the same point in 2014/15 there was a projected underspend of £0.4m.

The overall revenue position incorporates a headline overspend of £7.7m within the People Directorate, the majority of which relates to Adult Social Care Community Purchasing budgets. These are offset to some degree by underspends within the corporate Asset Management Revenue Account.

Capital spending is projected to be £118.4m for the year. This represents a net decrease of £7m on the £125.4m reported at the first quarter. The Programme comprises £4.4m approved net additions to the programme and £11.1m rescheduling of expenditure into 2016/17.

Recommendations:

Cabinet is recommended to:

1. Approve the forecast revenue overspend at Quarter 1 and the proposed actions to be taken by the Strategic Management Board set out in section 5.
2. Approve the revised capital estimated outturn position for the year of £118.4m incorporating: £4.4m net increase in spending relating to approved/technical changes

(Appendix 2), £11.1m net rescheduling of expenditure into 2016/17 (Appendix 4) and £0.3m net underspend (Appendix 5).

Audit and Procurement Committee is recommended to:

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

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 2015/16
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 2015/16 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, 14th December 2015

Will this report go to Council?

No

Report Title:

2015/16 Second Quarter Financial Monitoring Report (to September 2015)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £238.3m on the 24th February 2015 and a Directorate Capital Programme of £124m. This is the second quarterly monitoring report for 2015/16 to the end of September 2015, 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 2015/16 revenue forecast is an overspend of £4.7m, an increase of £3.7m on the quarter 1 position of £1.0m. The reported forecast at the same point in 2014/15 was an underspend of £0.4m.
- 1.3 Capital spend is projected to be £118.4m, a decrease of £7m since the quarter 1 report. 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 £4.7m. 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	1.7	1.7	0.0
Public Health	(0.4)	(0.4)	0.0
People	165.2	172.9	7.7
Place	27.2	28.7	1.5
Resources	12.5	12.4	(0.1)
	206.2	215.3	9.1
Contingency & Central Budgets	32.1	27.7	(4.4)
Total	238.3	243.0	4.7

The key reasons for the predicted directorate overspends are set out below. A set of specific actions to be taken by Strategic Management Board to address this position are set out in section 5.

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

Latest estimates indicate a projected People Directorate overspend by year-end of £7.7m, a £4m increase from the Quarter 1 position. The majority of this relates to Adult Social Care Community Purchasing budgets with an over-spend of £4.2m in the areas of Mental Health, Learning Difficulties and Physical Impairment, and £2.5m in Older People. The increased costs now being experienced reflect significant increases in the number of users accessing externally commissioned packages of care in addition to the increasing needs and higher cost packages of existing service users adding to the existing underlying overspends reported at Quarter 1.

The Adults Social Care position also includes a projected £1.7m shortfall in savings targets agreed as part of “A Bolder Community Services” and “Doing Things Differently” programmes in recent Budget exercises. These savings, such as Telecare, rely upon the service managing cost and activity levels. The challenges now emerging in the ability to exercise this control are limiting the degree to which these savings can be delivered.

There are further overspends on Children's Placements of £0.6m (made up from non-delivery of internal fostering target £0.4m and Staying Put £0.2m), and an over-spend on supported accommodation for 17 and 18 years olds of £0.7m. This is offset by some other underspends across the Directorate. The position includes the additional £10m of resource for Children's Services as approved in the budget report; and £2m of the £3m reserve funding set aside. The reserve is being used to offset further overspend in Children's Placements and a £1.2m pressure across children's permanency allowances.

Work is under way to fully understand the position within Adult Social Care and a fundamental review of all People Directorate Budgets is being carried out to ensure this significant Directorate variance can be mitigated both within this financial year and into the future. As an initial step, additional approval processes are being introduced to ensure high cost adult placements are subject to further scrutiny and monitoring of all activity and decision making is being increased.

Place

Place Directorate is forecasting a deficit of £1.5m, caused primarily by the following.

The delivery of the Streetpride & Greenspace structural review, and the School Crossing patrol charging to schools review are both required to deliver the “Doing Things Differently” savings in the 2015/16 Budget. The reductions in spend will be delivered in full, but only implemented part way through the year. This will result in a part year/one off pressures in 2015/16 of £0.6m.

