Coventry City Council

Public report
Cabinet

Cabinet	5th July 2016
Council	12th July 2016
Audit and Procurement Committee	25th July 2016

Name of Cabinet Member:
Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:
Executive Director of Resources

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2015/16

Is this a key decision?
Yes
The Council's final outturn position for the year relates to financial matters in excess of £1.0m in one financial year.

Executive Summary:

This report outlines the final revenue and capital outturn position for 2015/16 and reviews treasury management activity and 2015/16 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- Revenue overspending of £1.3m which will be balanced to nil by a contribution from the General Fund Balance.
- £5.8m of costs incurred as a result of early retirement and voluntary redundancy decisions. This follows and is consistent with approval of the programme of staffing reductions agreed by Cabinet in November 2015.
- Headline variations including an over-spend of £5.4m within the People Directorate and an under-spend of £5.6m within the Asset Management Revenue Account.
- Capital Programme expenditure of £104m and capital spending of £10.9m rescheduled into 2016/17.
- Revenue reserve balances reducing from £84m to £83m. After taking into account capital grants received and capital receipts generated ahead of the need to spend, overall reserve balances have increased by £10m to £95m.

The report includes a recommendation to approve the project costs of bringing forward the current relocation of staff from Christchurch and Spire Houses to allow early commencement of the new destination water-park, swimming pool and leisure centre. The £1.3m project costs will be self-financing and deliver a £0.1m saving.

Recommendations:

Cabinet is requested to:
1. Approve the final revenue outturn position of a £1.3m overspend, balanced to nil by a £1.3m contribution from the General Fund Balance.
2. Recommend to Council that it approves £3.4m in-year funding of redundancy and retirement costs.
3. Approve the final capital expenditure and resourcing position, incorporating expenditure of £104.1m against a final budget of £113.7m; £10.9m expenditure rescheduled into 2016/17 and an over-spend of £1.3m.
4. Approve additional costs of £1.3m in 2015/16 and 2016/17 financed by associated savings, of relocating staff earlier than planned from Christchurch House/Spire House (CRH/SH) to allow accelerated development of the new water-park, swimming pool and leisure centre.
5. Approve the outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Council is requested to:
1. Approve £3.4m in-year funding of redundancy and retirement costs.

Audit and Procurement Committee is recommended to:
1. Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

Appendix 1	Detailed breakdown of Directorate Revenue Variations
Appendix 2	Capital Programme Changes and Analysis of Rescheduling
Appendix 3	Prudential Indicators

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

Yes - Audit and Procurement Committee 25th July 2016

Will this report go to Council?

Yes – 12th July 2016

Report title: Revenue and Capital Outturn 2015/16

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position in 2015/16 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £238m and a Directorate Capital Programme of £124m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position - an overspend of £1.3m prior to a planned contribution from the General Fund Balance which brings the overall position to a nil variation.

Table 1 Summary Outturn Position

Directorate	Net Budget £m	Outturn £m	Variance £m	Variance %
Chief Executives	1.6	1.6	0.0	0.0%
Place	29.5	29.6	0.1	0.0%
People	162.5	167.9	5.4	3.3%
Resources	10.1	8.8	(1.3)	12.9%
	203.7	207.9	4.2	2.1%
Contingency & Central Budgets	34.7	31.8	(2.9)	(8.4%)
Resourcing of Net Budget	(238.4)	(238.4)	0.0	0%
Bottom Line Variance	**0.0**	**1.3**	**1.3**	**0.5%**
General Fund Balance Contribution	**0.0**	**(1.3)**	**(1.3)**	
Final Outturn	**0.0**	**0.0**	**0.0**	

2.1.2 A projected over-spend of £3.3m was reported at quarter 3. The underlying movements between quarter 3 and outturn are as follows:

- Contingency and Central - £3.0m over-spend
- People Directorate - £3.1m under-spend
- Resources - £1.3m under-spend
- Place Directorate - £0.6m under-spend

This results in an overall underlying net under-spend of £2.0 in the final quarter and an overall over-spend of £1.3m.

Further detail is set out below.

2.1.3 **Directorate Positions**

Contingency and Central

Central budgets reflect an under-spend of £5.6m within the Asset Management Revenue Account. A projected position of £4.4m had been forecast at quarter 3 as a result of rescheduled capital expenditure leading to lower capital financing costs. The further under-spend at outturn relates to further dividends 0f £0.5m released from the Coventry & Solihull Waste Disposal Company plus £0.6m lower than expected debt repayment costs to the Public Works Loans Board. Remaining central budgets have over-spent by £2.7m. This relates primarily to an additional contribution of £3.4m to fund redundancy and early retirement costs that were not in the original budget but which are recommended in this report.

People

The People Directorate is reporting a net overspend of £5.4m. This is made up of a significant overspend on Community Purchasing of £7.0m, an overspend on Children's Placements of £1.0m (made up from non-delivery of internal fostering target £0.4m, Staying Put £0.2m, and increased cost activity, and an overspend on supported accommodation for 17 and 18 years olds of £0.7m). This is offset by some other underspends across the directorate, including a one-off underspend within Education and additional support for core activity from the Public Health grant.

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 that the underlying budget variance can be reduced and managed over the medium term. nb

Resources

Resources has an underspend of £1.3m at Outturn. This is largely as a result of some non-delivery of turnover targets, offset against an overachievement of income on the agency rebate, and underspends on talent and skills; ICT, and the external advisor budget within Transformation. There are also a number of areas that have underspends as a result of early achievement of budget savings where the budget will be removed in 2016/17.

Place

The Place Directorate's overall £0.1m over-spend includes the following variations. The major review of Parks & Street Cleansing to remove £1.5m from the service costs is now complete. This was unfortunately delayed due to process and challenge, resulting in a part year effect saving of £0.9m, and a £0.6m pressure. There has been a c1% growth in waste disposal tonnages in 2015/16, resulting in a Waste Disposal pressure of £0.7m. This is caused by both existing household 'normal' growth, and also the some additional new households that are materialising as a result of the successful growth of the city. Assumed future growth is now budgeted for from 2016/17.

