Coventry City Council

Public report
Cabinet Report

Cabinet
Audit and Procurement Committee

2nd August 2016
26th September 2016

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

Director approving submission of the report:
Executive Director of Resources

Ward(s) affected:
City Wide

Title:
2016/17 First Quarter Financial Monitoring Report (to June 2016)

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 June 2016. The headline revenue forecast for 2016/17 is an over spend of £6.4m. At the same point in 2015/16 there was a projected overspend of £1.0m.

The overall revenue position incorporates a headline overspend of £7.2m within the People Directorate, 50% of which reflects cross-cutting savings relating to the Kickstart and Workforce Strategy programmes that have not yet been achieved in Children's and Adults' Services.

This position will require corrective action to be taken by Strategic Management Board and senior managers across the Council. A set of proposed actions is recommended within the report.

Capital spending is projected to be £99.8m for the year, a net decrease of £23.4m on the directorate programme reported in the February Budget Setting report. This decrease in the Capital Programme includes £35.2m of expenditure that has been rescheduled into future years.

Recommendations:
Cabinet is recommended to:

1. Approve the forecast revenue overspend at Quarter 1.

2. Endorse the actions set out in section 5.1 to be taken by senior management to address the revenue budgetary control issue.

3. Approve the revised capital estimated outturn position for the year of £99.8m incorporating: £1.0m net increase in spending relating to approved/technical changes (Appendix 2) and £35.2m net rescheduling of expenditure into 2017/18 (Appendix 4).

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 2016/17
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 2016/17 file, location BGH Floor 5

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, 26 September 2016

Will this report go to Council?

No

Report Title: 2016/17 First Quarter Financial Monitoring Report (to June 2016)

1. Context (or Background)

1.1 Cabinet approved the City Council's revenue budget of £233.4m on the 23rd February 2016 and a Directorate Capital Programme of £123.2m. This is the first quarterly monitoring report for 2016/17 to the end of June 2016, 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 2016/17 revenue forecast is an over-spend of £6.4m. The reported forecast at the same point in 2015/16 was an over-spend of £1.0m. Capital spend is projected to be £99.8m, a decrease of £23.4m on the base programme.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The Quarter 1 revenue budget monitoring exercise has identified an overall overspend of £6.4m. Table 1 below provides details of the forecast directorate variances.

Table 1 - Forecast Variations

Directorate	Revised Budget	Forecast Spend After Action/ Use of Reserves	Net Forecast Variation
	£m	£m	£m
Chief Executives	1.1	1.1	0.0
People	165.0	172.2	7.2
Place	32.9	33.8	0.9
Resources	11.2	10.8	(0.4)
	210.2	**217.9**	**7.7**
Contingency & Central Budgets	23.2	21.9	(1.3)
Total	**233.4**	**239.8**	**6.4**

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.

<u>People</u>

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries of £5.4m masks a significant overspend across other areas (£12.7m) including undelivered savings targets and budgetary control pressure. The net position of £7.2m overspend is largely made up of undelivered savings targets –

most significantly the crosscutting kickstart and headcount targets in Children's and Adults' Services (£3.6m). The service has saving and delivery plans in place to deliver these targets, but they cannot be achieved within the current timescale. The position has improved since our prior year forecast, largely as a result of an improved budgetary position in Children's Services. This is as a result of more robust management oversight leading to reduced activity in LAC Placements meaning expenditure is forecast to be £1.6m less than in 2015/16. Adult Social Care continues to see increasing demand with regards to young adults transitioning into the service as well as increasing levels of need across older adults.

Place

As at quarter 1, Place Directorate are forecasting a 2016/17 deficit of £0.9m, the vast majority of which is income related. Approximately £0.5m relates to the potential pressure on Bus Lane enforcement income due primarily to expected refunds. Other income pressures totalling a further £0.6m are being experienced in commercial waste (due to loss of contracts), building cleaning and occupier support (due to declining work for schools), the Monitoring & Response service (due to unachieved targets) and a forecast deficit on the corporate catering trading position. Additionally, there is an expectation of traveller incursion costs of £100k and a £150k pressure in the events budget.

