Coventry City Council

Public report
Cabinet Report

Cabinet
Audit and Procurement Committee

9th February 2016
15th February 2016

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

Director approving submission of the report:
Executive Director of Resources

Ward(s) affected:
City Wide

Title:
2015/16 Third Quarter Financial Monitoring Report (to December 2015)

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 2015. The headline revenue forecast for 2015/16 is an overspend of £3.3m. At the same point in 2014/15 there was a projected underspend of £0.6m.

The overall revenue position incorporates a headline overspend of £8.5m 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 £114.6m for the year. This represents a net decrease of £3.8m on the £118.4m reported at the second quarter. The Programme comprises £2.5m approved net additions to the programme and £6.3m rescheduling of expenditure into 2016/17.

Recommendations:
Cabinet is recommended to:

1. Approve the forecast revenue overspend at Quarter 3.

2. Approve the revised capital estimated outturn position for the year of £114.6m incorporating: £2.5m net increase in spending relating to approved/technical changes (Appendix 2), £6.3m net rescheduling of expenditure into 2016/17 (Appendix 4) and £0.2m net overspend (Appendix 5).

Audit and Procurement Committee is recommended to:

1. 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, 15th February 2016

Will this report go to Council?
No

Report Title:
2015/16 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2015/16 to the end of December 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 £3.3m, a decrease of £1.4m on the quarter 2 position of £4.7m. The reported forecast at the same point in 2014/15 was an underspend of £0.6m.

1.3 Capital spend is projected to be £114.6m, a decrease of £3.8 m since the quarter 2 report. 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 overspend of £3.3m. 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	1.6	1.6	0.0
People	161.8	170.3	8.5
Place	29.2	29.9	0.7
Resources	11.6	11.6	0.0
	204.2	**213.4**	**9.2**
Contingency & Central Budgets	34.1	28.2	(5.9)
Total	**238.3**	**241.6**	**3.3**

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
The People Directorate is reporting a forecast net overspend of £8.5m. This is made up of a significant overspend on Community Purchasing of £7.1m, an overspend on Children's Placements of £0.9m (made up from non-delivery of internal fostering target £0.4m, Staying Put £0.2m, and a worsening forecast position since Quarter 2 of £0.3m), and an overspend on supported accommodation for 17 and 18 years olds of £0.6m. This is offset by some other underspends across the directorate.

Within Adult Social Care Community Purchasing budgets, an increase in demand for externally commissioned packages of care as well as increasing needs of existing service users is both adding to the existing underlying overspend as well as preventing the savings expected from managing cost and activity.

The position includes the additional £10m of resource for Children's Services as approved in the budget report; and £2m of the £3m reserve which is for 2015/16 only. The reserve is being used to offset further overspend in Children's Placements and a £1.2m pressure across children's permanency allowances.

A fundamental review of all People Directorate Budgets and activity is being carried out to ensure this significant variance can be mitigated both within this financial year and into the future. This is being supported by additional regional challenge activity on the use of resource in adult social care.

Place
The delivery of the Streetpride & Greenspace structural review, required to deliver the approved MTFS saving in Parks (£1m) and Street Cleaning (£0.5m) will be delivered in full but only implemented part way through the year. This will result in a one off £0.7m pressure in 2015/16.

Additionally, growth in waste disposal tonnages has occured in 15/16, resulting in a pressure of £0.7m. This is caused by both existing household 'normal' growth, and also the expected additional new households that will come into being as a result of the successful growth of the city. Currently tonnage growth is not budgeted for in advance, but will be from 2016/17.

A number of other smaller pressures exist, the main ones being Monitoring & Response services income, Commercial catering Income, and traveller incursion costs. These are being offset by overachievement in income in other areas together with management actions, the two key actions being in firstly, Fleet which relates to the refinancing of some vehicles which are now being used for longer periods of time, and secondly, a managed reduction in reactive repairs to corporate property. The effect of all these variations is a net credit of £0.7m

Resources
Resources is showing a balanced position. This is largely a result of some non-delivery of staff turnover targets, offset against an overachievement of income on the agency workers contract rebate, and underspend on the external; advisor budget within Transformation. There are a number of voliatile areas that can impact upon the Resources Directorate position largely within Revenues and Benefits, such as Housing Benefit Subsidy, Community Support payments, and level of court fees income.