Whilst some income pressures still exist, net additional income across the directorate of c£0.2m has been received. Other net underspends totalling £0.9m include £0.3m relating to the rescheduling of fleet related debt costs, and deferred works of c£0.5m in relation to parks, street lighting and corporate property.

2.1.4 The need for the Council to manage very large cuts in government resources in recent years has required wide-ranging measures to reduce the Council's cost base with the most important element of this being large-scale reductions in the Council's employee numbers. A resourcing package for Council staffing reductions was approved by Cabinet in November 2015 and nearly 300 individuals have agreed to leave the Council as a result of redundancy and early retirement decisions within 2015/16. The Council has incurred costs of £5.8m following this compared with £10.3m in 2014/15. A budget of £2.4m exists to part fund these costs and this report recommends funding the remaining £3.4m from within the overall revenue bottom line. This will ensure that the £12.5m reserve balance established as part of the November report will be available to support future redundancy and early retirement programmes.

2.1.5 Relocation of staff from Christchurch House/Spire House (CRH/SH)
The Council has identified that it needs to deliver the new city centre water-park, swimming pool and leisure centre as soon as possible. The facility will be a visible symbol of growth and regeneration and is part of the city centre transformation vision along with Friargate (FG). It will support the city centre south development and demonstrate physical change in the city centre, use redundant sites in the city centre and have a positive impact on the people of Coventry in terms of better sports provision.

In order to do this it has been necessary to accelerate vacant possession of CRH/SH and relocate the relevant staff to other accommodation on a temporary basis ahead of the completion date for Friargate. It makes sense to vacate CRH/SH earlier in order to guarantee a date for the sports facility and to avoid the potential of any additional costs (construction inflation and on-going running costs for Fairfax Street sports centre) for the sports project as a result of any delays at FG. The delivery of FG is largely in the hands of Friargate LLP and not the Council so this is the best way to safeguard the delivery of the new sports centre. The sports project is advanced enough to give confidence that if the CRH/SH site could be available earlier, the sports facility will be open in early November 2018, rather than the original date of August 2019 almost 10 months earlier than the original plan. Total costs of £1.3m will arise from ICT and building works and leased building costs to accommodate relocated staff. Savings from vacating CRH/SH and the Fairfax Street site will fund the relocation costs, and produce an overall saving of £0.1m. Approximately £0.1m of the total costs have been incurred in 2015/16 with the majority of the remainder likely to be incurred in 2016/17.

2.2 Reserves

2.2.1 The total reserve balance at the end of 2015/16 is £95.4m, compared with £84.6m at the end of 2014/15. The main reason for this overall increase of £10.8m is the setting aside of capital receipts and capital grants that will be used to fund the 2016/17 Capital Programme. The position excluding these items shows a reduction in revenue reserves of £1.2m. The total reserve movement in 2015/16 is summarised in the table below.

Table 2 Summary of Reserve Movements in 2015/16

Reserves	Balance at 31st March 2015 £000	Increase/ (Decrease) £000	Balance at 31st March 2016 £000
General Fund Balance	(5,160)	1,336	(3,824)
Non-Schools Revenue Reserves:			
Private Finance Initiatives	(11,061)	(710)	(11,771)
Potential Loss of Business Rates Income	(7,100)	4,430	(2,670)
Early Retirement and Voluntary Redundancy	(5,109)	(7,391)	(12,500)
Achievement of Future Savings	(3,424)	2,532	(892)
Birmingham Airport Dividend	0	(4,400)	(4,400)
Children's Social Care	(3,000)	1,000	(2,000)
Leisure Development	(1,459)	583	(876)
Public Health	(1,402)	365	(1,037)
Health and Social Care Schemes	(1,417)	1,137	(280)
Vehicle Purchase Programme	(1,547)	1,547	0
Troubled Families	(710)	9	(701)
Insurance Fund	(2,912)	510	(2,402)
Management of Capital	(2,112)	(225)	(2,337)
Other Corporate	(2,369)	920	(1,449)
Other Directorate	(6,434)	(487)	(6,921)
Other Directorate funded by Grant	(4,478)	1,377	(3,101)
Non-Schools Revenue Reserves	(54,534)	1,197	(53,337)
Schools Reserves:			
Schools (specific to individual schools)	(18,050)	(1,933)	(19,983)
Schools (for centrally retained expenditure)	(6,471)	630	(5,841)
Total Schools Reserves	(24,521)	(1,303)	(25,824)
Capital Reserves:			
Useable Capital Receipts Reserve	0	(6,660)	(6,660)
Capital Grant Unapplied Account	(384)	(5,352)	(5,736)
Total Other Reserves	(384)	(12,012)	(12,396)
Total Reserves	(84,599)	(10,782)	(95,381)

2.2.2 In overall terms the level of reserve balances incorporates balances held by and on behalf of schools of £25.8m, £12.5m set aside for future early retirement and voluntary redundancy costs and a Special Dividend of £4.4m from Birmingham Airport.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2015/16 is shown in summary form below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Over-spends £m	Total Variance £m
113.7	104.1	(10.9)	1.3	(9.6)

The period 8 monitoring report to Cabinet on 9th February 2016 approved a revised capital budget of £114.6m for 2015/16. Since then there has been a net programme reduction of c£1.0m giving a final budget for the year of £113.7m. Since February, a total of £10.9m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling and Accelerated Spend