Waste disposal is experiencing year on year pressures. In 2015/16 this is resulting in a projected pressure of £0.7m caused by 2 factors. Firstly a growth in waste disposal tonnages due to both existing 'normal' household growth, and also the expected additional new households that will come into being as a result of the successful growth of the city. In addition, the cost of recycling waste has increased following the retendering of the Material Recovery Facility (MRF or recycling) contract.

Other pressures total c£0.2m. This is primarily due to the Employment Support Service (TESS) which has a financial pressure of c£70k in 2015/16 whilst the service is being remodelled and on-going resources are being sought. The remainder reflects income generating services forecasting shortfalls against budget for the year, primarily in Monitoring and response services (£174k) and corporate catering (£151k), offset by an expected over recovery in Highways (£146k)

Resources

Resources is showing an underspend of £0.1m. This is largely the result of a number of pressures including loss of school income within HR and Workforce services, and some non-delivery of turnover targets, offset against an overachievement of income on the agency rebate, and benefits income. There are a number of volatile areas that can impact upon the Resources Directorate position largely within Revenues and Benefits, such as Housing Benefit Subsidy, Community Support grant, and level of court fees income.

Contingency & Central

Corporate budgets include underspends within the Asset Management Revenue Account (AMRA, £4.3m) and inflation contingencies (£1.5m), and a refund relating to a long-running legal dispute over debt repayments on the Magistrates Court building (£0.9m). They also reflect a £0.5m shortfall in achievement of the City Centre First Project savings and of £0.7m shortfall in the achievement of Commissioning and Procurement savings target. Both the AMRA and contingency budgets are being reviewed currently and will be rebased as part of 2016/17 Budget Setting. Past service pension costs will also be reviewed in the third quarter to examine any scope for flexibility towards the year-end.

2.4 Capital Position 2015/16

Table 2 below updates the budget to take account of £4.4m increase in the programme, £0.1m net underspend and an additional £11.1m which is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2015/16 of £118.4m. 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 2015/16. It shows that 60% of the programme is funded by external grant monies and 29% is funded from borrowing. The Programme also includes funding from capital receipts of £1.1m. A further £4.6m of capital receipts arising predominantly from the sale of Council assets will enable the Council to avoid future borrowing although it is important to note that the majority of the reduced future capital financing costs that will result from this are earmarked to deliver existing Property savings targets.

Overall the capital programme and associated resourcing reflects a forecast balanced position in 2015/16.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2015-16 MOVEMENT	£m
Estimated Outturn Quarter 1	125.4
Approved / Technical Changes (see Appendix 2)	4.4
"Net" Underspending (see Appendix 5)	(0.3)
"Net" Rescheduling into future years (see Appendix 4)	(11.1)
Revised Estimated Outturn 2015-16	118.4
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RESOURCES AVAILABLE:	£m

Prudential Borrowing (Specific Approvals)	21.4
Prudential Borrowing (Gap Funding)	13.2
Grants and Contributions	78.0
Capital Receipts	1.1
Revenue Contributions	4.6
Leasing	0.1
Total Resources Available	118.4

2.5 Treasury Management Activity in 2015/16

Interest Rates

National economic recovery is continuing with quarter 2 growth for 2015 of 0.7%. National wage growth has strengthened over the past year with unemployment falling by 2 percentage points over the last two years. However, further declines in oil prices mean that inflation is likely to remain below 1% until Spring 2016. This would indicate an increase in interest rates may be imminent. However, continuing very low inflation rates & significant weakness in the external environment, mainly caused by China, means that interest rates are expected to remain unchanged until the second quarter of 2016. Even when rates do rise, the pace of the rises will be gradual and the extent of these rises limited.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2015/16 capital programme is £24.6m, taking into account borrowing set out in Section 2.3 above (total £36.4m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£11.8m). 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 2015/16 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 2015/16 to P6	Maximum 2015/16 to P6	As at the End of P6
5 year	2.02%	2.55%	2.19%
50 year	3.21%	3.78%	3.39%

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 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 cash-flow of the authority, short term borrowing or investments are undertaken with financial institutions and other public bodies. The City Council currently hold no short term borrowing.

Short term investments were made at an average interest rate of 0.61%. 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 and companies in the form of corporate bonds.