Contingency & Central
Corporate budgets include underspends within the Asset Management Revenue Account (AMRA, £4.4m), inflation contingencies (£1.5m) and Magistrates Court building debt repayments (£0.9m), this relating to a refund following a long-running legal dispute.The position has improved by £0.9m from quarter 2 as a reult largely of a review of the pattern of past service pension costs which it is now anticipated will underspend by £0.8m. There is a projected overspend of £0.5m on the City Centre First Project and a £0.7m shortfall in the achievement of Commissioning and Procurement savings target. Both the AMRA and contingency budgets are being rebased as part of 2016/17 Budget Setting.

2.4 Capital Programme

Table 2 below updates the budget to take account of £3.8m decrease in the programme, £0.2m net overspends and an additional £6.3m which is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2015/16 of £114.6m**.** 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 2015/16. It shows that 69% of the programme is funded by external grant monies and 26% is funded from borrowing. The Programme also includes funding from capital receipts of £1.1m

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 2	118.4
Approved / Technical Changes (see Appendix 2)	2.2
"Net" Overspending (see Appendix 5)	0.2
"Net" Rescheduling into future years (see Appendix 4)	(6.3)
Revised Estimated Outturn 2015-16	114.6

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific Approvals)	17.0
Prudential Borrowing (Gap Funding)	12.6
Grants and Contributions	79.4
Capital Receipts	1.1
Revenue Contributions	4.4
Leasing	0.1
Total Resources Available	114.6

2.5 Treasury Management Activity in 2015/16

Interest Rates

The global economy is facing a period of slower growth, mainly caused by recent problems experienced in China. It is expected that the UK will be able to weather a temporary global slowdown due to lower commodity prices. UK economic growth has remained robust in Q3 at 2.3% as household spending has remained high, being supported by real wage & disposable income growth due in part to very low inflation figures as a result of falling commodity prices. However, it is expected that inflation will begin to rise towards the end of 2016. All of this means that there is no prospect of an immediate rise in interest, with predictions still estimating that the first rise will be in Q3 of 2016 but the rise is more likely to be later than this rather than earlier and the new normal rate of interest will be somewhere between 2 and 3%.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2015/16 capital programme is £17.8m, taking into account borrowing set out in Section 2.4 above (total £29.6m), 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 P9	Maximum 2015/16 to P9	As at the End of P9
5 year	2.02%	2.55%	2.38%
50 year	3.21%	3.78%	3.53%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This “certainty rate” initiative provides a small 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 up to the end of 2015/16, at 0.4% below the standard rate for £31m of borrowing required for delivery of the Friargate Project. Given current interest rates and the level of investment balances held by the Council, it is likely that the Council will not use the “project rate” facility.

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 0.64%. 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 31st December 2014 **£m**	**As at 30th September 2015** **£m**	**As at 31st December 2015** **£m**
Banks and Building Societies	51.0	69.3	63.0
Money Market Funds	4.8	6.9	10.6
Local Authorities	18.0	0.0	0.0
Corporate Bonds	0.0	15.6	8.4
Total	**73.8**	**91.8**	**82.0**

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 31st December 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 31st December 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 2015/16;

- 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 31st December the value is -£48.7m (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 31st December the value is £217.0m compared to £419.3 within the Treasury Management Strategy, reflecting that a significant proportion of the Councils investment balance is at a fixed interest rate.

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 quarter 3 position has slightly improved with Adult Social Care (ASC) position remaining high but stabilising. As reported at quarter 2 work is under way to fully understand this ASC movement including the underlying position in service user numbers. The recently announced provisional 2016/17 Local Government Finance Settlement incorporates different elements of social care funding and these will need to be considered as part of a medium term financial position for the service going forward. The challenges faced within Adult Social Care have been built into the forthcoming Budget Report.