Project	(Rescheduling)/ Accelerated Spend £m	Explanations
Coventry Station Masterplan/NUCKLE	(1.9)	£1.3m of this rescheduling is a month's delay for the Access Tunnel due to the technical approval timescales required by Network Rail (NR). £0.3m relates to the additional works for the Footbridge and Canopy for the redesigned to a glazed option and additional highway modelling works, and the signing of the Direct Service Award for NUCKLE Phase 2 with NR taking longer than anticipated.
Friargate Building	1.0	A slight betterment on current programme in respect of the main lift/stair core and connecting steelwork.
Public Realm and Highways	(2.0)	This rescheduling cover a multiple of projects covering the investment in public realm and meeting the timescales in the use of ERDF monies. This demand has meant that some reforecasting works have been put back until 16/17. Other schemes include small delay on works on the Swanswell Viaduct and delayed Plaza lightning at South West Junction Road Improvements
Sports	(0.2)	This incorporate the new City Centre Sports facility which is slightly behind programme and £0.1m relates to deferred professional fees, and a further £0.1m is for the ongoing maintenance at the existing (Baths) sports centre savings generated this year while officers only spend on essential items
Growth 2	(0.7)	£3m of Growth Deal 2 was included in the programme and £0.7m of this was not required and has been slipped back into 2016-17.

CIF Schemes	(0.8)	This relates to two CIF Schemes - Cathedral Lanes who have not required to take up the further £0.7m loan in year and £0.1m for Lythalls Lane which is nearing completion and will be used to finalise the account.
Vehicle & Plant Replacement	(1.30)	Vehicles not replaced due to reductions in service requirements or identification of alternatives.
Schools	(2.6)	Efficiencies in Project Procurement, late starts in construction on 3 schools sites, in addition to the poor take up of the Early Years Grant
ICT	(1.2)	Re-organisation of the ICT Team and the reprioritisation of workload towards the development of Unified Comms has delayed other ICT Projects going forward.
Other	(1.2)	Slow take up of Grants covering Disabled Facilities Grant and Business Grants
TOTAL	(10.9)	

2.3.2 The 2015/16 Programme continues to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Highways and Public Realm. The City Council has made significant investment in specific Public Realm schemes including the Gosford Gate, Belgrade Plaza, Lidice Place improving accessibility to the City Centre, pedestrianized links, car parking and have improved the attractiveness of the City Centre and its future aspirations for business growth. In addition works continues on the resurfacing of roads, A45 Ring Road, and Whitley Junction. New works started on the Swanswell Viaduct.
- Schools - The 2014 Increasing Primary School Places Programme agreed by Cabinet in 2012 has now been completed together with the rebuild of Edgewick Primary School. The provision of primary places however remains under on-going review as pressures remain in some parts of the city. The remainder of the programme was focused on addressing urgent condition needs which if not addressed could potentially result in the closure of a school. These primarily were re-roofing and boiler replacement schemes. With a significant reduction in available capital funding between 2016/17 and 2017/18, funding priority will continue to be given to addressing condition issues as well as delivering a new SEN Broad Spectrum Special School co-located with Whitley Abbey Primary School at an estimated cost of £10.5 million. From 2017/18 priorities will then begin to shift to addressing a projected shortfall of secondary places and the Local Authority has secured a basic need allocation of £7million in 2018/19 to help fund delivery of these places.
- Regeneration – The regeneration of Far Gosford Street is nearing completion developing the sites at FARGO Village and the links with Gosford Gate utilising external and Coventry Investment Fund funding.
- NUCKLE Phase 1 is complete with stations open at Coventry Arena, Bedworth and Bermuda Park. Work now progressing into Phase 2 to build a new bay platform at Coventry Station and develop the extra train service. Works commenced on the first stage of the Coventry Station Masterplan on the Warwick Road station access

tunnel in Q4, while GRIP 3 design is progressing for the other schemes under the programme including a new footbridge and canopies, multi-storey car park, new station building and bus interchange to improve capacity at Coventry Station to support future growth.

- Friargate Bridgedeck £1.3m overspend since quarter 3 outturn report. The £18.2M Friargate final account outturn figure includes for the bridge deck, station forecourt works, station access early works and enabling works, along with Early Contractor Involvement costs which were included within the Cabinet report but accounted for in third party rather than construction costs as these were pre-construction activities. The projected costs for construction under the contract have increased by £2.2M since the figures submitted in July 2015 for the September Cabinet Report. The key areas where costs have risen is principally due to two Compensation Events namely Earthworks and Structural Concrete which have increased significantly in cost compared to the best case planning figure available in July 2015. Further to this assumptions were made back in July regarding Disallowed Costs under the contract which have largely not been realised, resulting in further costs increases, and resultant changes to the Estimated Forecast Revised Target Cost and Estimated Forecast Defined Costs have impacted on the Pain/Gain share calculation, resulting in a net increase. It's important to highlight that the costs are not agreed and the contract is being administered robustly, the commercial process for agreeing the final account is on-going and having challenged all costs we believe it is necessary to be prudent and make provision for this cost. Nevertheless we will continue to challenge to ensure the final account is representative of value for money and is based upon defined costs.

2.3.3 The funding in respect of this capital expenditure of £104.1m is summarised below:

Table 5: Capital Funding

	£m
Prudential Borrowing	0.0
Grants and Other Contributions	
- Growth Deal 1/2	18.8
- Sub-regional & Government funding for the NUCKLE rail project and Highways	11.3
- European Regional Development Fund	18.2
- Education Funding Agency	3.5
- Regional Growth Fund/Growing Places	5.4
- S106	2.7
- All Other Grants/Contributions	13.5
Revenue Contributions	1.1
Capital Receipts	29.6
Total Resourcing	**104.1**

2.4 Treasury Management Activity

2.4.1 Economic Activity and Interest Rates - Annual economic growth has slowed to 2.3% during 2015 compared to 3% at the end of 2014. Inflation has been as low as 0.0% during the year, mainly attributable to the continued collapse of the price of oil. This has risen to 0.3%

although this is still well below the Bank of England's 2% target. The employment rate has given good news though standing at 74.1% which is the highest rate since record began in 1971. The unemployment rate is also at a 12 year low of 5.1%. Very low inflation rates and modest wage growth of 2.2% has meant real earnings growth was positive, boosting consumers spending power. There is uncertainty in global markets surrounding the outcome of the US presidential election & the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3% due to this uncertainty.