These pressures are being offset primarily by an expected £0.3m underspend on the waste disposal budget due to lower tonnages of waste than expected, together with slightly lower gate fees

Resources

The Resources Directorate has an under spend against salary budgets and turnover target of £0.5m. Areas of financial pressure within the directorate are within Legal Services, where due to vacancies and activity pressure we are incurring spend on agency and barristers, and within Revenues & Benefits as a result of increased activity. We are also incurring additional one-off cost within Employment Services as a result of resourcing the HR Agresso Project.

Contingency & Central

As part of the Workforce Strategy budget savings first identified in 2015/16, there is a step-up in the target held within corporate budgets in 2016/17. The actions to deliver this have not yet been identified, leading to a net £0.7m overspend and this will be considered as part of wider budget balancing work through the year. The Asset Management Revenue Account is projecting a £0.8m underspend (much reduced from previous years) due mostly to reduced capital financing costs arising from lower than planned borrowing in 2015/16 whilst inflation contingencies are anticipated to underspend by £1.0m.

2.4 Capital Programme

The 2016/17 Budget Setting report (Cabinet 23rd February 2016) approved a total Directorate Capital programme for 2016/17 of £123.2m. Table 2 below updates the budget to take account of a £1m increase in the programme from approved/technical changes. £10.9m of expenditure has been brought forward from 2015/16 and £35.3m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2016/17 of £99.8m. Appendix 3 provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the capital programme will be funded in 2016/17. It shows 79% of the capital programme is funded by external grant monies, whilst 14% is funded from borrowing. The Programme also includes funding from capital receipts of £5.5m.

Overall the capital programme and associated resourcing reflects a forecast balanced position in 2016/17.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2015-16 MOVEMENT	£m
February 2015 Approved Directorate Programme	**123.2**
Net rescheduling of expenditure from 2015/16 into 2016/17	10.9
Estimated Outturn Quarter 2	**134.1**
Approved / Technical Changes (see Appendix 2)	1.0
"Net" Rescheduling into future years (see Appendix 4)	(35.3)
Revised Estimated Outturn 2015-16	**99.8**

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	13.6
Grants and Contributions	78.8
Capital Receipts	5.5
Revenue Contributions	1.5
Leasing	0.4
Total Resources Available	**99.8**

2.5 Treasury Management Activity in 2016/17

Interest Rates

The economic outlook for the UK has altered immeasurably following the vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access. However, the uncertainty surrounding the government is having a significant impact on the short term outlook with the result being dampened investment intentions and tightened credit availability, prompting lower activity levels & potentially a rise in unemployment. The downward trend in growth we have seen recently is also likely to continue through the second half of 2016. All of this means that an interest rate cut to 0.25% is expected imminently with a strong chance of a drop to zero. Following any interest rate cut, no rebound is expected with rates staying lower through 2019 & beyond.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2016/17 capital programme is £5.2m, taking into account borrowing set out in Section 2.4 above (total £13.6m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£8.4m). 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 2016/17 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 2016/17 to P3	Maximum 2016/17 to P3	As at the End of P3
5 year	1.41%	2.00%	1.79%
50 year	2.53%	3.28%	3.03%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This “certainty rate” initiative provides a small 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 2016/17, 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 holds no short term borrowing.

Short term investments were made at an average interest rate of 0.89%. 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, Registered Providers and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council’s cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were: -

	As at 30th June 2015 £m	As at 31st March 2016 £m	As at 30th June 2016 £m
Banks and Building Societies	76.9	46.0	54.0
Money Market Funds	10.7	8.3	15.8
Local Authorities	0.0	3.0	0.0
Corporate Bonds	21.8	6.5	23.2
Registered Providers	0.0	0.0	5.0
Total	**109.4**	**63.8**	**98.0**

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 30th June 2016 the pooled funds were valued at £28.8m, spread across the following funds: Payden & Rygel; Federated Prime Rate, CCLA and Standard Life Investments.