Further positive action is necessary in order for the Council to balance its budgetary control position by year-end and notwithstanding the improvement in quarter 3 the Council's Senior Management Board will continue to pursue the actions approved by Cabinet previously incorporating: fundamental review of People Directorate budgets, Place and Resources Directorates seeking to identify compensating underspends, continued control of vacancies and recruitment activity and exploring technical solutions, that might be available to manage the year-end position.

5.2 Capital

The Capital Programme shows a projected balanced position for 2015/16. The borrowing requirement in 2015/16 has fallen to £29.5m (Budget Setting report £45.6m) and the overall level of borrowing continues to be contained within previously approved parameters. Of this, £16.9m relates to spending on specific schemes approved by Cabinet. The remaining £12.5m 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 the revenue position outlined in this report, it is now less likely than previously that tactical use of revenue resources will be deployed as a mechanism to delay borrowing.

Jaguar Land Rover (JLR) Infrastructure
A planning application is imminent for the new bridge across the A45 to assist in JLR expansion. This could bring in additional grant in the region of £35m, the application for which will be reviewed on 12th February. If the LEP bid for this Government Grant is successful this might give the City Council the opportunity to apply this new resource in 2015/16 and reduce its Prudential Borrowing requirements until future years. Only when the funding application is known will it be confirmed whether the funding can be applied as part of the 2015/16 outturn process, delaying the current £29.5m Prudential Borrowing requirement to future years. This may result in a short to medium term revenue benefit.

Works for Friargate Bridge, Whitley and South West Junction Improvements
Council officers are currently in the process of agreeing the final accounts for contracts for the Friargate Bridge, Whitley, and South West Coventry Junction Improvement projects incorporating a robust audit of costs and processes on each project. The completion of the audit exercise will help to quantify the final accounts, but it is expected that the costs could increase overall against approved budget and the final outcome of this audit work will be reported within the Highways and Transportation Budget Report in March 2016. Any cost pressures will be met from within existing approved transformation programmes.

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 3 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 is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	4.2
Older People	Increasing activity across Adult Social Care is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	2.7
LAC Services	The main source of overspend is Children's Placements £0.9M (including the Staying Put Scheme). A pressure of £1.4M 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 scutiny and increased monitoring of activity and decision making at all levels is taking place.	1.4
Child Protection	This relates to an activity overspend in discretionary and Section 17 payments to prevent children from becoming looked after (£0.7M). There is also an overspend on Legal (£0.3M) as a result of high activity and the use of agency staff plus an overspend in social worker caseholding (£0.3m) as the planned reduction in agency staff did not happen. These overspends are partly offset by underspends in the Children & Families First teams, largely as a result of staffing vacancies.There is a refreshed children's workforce strategy in place with a new social worker recruitment drive due to commence in Q4 .	1.2
Strategy & Commissioning (CLYP)	The key issue contributing to the variance is the £0.7m forecasted overspend in Supported Accommodation, caused by the loss of one provider and 81 beds from current contracts and subsequent use of spot purchasing. Additional beds are being procured and in the interim there is some offsetting of the overspend by underspends in the areas of CAMHS and Advice and Guidance to Young People (Connexions/Rightstep).	0.5
Inclusion & Participation	This overspend mainly relates to transport costs (£521K 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 consulation 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.	0.4
Safeguarding	This is largely a result of an overspend within Children's Safeguarding due to high levels of activity and difficulties in recruiting to some permanent posts. As a consequence of this it was necessary to use agency staff. Hoewever, the reliance on agency staff has reduced significantly since the start of the year. There is also an overspend on the Children and Adults safeguarding boards as a result of additional expenditure on external chairs and high levels of activity in Children's Social Care.	0.3
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.	-1.3
Strategic Commissioning (Adults)	This underspend is the effect of early delivery of future budget reductions across a number of contracts	-0.5
Early Years, Parenting & Childcare	Underspend as a result of staffing vacancies and over-achievement of nursery income for 2,3 and 4 year olds.	-0.4
ASC Provider Services	This underspend relates to a number of vacancies across internally provided services	-0.1
Learning & Achievement	This underspend primarily relates to the failure to appoint to a senior level post. Revision of staffing/consultant expectations as well as non-essential spend has generated a further in-year saving	-0.1
	Forecast Overspend/(Underspend)	**8.5**