The UK base rate has remained at 0.5% since 2009. The evidence suggests that any rise in rates has been pushed back even further, with current estimates projecting a rate rise around March 2018. The Bank of England has also stressed that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles. Linked to this, market investment and borrowing rates for up to 12 month periods stood at less than 1% through the year.

Longer term rates, at which local authorities borrow from the Public Works Loans Board (PWLB), were:-

Table 6: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2015/16	Maximum in 2015/16	Average in 2015/16
5 year	1.67%	2.55%	2.20%
20 year	3.06%	3.79%	3.46%
50 year	3.01%	3.78%	3.42%

Given the above rates it has continued to be cheaper for local authorities to use short rather than long term funds for financing.

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has reduced by £8.5m:-

Table 7: 2015/16 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2015	400.4
Borrowing to finance 2014/15 Capital Programme	0.0
PFI & Finance Leases liabilities	6.0
Provision to Repay Debt (Minimum Revenue Provision)	(13.6)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(0.8)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1st April 2016	**391.9**

No new long term borrowing was taken out during 2015/16, but £11.9m PWLB loans were repaid on maturity. However, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2016/17. Within 2015/16, the movements in long-term borrowing and other liabilities were:-

Table 8: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2015 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2016 £m
PWLB	221.3	(11.9)	0	209.4
Money Market	59.0	0	0	59.0
Stock Issue	12.0	0	0	12.0
Other	0.5	0	0	0.5
sub total ~ long term borrowing	**292.8**	**(11.9)**	**0**	**280.9**
Other Local Authority Debt	17.4	(0.9)	0	16.5
PFI & Finance Leasing Liabilities	70.7	(1.8)	6.0	74.9
Total	**380.9**	**(14.6)**	**6.0**	**372.3**

This long term borrowing is repayable over the following periods:-

Table 9: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m	Short Term Borrowing £m
Under 12 Months	31.5	0
1 – 2 years	5.5	0
2 – 5 years	41.5	0
5 – 10 years	21.7	0
Over 10 years	180.7	0
Total	**280.9**	**0**

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £58m of such loans, £30m of which the lender can effectively require to be paid at 6 monthly or annual intervals, and £28m at 5 yearly intervals

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds.

No short term borrowing was taken out during the year as the Council's cashflow requirements were met from its own cash and short term investment balances.

During the year the Council held significant short term investments, as set out in Table 10. The average short term investment rate in 2015/16 was 0.6334%.

Table 10: In House Investments at 31st March 2016

	At 30th June 2015 £m	At 30th Sept 2015 £m	At 31st Dec 2015 £m	At 31st Mar 2016 £m
Banks and Building Societies	76.9	69.3	63.0	46.0
Local Authorities	0.0	0.0	0.0	3.0
Money Market Funds	10.7	6.9	10.6	8.3
Corporate Bonds	21.8	15.6	8.4	6.5
Total	**109.4**	**91.8**	**82.0**	**63.8**

In addition to the above in house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. The intrinsic Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. However, they are designed to be held for longer durations allowing any short term fluctuations in return due to volatility to be smoothed out.

Table 11: External, Pooled Investments as at 31st March 2016

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	8.0	8.58	5.90%
Payden Sterling Reserve	Feb 2012	7.5	7.83	1.01%
Federated Prime Rate Cash Plus	Mar 2013	5.0	5.09	0.61%
Ignis Sterling Short Duration Fund	Mar 2015	7.8	7.84	0.52%
Total		**28.3**	**29.34**	**0.96%**

In placing investments the authority manages credit risk within the parameters set out in the investment strategy, approved as part of the budget setting report. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Whilst the fears of systemic banking failures may have receded, the development of "bail-in" make it almost certain that unsecured and corporate investors would suffer losses in the event of a bank default. Credit risk remains an issue for local authorities.

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury 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.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 13.91%, as against a 14.83% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators
These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £371.9m was within the limit of £494.3m.

- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not 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. Borrowing plus PFI and finance lease liabilities at £371.9m was within the boundary of £454.3m.

- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the “year 3” or 2017/18 CFR limit of £491.6m.

- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators 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 Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 11.2% of total debt that needs to be refinanced in 2016/17, compared to the PI limit of 40% in the 2015/16 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

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 for Resources

5.1 Financial implications

The final revenue outturn picture for 2015/16 is an over-spend of £1.3 balanced to nil by a contribution from the General Fund Balance.

Large overspends have occurred within individual service areas, most notably adults social care. Although very significant additional funding has been approved for this area within the 2016/17 Budget Setting process this, and the wider People Directorate budget, will remain a key area of budgetary focus in the new financial year.

The Asset Management Revenue Account has delivered a significant saving compared to previous estimates. This saving is the result of unplanned later than anticipated capital spending profiles plus intentional efforts to minimise the level of Council borrowing through the application of capital receipts and revenue contributions (over several years). The underlying and on-going flexibility in this area of the Council's budget has been approved as a £3m saving in the 2016/17 budget reducing in subsequent years. The measures that have helped to generate this saving will continue to be taken to help strengthen the financial position of the Council as a whole and will continue to be a very important feature of the Council's medium term financial planning. Further slippage of the 2015/16 Capital Programme will have a further beneficial impact in the new year although this is expected to be less significant than in recent years.

The pressure to manage the large reductions in government funding and absorb the financial impact of current societal pressures continues to cause financial pressure in some parts of the Council's budget. However, strong overall control continues to be applied allowing the Council to take advantage of tactical opportunities to protect its budget such as: central control of salaries, use of capital receipts to repay debt, management of reserve balances for corporate use, strict programme management of savings targets, implementation of staff reduction programmes and continued attraction of significant external funding. These actions and have helped to contribute to continued achievement of underspends demonstrates the continued strength of its budget management processes and approach.