Prudential Indicators and the Prudential Code
Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30th June 2016 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2016/17. Specific points to note on the ratios are:

- The Ratio of Financing Costs to Net Revenue Stream (indicator 1) is 13.67% compared to 14.03% within the Treasury Management Strategy, in part due to lower levels of Prudential Borrowing resourced capital spend in 2016/17;

- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June the value is -£61.7m (minus) compared to +£78.3m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June the value is £209.0m compared to £391.3m 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

None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from Executive Director of Resources

5.1 Revenue

The Council continues to face a challenging financial position in 2016/17 in particular in relation to budget savings around the Workforce Strategy targets included in the Budget Report plus pressures across the People Directorate and in some income earning areas. In contrast to 2015/16 it is far less likely that these pressures will be able to be managed by large underspends within individual areas of the Budget. Therefore, for the remainder of the year the focus for the Council's senior managers will be to manage the budgetary position in those areas that are significantly over-spent as far as is possible within existing policy parameters. In addition, direction will be given for all budget areas to manage their expenditure as tightly as possible to help deliver a balanced position overall. The single most significant aspect of the budgetary over-spend is the non-delivery of existing savings targets. Medium-term plans are in place to meet these targets but this will not be achieved within the current financial year.

The following course of action is proposed in response to the forecast over-spend:

- Ensure that actions to deliver existing savings targets within the new People Directorate senior management team are implemented in as timely a way as possible.
- Otherwise ensure that appropriate cost control is being exercised across People Directorate budgets.
- Place Directorate to seek to identify compensating underspends, cost control and income maximisation to help move its overall bottom line towards a balanced position at year-end.
- Resources Directorate to identify opportunities for delivering underspends and cost control across its bottom line to compensate for likely over-spends elsewhere.
- All Directorates to re-energise efforts to apply vacancy control and ensure that recruitment is restricted to operationally essential posts only – analysis of the current position on vacancies will be available shortly.
- Officers to explore all options, including technical solutions that might be available to manage the year-end position.

If these measures do not prove sufficient, it will be necessary to identify resources to balance the overall position from reserves, possibly including the £4.4m Birmingham Airport dividend received in 2015/16. Given that plans are being developed as to how best to use these resources to support our future revenue and capital plans, using them within 2015/16 would be highly undesirable.

It remains likely that in order for the Council to achieve the savings already built into the Budget and meet projected Budget gaps going forward there may need to be a further programme of voluntary redundancies. Any plans to take this forward will be brought forward by the Executive Director of Resources in due course.

5.2 Capital

Significant rescheduling on schemes such as the Coventry Investment Fund, Station Masterplan and the Leisure facility have reduced anticipated spend for the 2015/16 Programme to c£100m, £35m less than planned. At the same time the Council has received additional grant and capital receipts that it will be able to use to fund capital expenditure on a cash-flow basis within 2016/17 and therefore reduce very significantly (by £62m) the amount of Prudential Borrowing that the Council is required to undertake in the year. Most of the anticipated additional grant is made up of the £35m for the construction of infrastructure at Whitley South much of which can be used for cash-flow purposes this year ahead of the need to spend. In addition, initial projections indicate that £2.9m of capital receipts will be received above the targeted level.

The 2015/16 outturn position included capital resources of c£10m that has not yet been assigned to specific spending priorities. Proposals for use of our medium term capital resources will be included as part of forthcoming Budget Setting discussions.

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 1 there is a forecast 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.

For 2016/17 quarter 1 reporting a new approach has been taken to try and maintain a focus on key budgetary variations. Budgets have been analysed between those that are controllable at a local level and those that are managed at a whole Council or Directorate level (termed "non-controllable" for the purposes of this report). These non-controllable budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The non-controllable under-spend shown below is principally the effect of unfilled vacancies.

Directorate	Revised Budget	Forecast Spend After Action/ Use of Reserves	Non-Controllable Variance	Controllable Variance	Net Forecast Variation
	£m	£m			£m
Chief Executives	1.1	1.1	0.0	0.0	0.0
People	165.0	172.2	(5.4)	12.6	7.2
Place	32.9	33.8	(0.2)	1.1	0.9
Resources	11.2	10.8	(0.5)	0.1	(0.4)
	210.2	**217.9**	**(6.1)**	**13.8**	**7.7**
Contingency & Central Budgets	23.2	21.9	0.0	(1.3)	(1.3)
Total	**233.4**	**239.8**	**(6.1)**	**12.5**	**6.4**