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 September 2014	As at 30th June 2015	As at 30th September 2015
	£m	£m	£m
Banks and Building Societies	47.8	76.9	69.3
Money Market Funds	24.3	10.7	6.9
Local Authorities	13.0	0	0
Corporate Bonds	0	21.8	15.6
Total	85.1	109.4	91.8

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 non-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. 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 30th September 2015 the pooled funds were valued at £28.7m, spread across the following funds: Payden & Rygel; Federated Prime Rate, CCLA and Standard Life Investments.

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 2015 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2015/16. Specific points to note on the ratios are:

- The Ratio of Financing Costs to Net Revenue Stream (indicator 1) is 14.42% compared to 14.83% within the Treasury Management Strategy, in part due to lower levels of Prudential Borrowing resourced capital spend in 2014/15;
- 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. At 30th September the value is -£67.8m (minus) compared to +£83.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th September the value is £216.8m compared to £419.3 within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

3. Results of consultation undertaken

- 3.1** The early relocation of staff from Christchurch and Spire Houses is an extension of Kickstart and mirrors the organisation agility agenda which was already consulted on as part of Kickstart. A communication strategy will be developed to keep staff fully informed at all stages. The Trade Unions will be briefed as part of the process.

4. Timetable for implementing this decision

- 4.1** The early relocation of staff will commence in early 2016 and be completed in August 2016. The decommissioning of CRH/SH will be completed by the end of September 2016 ready for demolition.

5. Comments from Executive Director, Resources

5.1 Revenue

The quarter 2 position indicates a serious deterioration in the revenue position, overwhelmingly due to a worsening of the position within Adult Social Care (ASC). Work is under way to fully understand this ASC movement including the underlying position in service user numbers and any potential impact of the Care Act.

In overall terms it is clear that the Council faces a significant challenge in order to balance its budgetary control position by year-end. It is some years since the Council has faced an overspend of this scale half-way through the financial year and budget savings made to address reductions in Government funding since 2010 have reduced the Council's capacity to take action part-way through the year. Nevertheless, the forecasted £4.7m overspend position demands urgent attention from Senior Management Board and budget holders across all Directorates and Cabinet is recommended to approve that the following set of actions is pursued to address the budgetary position.:

- The new People Directorate senior management team to initiate a fundamental review of all the Directorate's budgets with a particular focus on areas causing recent increases in cost/activity.
- Place Directorate to seek to identify compensating underspends to help move its overall bottom line towards a balanced position at year-end.
- Resources Directorate to identify opportunities for delivering underspends across its bottom line to compensate likely over-spends in the other Directorates.
- All Directorates to re-energise efforts to apply vacancy control and ensure that recruitment is restricted to operationally essential posts only.
- All options to be explored including technical solutions, that might be available to manage the year-end position including maximising the use of reserve balances to fund in-year spending.

On top of the forecast overspend there is also a key challenge for the remainder of the year to identify resources to fund the costs of early retirement and redundancy that will result from the Council's plans to further reduce its employee numbers going forward. This is covered further in a report on achieving staffing reductions across the Council on today's Cabinet agenda. Work to support this objective has been undertaken by a Working Group looking at reserve balances and previous underspends and early indications are that in excess of £5m has been identified for this purpose.

In terms of the on-going position there are some clear challenges in terms of Adult Social Care and the achievement of savings already built into the Council's budget. Any known underlying pressures have been built into the Pre-Budget Report on today's Cabinet agenda but on-going projects will continue into 2016/17 to deliver savings programmes.

5.2 Capital

The Capital Programme shows a projected balanced position for 2015/16. The borrowing requirement in 2015/16 has fallen to £36.4 (Budget Setting report £45.6m) and the overall level of borrowing continues to be contained within previously approved parameters. Of this, £21.4m relates to spending on specific schemes approved by Cabinet. The remaining £15m predominantly relates to borrowing that has previously been approved but not undertaken. Cabinet is reminded that at the end of 2014/15 available external grant funding of £3.4m along with similar amounts in previous years was used to fund spending which had been forecast to be funded from prudential borrowing. This report incorporates the need now to call on the associated level of Prudential Borrowing approvals not previously utilised. Similarly, there will be a need to incorporate this approach in future years as capital spending is incurred.

The Executive Director, Resources will review the overall level of prudential borrowing undertaken in 2015/16 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. Due to reasons explored elsewhere within this report relating to the need to identify revenue resources, it is now less likely than previously that tactical use of revenue resources will be deployed as a mechanism to delay borrowing.