The application of grant funding and capital receipts has been maximised within the Capital Programme resulting in no prudential borrowing in the year. Prudential Borrowing approvals not utilised for the 2015/16 programme will be applied in future years as capital spending is incurred.

There are recommendations dealing with expenditure/contributions relating to the funding of early retirement and voluntary redundancy costs and the re-location of staff from Christchurch and Spire Houses. These are both aligned to wider plans to deliver future budget savings and neither area represents net cost to the Council beyond those approved previously.

Notwithstanding an increase in capital reserves required for capital funding in 2016/17 the Council's revenue reserve levels have gone down marginally in the year. These represent an appropriate level of balances for an authority of the Council's size and are all earmarked for approved uses or will otherwise be available for member decision in the forthcoming Budget Setting process.

5.2 Legal implications
There are no specific legal implications in relation to this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?
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 we will try to deliver better value for money in the services that we provide in the context of managing 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?
The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the massive challenges being faced with regard to the level of funding available to local government over the next few years.

6.4 Equalities / EIA
No specific impact.

6.5 Implications for (or impact on) the environment
None.

6.6 Implications for partner organisations?
None.

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Appendix 1 Revenue Variations

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.	4.4
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.	1.8
LAC Services	The main source of overspend is Children's Placements £1.0M (including the Staying Put Scheme). A pressure of £1.3M 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 (£1.1M). There is also an overspend on Legal (£0.3M) as a result of high activity and the use of agency staff. This is partially offset by underspends in the Children & Families First teams, largely as a result of staffing vacancies, and an underspend on supervised contact due to recommissioning of the contract, and reduced activity.	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. In addition there is an overspend due to agency costs within the placements team. 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).	0.8
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
Inclusion & Participation	This overspend mainly relates to transport costs (£520K 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.The underspends were as a result of additional income from schools, and higher levels of vacancies than forecast.	0.1

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
Early Years, Parenting & Childcare	Public Health have supported an additional £0.6m of activity freeing up core budget. Further savings have been achieved through staffing vacancies and over-achievement of nursery income for 2,3 and 4 year olds.	-1.2
Strategic Commissioning (Adults)	This underspend is the effect of early delivery of future budget reductions across a number of contracts as well as less than expected numbers of Carers accessing services following the introduction of the Care Act	-0.8
Learning & Achievement	Underspend relates to reduced spend on the school improvement strategy, which instead will be funded from 2016/17 budgets. Further savings were achieved from vacancies and efficiencies identified within the service.	-0.4
ASC Provider Services	This underspend relates to a number of vacancies across internally provided services	-0.2
Business Performance (SCTEI)	This underspend relates to a reduction in LAC transport, largely as a result of reduced contact activity.	-0.2
Advice and Health Information Services	Underspend relates to various posts being held vacant across the service due to a review of priorities and in preparation for grant reduction in 2016/17.	-0.1
Other Variations less than 100k		-0.4
	Forecast Overspend/(Underspend)	**5.4**

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Streetpride & Greenspace	This pressure is largely as a result of the part year effect (£684k) of the delayed delivery of the Parks and Street Cleansing review. Additionally, compensating variations due to unfunded traveller incursions costs (£129k pressure) offset by deferral of parks works (£138k underspend)	0.6
Corporate & Commercial Catering	£100k trading deficit and £50k target applied for Godiva's closure that is yet to be implemented	0.1
Economy & Jobs	Primarily the under achievement of £50k ESIF grant due to delay in receiving funding agreement, together with unfunded TESS costs of £30k	0.1
Waste & Fleet Services	This overspend is due mainly to increased household waste tonnages, the cost of which have been offset by the restructuring of Fleet financing costs, and additional income in Commercial Waste.	0.1
Building Works- Planning,Technical & Maintenance	An income loss on the R&M service was suffered due to less work being billed for than expected in the final quarter, offset by higher than expected income in the wider service on managing small building projects for schools	0.1
Other Variations less than 100k		0.1
Underspends:		
Directorate & Support	Primarily Management actions to offset current and future targets and pressures	-0.3
Planning & Regulatory Services	Higher income in Building Control and Commercial Licensing, plus one off savings following the Enforcement review implementation.	-0.2
Highways	Surplus due to the combination of a small net Highways DLO trading surplus as a result of higher than normal capital works in 15/16, together with slippage of some Street Lighting legacy works.	-0.2
Traffic & Transportation	Primarily an increase in car park income due to an increased demand for parking following an upturn in the local economy, an increased student population and new residents' parking schemes	-0.2
Corporate Property	Costs have been managed down as a direct result of the reduced maintenance requirement where future disposals of corporate property are planned	-0.1
Commercial Property	Reduced spend on commercial property repairs has resulted in an underspend.	-0.1
	Forecast Overspend/(Underspend)	**0.1**

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
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
Revenues and Benefits	Overspend due to spend on professional fees and overtime needed to manage increased work volume across the service area (e.g. review exercises for empty properties and single person discounts providing an overall corporate revenue benefit), plus significant increases in bank charges, partially offset by additional one-off new burdens funding and government grants.	0.3
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. Offset at Qtr 4 by early delivery of savings	0.2
Financial Mgt	Overspend as a result of non-delivery of full turnover target due to low levels of vacancy, this has been partially offset by a contribution for staff time spent on capital projects.	0.2
Other Variations less than 100k		0.2
Underspends:		
Talent & Skills Team	Vacancies held and postponement of commissioning and other activity pending outcome of HR & Workforce Development Review. The swing since Q3 is mainly due to further postponement of planned activity.	-0.5
HR Recruitment	Mainly over-achievement of Agency rebate offset by advertising costs. Also some over-achievement of income from schools and external organisations. The swing since Q3 relates to an unexpected increase in Agency rebate and the delay of some planned spending regarding HR Review.	-0.5
Transformation Programme Office	Underspend on transformation advisor budget - £400k saving included in 2016/17 MTFS going forward.	-0.5
ICT Strategy, Systems & Development	Underspend on systems management budget - further work planned for 2016/17 to establish baseline position and savings opportunities.	-0.3
Customer Services	Salary underspend of £412k due to early delivery of savings and accelerated attrition towards year end. Offset by £132k overspend on homelessness costs including B&B and storage - ongoing work addressing underlying historic budget pressure.	-0.3
Post and Print	Reductions in the cost of postage due to tighter controls in place plus an increase in income. The swing between Q3 is due to an unforeseen increase in internal chargable work in the last quarter of the year and further reduction cost reduction.	-0.3
Audit & Risk Mgmt	Underspend due to cross Council refunds arising from payment audit and vacancies held pending finalisation of restructure	-0.1
	Forecast Overspend/(Underspend)	**(1.3)**