Non Controllable Variances- Centralised salaries and overheads

Reporting Area	Explanation	£m
People	The people directorate continues to face significant financial challenges, and a large underspend on centralised salaries of £5.4M masks a significant overspend across other areas (£12.7M) including undelivered savings targets and budgetary control pressure. The net position of £7.2M overspend is largely made up of undelivered savings targets – most significantly the crosscutting kickstart and headcount targets in Children's and Adult's Services (£3.6M). The service has saving and delivery plans in place to deliver these targets, but they cannot be achieved within the current timescale. The position has improved since our prior year forecast, largely as a result of an improved budgetary position in Children's Services. This is as a result of more robust management oversight leading to reduced activity in LAC Placements meaning expenditure is forecast to be £1.6M less than in 2015/16. Adult Social Care continues to see increasing demand with regards to young adults transitioning into the service as well as increasing levels of need across older adults.	-5.4
Place	The directorate 'uncontrollable' position shows a small surplus which reflects a net underspend of salaries against budget and turnover targets. It should be noted that this is caused by vacancies, some of which have required the need for agency cover to ensure service continuity. The net position is also offset by a c£0.2m overspend in relation to the TESS service which no longer has suffcient budget for the current level of service being provided	-0.2
Resources	The Resources Directorate overall is underspending against its salary budgets and turnover target by £0.5M. This is due to vacancies across HR and Workforce Services and Legal & Democratic Services.	-0.5
Total Non-Controllable Variances		**-6.1**

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
Child Protection	Over spend is due to agency costs being incurred to fill staffing vacancies within the Neighbourhood service. This is partially offset by an underspend on salaries reported as part of the directorate salaries underspend. Net position on the cost centre is £0.2M overspend.	3.0
SCTEI Strategic Management	This is undelivered savings targets within Children's Services (headcount reduction and Kickstart). The service has saving and delivery plans in place to deliver these targets, but they cannot be achieved within the current timescale	2.1
All Age Disability and Mental Health Community Purchasing	Underlying budget pressure arising from increasing demand for social care support for eligible service users and increasing social care market costs. Management actions underway to ensure demand on social care is managed in the most cost effective way and reduce overall costs. Control mechanisms in place to ensure expenditure is robustly managed. Working age adults tend to receive services for longer period of time and pressure is cumulative as "turnover" is limited and new users continue to enter the system in need of support.	2.0
Older People Community Purchasing	Underlying budget pressure arising from increasing demand for social care support for eligible service users and increasing social care market costs. Management actions underway to ensure demand on social care is managed in the most cost effective way to reduce overall costs. Control mechanisms in place to ensure expenditure is robustly managed.	1.5
Strategy & Commissioning (CLYP)	Supported accommodation is forecasting an overspend which is due to unexpectedly high numbers of young people being placed in single flats (after a provider of 81 beds withdrew from the contract), the lack of emergency accommodation for young people 18 - 24 awaiting housing assessments (who therefore have to be placed in bed and breakfast - although this is reducing), and the increasing use of smaller units of accommodation instead of the Foyer (as this is felt to be more appropriate accommodation for vulnerable 16 - 17 year olds). The main element of the recovery plan is being undertaken through the strategic housing board. Work is underway to disaggregate legitimate children’s service costs from housing provision funded to vulnerable young adults from this budget. This over provision of resource to meet need is contributing to the overspend. The Director of Children’s Services has requested a meeting with the budget holder and finance colleagues to consider a recovery plan.’	1.0
Adult Social Care Director	This overspend is as result off all corporate budget savings allocations (£1.498m) being assigned against this budget. These savings targets are required to be delivered over the year across all of adult social care.	1.0
Internally Provided Services	The overspends on controllable costs (agency costs, other pay and overtime) have been offset by larger underspends on non-controllable salary costs due to a number of vacancies and planned efficiencies.	0.5
LAC Services	This is due to the following increased costs: £600k agency costs in the Family placement service and the LAC caseholding service, £128k unachieved short breaks budget savings for Broad Park House, and a £220k overspend in Special Guardianship costs realting to activity and additional legal costs for one case. This is offset by an underspend in placements of £725k where there are significant LAC reductions in external fostering and residential placements.	0.5
Inclusion & Participation	This overspend relates to transport costs. Travel and assistance policies are currently under review and will be subject to a formal consultation process regarding any future proposed changes.	0.4
Adult Education	£200,000 variance is an undelivered savings target. This was due to be delivered through resource switching eligible expenditure. We continue to work on identifying eligible expenditure within Workforce.	0.2
Safeguarding	Over spend is due to agency costs being incurred to fill staffing vacancies within the service. This is partially offset by an underspend on salaries reported as part of the directorate salaries underspend. Net position on the cost centre is £0.1M overspend.	0.2
Integrated Youth Support Service	This is as a result of the reduction in Youth Offending Service grants of £149k. There are measures in place to reduce costs and balance the budget, which are currently out to consultation.	0.1