The position reported at quarter 1 included cost pressures reported across the Friargate Bridgedeck, Whitley Junction & Public Realm. The extent of these pressures was reported to Cabinet in September and the Capital Programme now reflects those approvals.

5.3 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. 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 2 there is a forecasted overspend. The Council will continue to ensure that strict budget management continues to the year-end as described elsewhere within the report.

6.4 Equalities / EIA

No impact.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

No impact.

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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:		
Mental Health, Learning Disabilities & Physical Impairment	Increasing activity across Adult Social Care (£1.6m) is adding to the continuing significant underlying pressure (£3.8m) which existed at the end of the last financial year. In addition, budgetary savings linked to managing activity levels and reducing cost (£1.7m) are being impacted by the current levels of increased demand. These pressures are partly offset by underspends within Adult Social Care Teams. Additional approval processes are being introduced to ensure high cost placements are subject to further scrutiny and increased monitoring of activity and decision making at all levels is taking place	4.3
Older People	Increasing activity across Adult Social Care (£1.6m) is adding to the continuing significant underlying pressure (£3.8m) which existed at the end of the last financial year. In addition, budgetary savings linked to managing activity levels and reducing cost (£1.7m) are being impacted by the current levels of increased demand. These pressures are partly offset by underspends within Adult Social Care Teams. Additional approval processes are being introduced to ensure high cost placements are subject to further scrutiny and increased monitoring of activity and decision making at all levels is taking place.	2.5
Child Protection	This relates to an activity overspend in discretionary and Section 17 payments to prevent children from becoming looked after (£0.6M). There is also an overspend on Legal (0.4M) as a result of high activity and the use of agency staff. These overspends are partly offset by underspends in Children & Families First and Multi-Systemic Therapy, largely as a result of staffing vacancies.	0.9
LAC Services	The main source of overspend is Children's Placements £0.6M (including the Staying Put Scheme). A pressure of £1.2M in Children's permanency allowances is being offset by 1-off reserve. Changes in policy, and high activity within adoption and special guardianship orders has resulted in unit cost and activity increase. The placements pressure is a result of continuing high numbers of LAC, and placement mix with too high a proportion of LAC in external fostering and residential provision. £0.8M of the £3M 1-off reserve for Children's Services has been applied to the Placements budget to reduce the overspend in line with agreed usage. We are looking to refresh the LAC Strategy alongside additional approval processes to ensure high cost placements are subject to further scrutiny and increased monitoring of activity and decision making at all levels is taking place.	0.8
Strategy & Commissioning (CLYP)	The contract with a key supported accommodation provider (responsible for 81 beds) was terminated by mutual agreement from January 2015. It was expected that some of the capacity gap that was created could be replaced by extending the adult homelessness and ex-offender contract to include young people, but this has not proved possible. The overspend is due to additional spot purchasing and use of B&B to meet demand. A procurement process is in place to provide an alternative solution by 1 April 2016, and further action is being taken to generate additional capacity and reduce the use of B&B in the interim.	0.6
ASC Provider Services	This is a combination of both salary related pressures across Internally Provided Services services as well as a shortfall of income against budget due to higher than normal vacant placements.	0.2
Safeguarding	There has been a slight reduction in agency staff in the Independent Reviewing Officer service. The new structure for the service will be in place by November 2015, including permanent recruitment to the manager posts. There will also be the removal of one Child Protection chair once the number of children subject to a child protection plan reduces to 450 (forecast by the end of March 2016).	0.2
Inclusion & Participation	This overspend mainly relates to transport costs (£459K offset by a number of underspends in other areas), and are attributable to an increase in volume. All travel assistance policies will be reviewed through the formal consultation processes during the Autumn/Spring terms 2015/16. Reduction in expenditure is wholly dependent upon the agreement and implementation of new policies that secure the Council's statutory obligations.	0.1
Business Performance (SPQ)	There is an overspend on School Redundancy costs £284K, which has been partially offset by underspends in other budgets. This is as a result of an increase in the number of staff made redundant by schools this financial year; the cost of which is borne by the City Council. HR and Finance are currently reviewing the regulations with a view to reducing this spend in current and future years.	0.1
Other Variations less than 100k		0.2