Contingency & Central Budgets		
Overspends:		
Early Retirement and Voluntary Redundancy	Overall ER/VR costs total £5.8m compared with a budget of £2.4m. The recommendation within this report is to fund these costs within the revenue bottom line.	3.4
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 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	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 and an additional £1.2m outturn variation which includes an further £0.5m share redemption payment from the Coventry and Solihull Waste Disposal Company. A further improvement relates to a £0.6m adjustment to interest payments on Public Works Loans Board loans.	(5.6)
Inflation	The underspends across inflation contingency budgets includes £0.5m in relation to energy.	(1.6)
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)	**(2.9)**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES	(RESCHEDULING) / ACCELERATED SPEND	(UNDER SPEND) / OVER SPEND	EXPLANATION
PEOPLE DIRECTORATE				
DOH Care Implementation Grant		(0.1)		The projects have been delayed due to national changes in April 2016 Care Act finance reforms. Whilst the government has delayed this until April 2020, funding still needs to be spent on care act related projects
SUB TOTAL - People	**0.0**	**(0.1)**	**0.0**	
PLACE DIRECTORATE				
Nuckle		(0.1)		Phase 1 of the NUCKLE Project was due to be completed by 31st March, however a small £95k will be carried forward to finalise the commitments towards Network Rail fees and the finalisation of construction works. Phase 1.2 review of the original GRIP 3 design took longer than estimated, which delayed the signing of the agreement with Network Rail. Therefore the design work programmed to take place in Qtr 3 has slipped to 16/17
Nuckle 1.2		(0.2)		
C&W Enterprise and Business Growth Package			(0.1)	The forecast at Qtr3 was based on the number of Business taking up the funding through the scheme, this was less than expected at year end.
FARGO Village	(1.9)			This is a technical change to the programme as the CIF loan was accounted for under the scheme ‘fargo court’ as Prudentially borrowed
Lythalls Lane (CIF)	(0.1)	(0.1)		Budget Holder expected to see between £60,000 to £70,000 savings on the scheme at year end but through effective management of the scheme the actuals came in at £140,000 less than forecast, this is to be rescheduled to 2016/17 so we are able to finalise the final account. Any underspend quantified will be transferred back to the CIF Budget.
Cathedral Lanes		(0.7)		We have made one loan advance payment of £750k in 2015/16 and expected to make the same again in 2016/17 (creating a total loan of £1.5m) but the developers’ cash flow did not require it. Ongoing discussions regarding the loan and possible reconfiguration could mean we seek a new approval form the CIF board and they use the money on the next Phase
GPF - Round 2 Open Call		0.3		The rescheduling is due to Coventry University Enterprises making a claim for their project sooner than originally anticipated.
International Transport Museum Project	0.4			Culture Coventry had a loan agreement of £1m, The approved change is to reflect the total amount of loan agreed

RGF3 Friargate Bridgedeck			1.3	The £18.2M Friargate final account outturn figure includes for the bridge deck, station forecourt works, station access early works and enabling works, along with Early Contractor Involvement costs which were included within the Cabinet report but accounted for in third party rather than construction costs as these were pre-construction activities. The projected costs for construction under the contract have increased by £2.2M since the figures submitted in July 2015 for the September Cabinet Report. The key areas where costs have risen is principally due to two Compensation Events namely Earthworks and Structural Concrete which have increased significantly in cost compared to the best case planning figure available in July 2015. Further to this assumptions were made back in July regarding Disallowed Costs under the contract which have largely not been realised, resulting in further costs increases, and resultant changes to the Estimated Forecast Revised Target Cost and Estimated Forecast Defined Costs have impacted on the Pain/Gain share calculation, resulting in a net increase. It’s important to highlight that the costs are not agreed and the contract is being administered robustly, the commercial process for agreeing the final account is on-going and having challenged all costs we believe it is necessary to be prudent and make provision for this cost. Nevertheless we will continue to challenge to ensure the final account is representative of value for money and is based upon defined costs.
Warwick Road Station Access		(1.3)		This rescheduling is due to the fact that works started on site in Q4, the original forecast was pre-tender and assumed works starting earlier in Q3, however due to the timescales required to undertake the Network Rails technical approvals process it was not possible to start works until March 2016.
RGF4		(0.4)		Budgets were set based on the estimated up take from Business to claim against the scheme, the rescheduling is due to Businesses delaying their claims
RGF3 Whitley Junction			0.2	The £200k overspend is currently identified as a direct result of the increase in the amount of compensation events submitted by the contractor as a result of providing the works. In particular a number of large compensation events such as sheet piling, earthworks and culvert extension which have resulted in a net gain of the amount and cost of works undertaken by the contractor. Whilst a number of approved additional works costs have been included we are still challenging the remaining items with the contractor to bring down the outturn cost to a figure that is accountable to the project delivery.