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Streetpride & Greenspace	Overspend primarily due to the delay in the implementation of the restructure of Streetpride and Parks, together with the cost of traveller encampment/intervention costs, and underachievement of bereavement services fees	1.0
Waste & Fleet Services	Overspend mainly due to the additional costs of waste disposal. These are partly offset by reductions in Fleet financing costs achievable due to the delayed replacement of some vehicles beyond their normal useful economic life.	0.3
Traffic & Transportation	Primarily due to a medium term income pressure within Monitoring & Response (MRS). This is likely to be addressed by growth in Telecare income over the next two years.	0.2
Corporate & Commercial Catering	£90k down on income target in line with 14/15 activity levels. £50k Godiva's saving target not yet achieved.	0.1
Other Variations less than 100k		0.1
Underspends:		
Corporate Property	Managed reduction in expenditure for reactive property repairs following more investment in planned works.	-0.4
Directorate & Support	Management actions to offset current and future targets and pressures	-0.3
Building Works- Planning,Technical & Maintenance	Trading with schools for property related maintenance (R&M) and small projects/internal work (OST) is the main reason for the expected surplus.	-0.2
Highways	Forecast trading surplus projected due to the higher volume of capital programme works expected in 15/16.	-0.1
	Forecast Overspend/(Underspend)	**0.7**

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
ICT Operations	ICT operations turnover target not achieved by £120k due to restructures to deliver other headcount savings and lower turnover than expected. Microsoft Dynamics price increase by £220K on renewal.	0.4
Business Services	This is a result of an under-achievement of turnover target due to deletion of vacancies and ERVR to meet workforce strategy targets. Business Services has over-delivered on its saving target in 2015/16.	0.3
Financial Mgt	Overspend as a result of non-delivery of turnover target. Excluding turnover target an underspend of £60K is forecast.	0.2
Employment Services	Under-achievement of the turnover target. Also £25K impact from salary costs associated with implementation of Agresso HR system	0.1
Procurement	The forecast overspend relates to under-achievement of £150K of the Procure to Pay savings target, some under-achievement of rebate income and other small overspends partially offset by £85K of vacancies. At Quarter 2, higher levels of vacancies were forecast via Budget Buddy and income shortfall and other small overspends had not been identified	0.1
Other Variations less than 100k		0.2
Underspends:		
Transformation Programme Office	£465k underspend on transformation advisor budget - £400k saving included in 2016/17 MTFS going forward.	-0.5
Talent & Skills Team	Underspend arises from vacancies in the earlier part of the year and delays in implementing some training due to changes in People Directorate.	-0.3
HR Recruitment	Mainly over-achievement of Agency rebate offset by advertising costs. Also some over-achievement of income.	-0.3
Post and Print	Reductions in the cost of postage (£100k reduction) due to tighter controls in place plus an increase in income.	-0.1
Legal Services	Underspend is due to an overachievement of income (including a Government imbursement) within Land Charges and offset against an increase in Professional Fees within Legal Services – due to outsourcing work whilst vacancies are being filled.	-0.1
	Forecast Overspend/(Underspend)	**(0.0)**

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 plus an additional planned £1m target into 2016/17.	0.7
Catering	The School Catering service ceased at 31st August 2015. The overspend represents non - delivery of the income target set by the Fundmental 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	The savings target attributed to City Centre First will not be delivered in the current year and has been re-designated to the Connecting Communities project going forward. A recent consultation has been carried out on proposals to deliver the 2016/17 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	(4.4)
Inflation Contingencies	The underspends across inflation contingency budgets includes £0.5m in relation to energy and an underspend on past service pension costs of £0.8 which is additional to the position reported at quarter 2. The inflation contingencies budget is being reviewed currently to ensure that it is soundly based for 2016/17 Budget Setting.	(2.2)
Legal Refund	Refund following a long-running legal dispute over debt repayments on the Magistrates Court building.	(0.9)
Policy Contingency	Unspent balance on budget of Cabinet Member for Strategic Finance and	(0.2)
	Forecast Overspend/(Underspend)	**(5.9)**