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
SCTEI Strategic Management	This is the financial strategy deployed to balance the directorate's bottom line including Education Services Grant income, and utilisation of non-ring-fenced grant funding for existing expenditure. This cost centre offsets against other pressures within the directorate, and the budget will be allocated across these pressures in 16/17.	(1.4)
Strategic Commissioning (Adults)	This underspend is the effect of early delivery of future budget reductions across a number of contracts.	(0.4)
Business & Cont Improvement	The service has had a number of vacancies, which have now been recruited to. As a result the underspend will reduce by Quarter 3. There has also been a small restructure, which will deliver savings towards the directorate targets.	(0.2)
Early Years, Parenting & Childcare	Underspend as a result of staffing vacancies and over-achievement of nursery income for 2,3 and 4 year olds.	(0.2)
Forecast Overspend/(Underspend)		7.7

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Streetpride & Greenspace	Streetpride & Greenspace is currently being restructured in order to achieve the MTFS targets totalling £1.5m. Implementation is expected from November 2015 which will result in a part year delivery and therefore a one off pressure of £467k in the current year. In addition, there are pressures arising as a result of Traveller Incursions.	0.6
Waste & Fleet Services	Pressure primarily due to growth in existing household waste disposal tonnages of approx 1% plus a further increase due to the number of new planned households.	0.5
Traffic & Transportation	A combination of income and expenditure pressures within School Crossing Patrols and Monitoring & Response (MRS): The implementation of the School Crossing Patrol review has been delayed and this is likely to cause a pressure of £80k. The MRS pressure (£174k) relates to the delayed delivery of the MTFS commercialisation savings which are being delivered via cost reductions and income growth.	0.3
Corporate & Commercial Catering	£100k trading income deficit due to insufficient activity, together with the slipped delivery of a £50k MTFS optimisation target	0.2
Other Variations less than 100k		0.3
Underspends:		
Directorate & Support	Management actions to offset current and future targets and pressures	(0.2)
Highways	Forecast trading surplus projected due to the higher volume of capital programme works expected in 15/16	(0.2)
Forecast Overspend/(Underspend)		1.5

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Financial Mgt	Overspend as a result of non-delivery of turnover target. Excluding turnover target an underspend of £60K is forecast.	0.2
ICT Operations	Includes £120K non achievement of turnover savings targets as restructure and deletion of other vacant posts and ER/VR reduces ability to deliver turnover targets. A £57k overspend on ICT user support software for one year only, a £20k overspend on software offset by £26k cityfibre income.	0.2
Revenues	Summons activity remains relatively high (1,000 additional issued compared to 2014-15). Additional resource (through Civica) will be needed to deal with the additional work. Since Quarter 1 the forecast has been revised to include the Civica work on council tax and business rates (£200k). Overtime has also been increased as a result of increased tax base (£54k). Low vacancies have meant turnover target (£66k) not met	0.1
Health & Safety	This overspend is a result of underachievement of schools income	0.1
Employment Services	This overspend is a result of under-achievement of the turnover target. There is also some impact from salary costs associated with implementation of Agresso HR system	0.1
Other Variations less than 100k		0.1
Underspends:		
HR Recruitment	This is a result of the Agency Rebate partially offset by under-achievement of Turnover Target.	(0.4)
Benefits	Income from DWP for FERIS work has increased (£200k). Community Support Grants forecast adjusted to show underspend of £59k.	(0.3)
Talent & Skills Team	Forecast salary underspend of £75K due to vacancies in the earlier part of the year. Forecast underspend of £80K due to delays in implementing some training due to changes in People Directorate.	(0.2)
Forecast Overspend/(Underspend)		(0.1)

Contingency & Central Budgets		
Overspends:		
Commissioning and Procurement Savings Target	The Commissioning and Procurement abc review is on course to deliver £7.3m of its £8m target but it is becoming increasingly difficult to deliver the final element of this as contracts start coming round for renewal for the second time in the project's lifetime. Procurement Board and Panel activity will continue to push hard to deliver these savings over the course of 2015/16 and into 2016/17.	0.7
Catering	The School Catering service ceases at 31st August 2015. The overspend represents non - delivery of the income target set by the Fundamental Service Review (384k), and reduced income and contributions towards centralised charges and overheads due to the closure of the service.	0.6
City Centre First Project	Proposals are being drawn up currently to deliver the City Centre First savings going forward although these are unlikely to deliver in-full the current year target.	0.5
Underspends:		
Asset Management Revenue Account	The AMRA position reflects further rescheduling of capital spend at 2014/15 outturn, reducing the Council's planned borrowing needs and debt costs. The AMRA budget is being reviewed currently to ensure that it is soundly based for 2016/17 Budget Setting.	(4.3)
Inflation	The underspends across inflation contingency budgets includes £0.5m in relation to energy. This budget is being reviewed currently to ensure that it is soundly based for 2016/17 Budget Setting.	(1.5)
Legal Refund	The Council has received a refund following a long-running legal dispute over debt repayments on the Magistrates Court building.	(0.9)
Forecast Overspend/(Underspend)		(4.9)