Kickstart - Friargate Building	0.0	1.0		Council officers have been working closely with the Developer and Contractor to explore opportunities to expedite the progress of works on site. As a result of this there has been a slight betterment on current programme in respect of the main lift / stair core and connecting steelwork. The £1m accelerated spend is directly associated with this
RGF2 Wave 2 Growth Hubs	0.1			Grant Body offered additional grant during the year, this was applied for and confirmed they had an additional £100k for 2015/16.
Investment in Sporting Facilities		(0.1)		This capital budget is for the on-going maintenance of Coventry Sports and Leisure Centre (CSLC) it is proposed that facility will close in 2019 and as such officers are only committing spend on essential Health and Safety maintenance to keep the facility open and operational. In 2015/16 only limited expenditure was required with Coventry Sports Trust funding most maintenance from internal budgets. The funds will need to be rescheduled as there could be unforeseen maintenance issues of a high value that are a Council responsibility over the remaining lifespan of the facility.
Play Areas		(0.4)		Parks has undergone Management changes this year and the original budgets were set by the previous Manager. Also the S106 funds have been looked at in detail and additional funds have been allocated to Parks. Funds were not spent as forecast due to either the capacity to get the work done, identifying meaningful projects or funds were being held until sufficient funds were accrued to undertake a project.
Integrated Transport Programme	0.2	(0.6)		The rescheduling is due to third party contributions to works due to be undertaken at New Century Park in 2016-17, along with lining works that will be completed in the early part of next financial year. This is also coupled with the fact that the emerging strategies of the CWLEP and ITA/Combined Authority have yet to come to full fruition, which has resulted in slippage of major scheme development.
Coventry Station Masterplan		(0.3)		Underspend on CSMP in Q3 was primarily due to a delay closing out the GRIP3 design process for footbridge and canopies, this was due to a redesign required by CCC to produce a statement glazed footbridge rather than the more basic option proposed by the design team. There was also a delay in terms of the Phase 2 works GRIP3 design as extensive traffic modelling was undertaken to validate the highway layout and some redesign was required to produce the optimum highway layout.
City Centre Destination Leisure Facility		(0.1)		Due to changes to programme (the proposed completion date is the same) the professional team re-profiled fees in quarter 4 of 2015/16, the re-profiling exercise meant that professional fees that were originally forecast to be paid in 2015/16 will now be paid in 2016/17.

Public Realm 3	0.3	(0.1)		Approved change is a result of a change of scope to the Belgrade scheme, primarily the purchase of sandstone benches to ensure a high spec finish. Additional public realm works had also been undertaken around Hill Top and Far Gosford Street.
South West Coventry Jnct Imp Programme	(0.6)	(0.4)		The £0.4m rescheduling relates to University of Warwick (UoW) Plaza lighting still to complete along with the ongoing potential £0.2m shared spend from the Costain contract that is still in commercial dispute. The approved change of £0.6m is due to the UoW works being anticipated to cost more than expected, this has no impact on CCC as all UoW works are recharged and recouped from the University, there is nil effect on CCC.
Highways Investment	0.2	(0.5)		Approved changes include additional resources being identified to fund the programme. The rescheduling is connected to turning our attention to delivering the Public Realm works by the tight Christmas deadline that was imposed on us by the European Regional Development Fund (ERDF). With the emphasis on this delivery we rescheduled a number of our Carriageway Resurfacing schemes which meant both a late delivery in the year and deferred schemes into 2016-17.
Challenge Fund - Swanswell Viaduct		(0.4)		There has been a delay in site investigation and material testing works. Intrusive site investigation commenced last in the financial year to ascertain extent of deterioration and prioritise works, this spend will occur early in Qtr 1.
Challenge Fund - WM Network Renewal Project		0.2		With the public realm programme being achieved, spare capacity became available for March so with designs already complete for London Road Roundabout, the programme was able to resurface and renew the line markings. This enabled us to accelerate the programme.
Highways S106 - Banner Lane		(0.2)		The Banner Lane/Broad Lane junction has been delayed due to the emphasis being focused on achieving the tight Public Realm deadline. Designs and site investigations commenced towards the end of the financial year, which is later than initially anticipated.
Super Connectivity		(0.2)		The main reason for underspend is that there were fewer completed claims received than projected and therefore fewer grant payments were issued. Two large broadband suppliers (BT and Virgin Media) were the main reason for fewer completed claims being received due to inaccuracies in the data they reported which needed investigating by the central government BDUK team. A hold on issuing grant payments to these two suppliers was placed by BDUK on all cities administering the scheme, this contributed towards us missing our projections. The hold on payments for one of the suppliers was lifted near the end of March while the hold on payments to the second supplier is expected to be the lifted in the next few weeks.

Vehicle & Plant Replacement		(1.3)		5 Waste vehicles £795k and 6 Passenger vehicles £342k delayed lead time, delivery April/May £150k misc vehicles either duplicated or changed from leasing to borrowing and again late delivery
Growth Deal		(0.7)		£3m of Growth Deal 2 was included in the programme and £0.7m of this was not required and has been slipped back into 2016-17.
Capital Disposals	0.5			This is the final outturn for 2015/16 costs for disposing of CCC properties funded from the capital receipts generated.
Basic Need	0.4	(0.7)		Approved Changes:- Switch of £0.2m from TBNP, and an addition £0.2m of S106 monies. £700k Rescheduling - within the programme 54% of underspend is unallocated funding to accommodate emergency works. Leaving c£320k to be carried forward to meet 16/17 commitments/ retentions. The balance from savings generated on individual schemes coming in below the target price, through the effective management in the procurement and construction, will be recycled to continue to meet the Programmes new commitments.
Emergency Basic Need		(0.1)		Demand led and therefore difficult to predict. Balance will be carried forward into 2016/17. Condition led programme (CAP1026) will hopefully reduce demand on this budget going forward.
Basic Need - TBNP	(1.4)	(0.4)		**Approved Changes:** 1m has been put back into Condition & 0.2 into Basic need due to project underspends and new S106 monies coming in to fund the programme, this money had a uncertainty of being received. **Re-scheduling:-** The 0.4 re-scheduling is due to the final bills from the contractor not being verified until very late by the Cost Consultants will be paid in 16/17.
Condition - Schools	1.1	(1.3)		**Approved Changes:-** 1 m from TBNP as per Basic Need TBNP explanation Re-**scheduling:-** £745k will be carried forward to 2016/17 for the condition element of Edgewick to meet project retentions AND final bills from Farrans (the contractor) which are currently awaiting verification from Turner Townsend our cost consultants. £90k underspend of M&E condition projects (boiler replacements) due to internal capacity issues (particularly around design) – has been addressed for 2016/17 programme with earlier start on programme and external delivery where appropriate. £297k was unallocated to a specific scheme pending the identification of further schemes and will be carried forward into 2016/17.