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
Place (CLYP) DIRECTORATE		
Basic Need	This an addiitonal funding from S106	0.1
Condition	This an addiitonal funding from S106	0.1
SUB TOTAL - People		**0.2**
PLACE DIRECTORATE		
C&W Enterprise and Business Growth Package	Secured extra funding for Capital expenditure. This has been secured via Project Change Request we submitted to DCLG. The additional funding was used for capital grants to businesses.	0.9
Major Projects (Friargate Bridgedeck, Whitley Junction, Public Realm & CSMP)	Loss of ERDF grant on the Minor Civils contract as ERDF deemed that the procurement of this contract did not satisfy their rules.	(0.3)
Public Realm	Re-alignment of budget due to element paid over to HMRC for Public Realm works done on behalf of Coventry University.	(0.1)
Coventry Investment Fund (CIF) - Fargo Court	This is the net movement on the CIF programme covering the recycling of Fargo Court Grant received for reinvestment ito the Site and net change to the CIF overall programme	1.2
Freehold purchase of Hornchurch close ind. Estate	An opportunity has arisen to make an investment purchase of the freehold of an industrial estate let to small businesses where the Council is currently the long leaseholder. In doing so it will convert the Councils current depreciating asset into an appreciating one, on a self funding basis that avoids future rent increases to the Council and removes dilapidations claims against the Council at the end of the lease.	0.5
SUB TOTAL - Place Directorate		**2.2**
RESOURCES DIRECTORATE		
Social Services IT System: Connecting Care	Council at the end of the lease.	(0.2)
SUB TOTAL - Resources Directorate		**(0.2)**
TOTAL APPROVED / TECHNICAL CHANGES		**2.2**

Appendix 3

Capital Programme: Estimated Outturn 2015/16

The table below presents the revised estimated outturn for 2015-16:

DIRECTORATE	ESTIMATED OUTTURN QTR 2	APPROVED / TECHNICAL CHANGES	OVER / UNDER SPEND NOW REPORTED	RESCHEDULED EXPENDITURE NOW REPORTED	REVISED ESTIMATED OUTTURN 15-16
PEOPLE	2.7	0.0	0.0	0.0	2.7
PLACE	111.1	2.4	0.0	(4.7)	108.8
RESOURCES	4.7	(0.2)	0.2	(1.6)	3.1
TOTAL	**118.4**	**2.2**	**0.2**	**(6.3)**	**114.6**