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Friargate LLP Public Realm	Friargate LLP are carrying out Public Realm works around the Bridgedeck, we are the Accountable Body for RGF and ERDF grant so these costs will now pass through the City Council's accounts.	2.1
Super Connectivity	Current projections are that £1.2m of this grant will be paid out during 2015/16. Grant funding for this project ends this year.	1.1
International Transport Museum	In January 2014 Cabinet approve the cash flow support to the Transport Museum up to £2m in advance of receipt of grants towards the scheme. This value of loan has materialised to be £600,000 and therefore a technical change has been actioned in the programme to increase the budget. The Transport Museum will be paying back this loan within the current financial year.	0.6
Challenge Fund - Swanswell Viaduct	Summer budget 2015, Challenge Fund tranche 1 approval for £5.5m over three years for Coventry Ring Road A4053 Swanswell Viaduct Major Maintenance.	0.4
Challenge Fund - WM Network Renewal Project	Summer Budget 2015, the West Midlands Integrated Transport Authority were awarded £6.57m, of which Coventry's allocation is £1.765m to be drawn down over the next three years.	0.3
AT7 Centre	As of December 2014 it was anticipated that all rectifications/ payments in relation to the Centre AT7 scheme would be through by the end of March 2015, and the scheme was financially closed. However, not all these works were completed to the project team's satisfaction and therefore some costs were withheld until 2015/16. This technical change is to reopen the scheme to capture these final costs from its original funding of Prudential Borrowing noting that the scheme has still come under budget by c£250,000.	0.2
Nuckle	This change to the programme reflects movement in resources to revenue to reflect the running costs payable to London Midland for Operating the Stations.	(0.3)
SUB TOTAL - Place Directorate		4.4
TOTAL APPROVED / TECHNICAL CHANGES		4.4

Capital Programme: Estimated Outturn 2015/16

The table below presents the revised estimated outturn for 2015/16.

DIRECTORATE	ESTIMATED OUTTURN QTR 1	APPROVED / TECHNICAL CHANGES	OVER / UNDER SPEND NOW REPORTED	RESCHEDULED EXPENDITURE NOW REPORTED	REVISED ESTIMATED OUTTURN 15-16
PEOPLE	2.8	(0.0)	0.0	(0.1)	2.7
PLACE	118.0	4.4	(0.3)	(11.0)	111.1
RESOURCES	4.7	0.0	0.0	0.0	4.7
TOTAL	125.4	4.4	(0.3)	(11.1)	118.4