Condition - Early years		(0.1)		Eagle Street Play Centre and Foleshill Play Centre accounted for £25k of this underspend. Investment in both of these facilities was put on hold pending consultation over their future as part of Connecting Communities. On 23rd February 2016 Cabinet agreed to stop providing play activities at Edgewick and Eagle Street Play Centres and for the Council to lease the buildings to third party operators to use for nursery provision for the two, three and four years olds instead by September 2016. It may be necessary for the condition improvement work to go ahead in 2016/17 as part of the Council's Landlord responsibilities and hence it is proposed to carry forward the £25k. Improvement works to the value of £15k were not delivered across 6 other schemes by Early Years. The balance of £50k was in 'unallocated' - condition projects are demand led and clearly there wer insufficient projects identified by Early years which required condition funding.
Pathways to Care (Support to Foster Carers)		(0.1)		Underspend due to delays in agreeing a policy and grant terms/conditions with Legal and Audit. Difficult to forecast demand for support from this budget.
Miscellaneous		(0.3)	(0.1)	Aggregated changes that total >£100k.
SUB TOTAL - Place Directorate	**(0.8)**	**(9.6)**	**1.3**	

RESOURCES DIRECTORATE				
Kickstart - ICT Systems		(0.4)		A significant proportion of this underspend (£380k) relates to the Agresso HR & Pay implementation/project. This project has been on hold whilst negotiations have been on-going with the supplier. These negotiation progressed during QTR4 of 15/16 but this has meant the expected spend on this project will now fall into FY 16/17. The remaining re-scheduling relates to the Customer Journey and EDRMS projects: Customer Journey - The planning for the next phases of the Customer Journey programme was finalised during Qtr 4 of 15/16. This has provided the plan for the next elements of resource required and this will form part of the financial planning for FY16/17 EDRMS - The information management strategy has been developed during Qtr 4 and further work has started with external consultants (Inform Consult) on the implementation. The spend on the further implementation of the EDRMS solutions will now fall into FY 16/17
Kickstart - Customer Journey	(0.1)			Moving resources to the Friargate Kickstart Project to fund ICT works

Kickstart - ICT Infrastructure		(0.4)		Due to technical issues with the implementation of the Mitel Unified Communications system, there have been delays with the roll out across the Council. As the original payment schedule was linked to the roll out, payments have not been made as per the schedule. The technical issues have now been resolved, and it is expected that the roll out will be completed by the end of the 2016/17 financial year. A revised payment schedule has been agreed with the supplier, and providing there are no further technical issues with the system, all further payments will be made by the end of the 2016/17 financial year.
ICT Infrastructure Operations		(0.4)		In order to support the early relocation project, orders were placed for the equipment (laptops, monitors etc.) required for circa 500 staff. Whilst this equipment was expected to be delivered and invoiced in time for year end, delays with the supplier meant that it was not received into bonded storage until early April. This resulted in a re-scheduling of £200k.These costs have now been receipted and invoiced. The remainder of the re-scheduling relates to expected expenditure in Q4 which did not happen due to allocation of staff to meet the demands of early relocation. It is expected that this work and the related expenditure will happen Q1 2016/17 or early Q2.
SUB TOTAL - Resources Directorate	**(0.1)**	**(1.2)**	**0.0**	
TOTAL RESCHEDULING	**(0.9)**	**(10.9)**	**1.3**	

Appendix 3

Summary Prudential Indicators

		Per Treasury Management Strategy 15/16 £000's	Actual 15/16 £000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	35,349	33,149
	(b) General Fund net revenue stream	238,357	238,357
	General Fund Percentage	14.83%	13.91%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	398,874	372,320
	Capital Financing Requirement (forecast end of 17/18)	443,938	491,626
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	398,874	372,320
	less investments	-10,000	-96,772
	less transferred debt reimbursed by others	-16,470	-16,471
	Net Debt	372,404	259,077
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	117,659	104,056
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	443,938	391,833
	Capital Financing Requirement excluding transferred debt	427,468	375,362
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	419,260	419,260
	+ authorised limit for other long term liabilities	75,028	75,028
	= authorised limit for debt	494,289	494,289
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	379,260	379,260
	+ Operational boundary for other long term liabilities	75,028	75,028
	= Operational boundary for external debt	454,289	454,289
7	**Actual external debt**		
	actual borrowing at 31 March 2016		280,930
	+ PFI & Finance Leasing liabilities at 31 March 2016		74,919
	+ transferred debt liabilities at 31 March 2016		16,471
	= actual gross external debt at 31 March 2016		372,320
8	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	419,260	239,397
	Variable Rate		
	Upper Limit for Variable Rate Exposures	83,852	-55,239
9	**Maturity structure of borrowing - limits**	**upper limit**	**actual**
	under 12 months	40%	11.2%

	12 months to within 24 months	20%	2.0%
	24 months to within 5 years	30%	14.8%
	5 years to within 10 years	30%	7.7%
	10 years & above	100%	64.3%
10	**Investments longer than 364 days: upper limit**	10,000	5,525