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PLACE (CLYP) DIRECTORATE		
Basic Need	Due to satisfactory resolution of completed 2012 projects where retentions had been held back; no further calls on budgets set aside to deal with potential ongoing issues and improved efficiency in project delivery which has meant tighter cost control and improved vfm.	1.1
Basic Need - Early Years	There have been no significant calls upon this budget for additional early years places this year. In 2016/17 we are anticipating that the full allocation will be used to deliver Hollyfast nursery provision.	-0.2
Condition	Further rescheduling the result of lower than expected calls to fund S278 works associated with PSBP and Early Years condition projects. Delivery of planned M&E Projects (boilers, electrical installations) has slipped due to programming issues but will be undertaken and completed next year.	-1.0
Broad Park House (Breaks for Disabled)	Unfortunately review of provision still has not been completed by People Directorate and there remains uncertainty over the timescale when decisions will be made around Broad Park and other potential locations.	-0.3
SUB TOTAL - PLACE		**-0.4**
PLACE DIRECTORATE		
Kickstart - Friargate Building	The works to excavate the foundations, basement and sub-basement have taken longer than anticipated and works on site have had to be re-scheduled to suit. Also, the construction of the adjacent public realm, which impacts on our ability to expedite the building progress, required more extensive ground treatment than originally expected and so the current construction phase is not as intensive as the expenditure profile allowed for.	-3.8
Nuckle 1.2	Network Rail timescales for reviewing design information have been delayed from those originally programmed and some minor design changes we had hoped to make as amendments at GRIP 4 stage have had to be undertaken now at the end of GRIP3 on the advice of Network Rail. Works are still due to start in autumn 2017.	-1.2
Warwick Road Station Access	In order to maximise Growth funding this year £0.9m of the overall rescheduling in Q3 is amending previous quarters rescheduling to reflect changes in resourcing. The actual rescheduling is £0.2m reflecting delayed start on site to March 2016	1.1
Coventry Station Masterplan	Footbridge and Canopies – we have revisited the design and requested an alternative higher quality specification be produced to meet our aspirations to create an appropriate gateway to the railway station and city. The additional design work and approvals process have delayed us entering into GRIP4 with Network Rail as we need to ensure design amendments are made at GRIP3 stage to avoid abortive costs at the next design stage. We are still on track to start on site in 2017.	0.6
CIF	Lythalls Lane & Fargo Court - Sunny H Funds rescheduled forward from unallocated pot to be spent in 2015/16	-0.3
City Centre Destination Leisure Facility	The reduction to the quarter three forecast of £229k is as result of the re-profiling of key sub-contractor packages. A number of the packages commence from April 2016 and are not one off payments as detailed in previous cash flow forecasts. The project managers are currently working on a revised overall cashflow including a re-profiling of the design team fees, which we will be in a position to share in the coming weeks.	-0.2
Canely Cementery - New Burial Graves	The Cabinet Member (Public Services) Petition Report – “Save the Charter Avenue Cemetery / Crematorium Hedgerow.” presented at the meeting held in September 2015 and the Cabinet Member (Public Services) report on creating additional Burial Space at Canley Garden Cemetery adjacent to Charter Avenue presented at the meeting held in July 2014 highlighted that no work to remove the existing border planting enabling the creation of new burial space would be undertaken until a new border was created and established along the boundary with Charter Avenue. Initial planting on the new border was undertaken last planting season during October 14 – Feb 15 and further planting has been undertaken during the most recent planting season during October – December 15. It is anticipated that early next financial year work will begin the remove the existing fence and the removal the existing border will start during the Autumn 2016	-0.1
Vehicle & Plant Replacement	9 vehicles were ordered to be replaced, however had 10 in replacement plan. As this one vehicle is not required to be replaced this year it was moved into next year. The vehicles is still operational sound and ok to be replaced next year	-0.1
Technical Adjustments	Reversing out previous rescheduling	-0.3
SUB TOTAL - Place Directorate		**-4.3**
RESOURCES DIRECTORATE		
Kickstart - ICT & Customer Journey	Rescheduling Mainly relates to customer journey. The focus for this year has been the build of the Customer Service Centre and significant enabling technology which was complete on schedule during Qtr 3 of this year. The focus is now being given to implementation of the Customer Portal and resource required to do that at pace. It is planned for significant spend next year on resource to support the further implementation hence the re-scheduling. It is planned that we will need to work at pace next year on the implementation of EDRMS solutions - hence the re-scheduling in this area.	-1.2
Strategic ICT Projects	There has been a significant amount of work in looking at revenue spend within ICT to deliver savings targets and planning the work to support the ICT strategy. This has meant re-profiling some of our strategic plans. We have also had some delays from third parties - such as upgrading our internet connection. This has a knock on effect for programmes such as our Cloud Technology programme. We have been working through some complexities with contracts for our systems estate which needed to be completed before we finalised plans for our Systems Consolidation project. During FY 2016/17 we will be in a position to deliver our Cloud Technology and Systems Consolidation projects - there will be significant spend in these areas and therefore this re-scheduling is required.	-0.4
SUB TOTAL - Resources Directorate		**-1.6**
TOTAL RESCHEDULING		**-6.3**

Appendix 5

Capital Programme: Analysis Of Over / Under Spend

SCHEME	EXPLANATION	£m
RESOURCES DIRECTORATE		
ICT Infrastructure Operations	Quarter one underspend reversed as no longer expected	0.2
SUB TOTAL - Resources Directorate		**0.2**
TOTAL RESCHEDULING		**0.2**

Appendix 6

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st December 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	£217.0m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£88.9mm	-£48.7m
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	£5.4m