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Condition (Schools)	Funding initially allocated to supporting s278 costs for the PSBP schemes will no longer be required this year as the EFA has confirmed that no further costs will be passed through to the Council. Schemes originally planned have been scaled back due to the uncertainty around the future of some services e.g. Hospital Education Service. Efficiencies have also been achieved on major projects such as Edgewick where costs have been driven down through effective project management. We are developing an extensive condition programme for 2016/17.	(2.1)
Early Years	This has been the result of insufficient early years settings requesting two year old funding. At the moment, the revenue funding provided does not cover the cost of the place, ultimately making it unsustainable long term for many providers	(0.4)
Kickstart - Friargate building	The required utility diversions on site have taken longer than previously expected due to protracted statutory timescales and as a result, the sequence of works has had to be revised. In addition to this, the ground conditions that have been uncovered as a result of the demolition of Copthall House have required some additional treatment which has delayed the core construction of the building.	(3.7)
Public Realm	The emphasis is on delivering the ERDF projects within Public Realm, plus it seems more likely a deal to relocate Nationwide from Broadgate will be completed in the new financial year.	(2.0)
Coventry Station Masterplan	Since Quarter 1 a technical review of the programme costs and profile has brought about a change in rescheduling to bring in line cash-flow to the programme of works. The main area of rescheduling relates to the footbridge and canopy works, since the Q1 submission a decision has been taken regarding the procurement route for the works for the next detailed design stage (GRIP4) to be awarded to Network Rail. The revised cash-flow reflects the accepted Network Rail programme	(1.1)
Warwick Road Station Access	The start date of the station access has slipped from June 2015 to January 2016 due to the fact we had to undertake additional ground investigation works as some old brickwork in the ground was discovered when undertaking utilities diversions. A decision was taken to delay tendering the works until the ground investigation results were available as the extent of the brickwork had potential to result in a redesign on the piles. Tenders were issued in August and we will soon be in a position to appoint a contractor, with a planned start date of January subject to Network Rail approvals	(0.6)
City Centre Destination Leisure Facility	The original estimate of £1.550m in 2015/16 relates solely to Professional fees and this figure was arrived at before the any of the Professional team were appointed. The revised figure of £1.149m now reflects the fees included within their tender as well as the payment profile that accompanied that. The reduction of £401k is therefore purely a revision to the Professional fee profile, meaning that the project is very much still on programme	(0.4)
Canley Regeneration (Prior Deram Park)	The scheme has slipped from completion due to extremely wet ground conditions which made the site unworkable, also due to utility companies who are currently in the area doing works to a neighbouring site. The works will take place once these service connections and diversions are complete; these are forecast to be completed in 2016-17	(0.3)
Growing Places fund	Due to flexible deadlines & large grants to businesses, this fund is able to be spent over a longer period of time	(0.3)

NUCKLE 1.2	The development phase of NUCKLE 1.2 has been delayed while negotiations to sign off the Development Services Agreement were finalised. Whilst the project has been approved in principle by the Department for Transport, and was approved by Network Rail internal projects panel to proceed on the 2nd October, the £5m funding remains to be confirmed subject to the on-going national rail affordability review (the 'Hendy review'). This will not be concluded until November or December 2015, at which point we expect confirmation that the £5m contribution will be released. Approval was given in August 2015 to proceed with the Development phase using Growth Funding to prevent any further delays. On this basis c£300k will be rescheduled into 16/17.	(0.3)
Banner Lane	Detailed design has resulted in accurate pricing of this scheme; therefore £209k is being slipped back into 2016-17.	(0.2)
Far Gosford Street	There has been delays with property owners around the negotiations with our valuers for CPOing their premises which is now causing delays in the project, c£90,000 is being rescheduled into 16/17. In addition funds from the Liveability budget which are used to lever in ERDF/HLF funded projects and will be used in 2016-17 nearer the completion of the projects	(0.2)
Coventry Investment Fund	A cabinet report dated 31/03/2015 has approved an additional £0.6m of budget for Lythalls lane. This will be spent in 2015/16 for project completion before the next financial year. These funds have been rescheduled forward from the CIF unallocated pot.	0.6
SUB TOTAL - Place Directorate		(11.0)

PEOPLE DIRECTORATE		
Housing Policy (Siskin Drive)	In recent discussions the HCA has indicated that a significant amount of its budget is as yet unallocated, so could be available for the Siskin Drive scheme; we are confident that the funding we need will be available. We have planning approval for the scheme and, as much of the preparatory work has already been done, we plan to be on site in 2016-17. The money in the capital budget will be needed for the scheme so it needs to be rolled over into the next financial year. Although it will pay the greater part, the HCA will expect Coventry to make a contribution towards the costs.	-0.1
SUB TOTAL - Resources Directorate		(0.1)

TOTAL RESCHEDULING	(11.1)
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Capital Programme: Analysis Of Over / Under Spend

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
RGF3 - Whitley Junction	The project team are carrying out a complete audit of all of the contractor's cost claims and are rigorously challenging all compensation events to ensure that the City Council's costs are minimized. The success of this is evidenced by the fact that the forecast Whitley costs are now £0.3m lower than as reported in the Quarter 1 capital monitoring report.	-0.3
SUB TOTAL - Place Directorate		(0.3)
TOTAL OVERSPEND / (UNDERSPEND)		(0.3)

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th September 2015
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).	14.83%	14.42%
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 £495.2m	£368.6m 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.	£494.3m	£368.6m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 7) , representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£454.3m	£368.6m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10) , highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£419.3m	£216.8m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£88.9mm	-£67.9m
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 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	20% 3% 5% 6% 66%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£0m