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
Older People Operational	The overspends on controllable costs (agency costs, other pay and overtime) have been offset by underspends on non-controllable salary costs due to a number of vacancies pending a service restructure.	0.1
Learning & Achievement	The current forecast is showing an underspend in salaries which will be reallocated to maximise resources for delegation to schools. The cost centre will break even at year end.	0.1
Integrated Youth Support Service	This is as a result of the reduction in Youth Offending Service grants of £149k. There are measures in place to reduce costs and balance the budget, which are currently out to consultation.	0.1
Director	Over spend is due to agency costs being incurred to fill staffing vacancies within the service. This is partially offset by an underspend on salaries reported as part of the directorate salaries underspend. Net position on the cost centre is £0.1M overspend.	-0.2
Strategic Commissioning (Adults)	This underspend is the effect of expected efficiency savings across a number of contracts and is partially offset by a reduced income expectation from Supporting People.	-0.2
Advice and Health Information Services	Forecast underspend as a result of vacancies with this service area.	-0.1
Other Variations less than 100k		0.3
	Forecast Overspend/(Underspend)	**12.6**

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Traffic & Transportation	This pressure relates primarily to the effect on receivable income of estimated Bus Lane PCN refunds, together with the impact of recent ICT server issues which have prevented the issue of some new PCNs. Additionally, the use of agency to cover various vacancies in the traffic & transportation teams is offsetting the 'uncontrollable' variance. These are however, partially offset by additional income expected from the highways permit scheme.	0.7
Building Works- Planning,Technical & Maintenance	Primarily a building cleaning trading deficit of £215k, plus a smaller £51k building work projects trading deficit in Occupier Support - both relate to declining work with schools	0.3
Cultural & Sport	£150k unfunded Godiva festival costs together with planned savings of £50k not yet achieved in relation to the Tourist information centre (TIC)	0.2
Corporate & Commercial Catering	This expected pressure is a s a result of a forecast £87k deficit on trading activity, together with an as yet undelivered £50k saving target for closing Godiva's café	0.1
Other Variations less than 100k		0.2
Underspends:		
Waste & Fleet Services	Trading with schools for property related maintenance (R&M) and small projects/internal work (OST) is the main reason for the expected surplus.	-0.3
School Strategic Planning	Managed reduction in expenditure for reactive property repairs following more investment in planned works.	-0.1
	Forecast Overspend/(Underspend)	**1.1**

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Revenues and Benefits	Overspend due to use of Civica on Demand for council tax, benefits and overpayments and overtime for council tax processing. Use of Civica and overtime continues to be necessary as the service manages an increasing workload with no additional substantive resource. Also increased transaction costs for receiving payments by debit card and increase in court fees - likely to increase further this year due to the impact of council tax support. Court fees and bank charges are beyond the control of the service. This is offset by an underspend on salaries reported as part of the directorate salaries underspend.	0.2
Legal Services	Overspend relates to barrister and locum costs. This is mainly due to vacancies within the Advocacy Team and People Team. Steps are being taken to address the difficulties experienced in recruiting. In addition some barrister costs relate to on-going cases where it would be difficult to switch to internal officers. This is expected to reduce as the year progresses. This is offset by an underspend on salaries reported as part of the directorate salaries underspend. Net position on the cost centre is £0.1M underspend.	0.1
Employment Services	Overspend is one-off and relates to agency costs, overtime/additional hours and honoraria arising from the implementation of the Agresso HR project	0.1
Underspends:		
Talent & Skills Team	Spending requirements across Council wide training has been reduced by careful management. In the longer term this budget will be re-aligned within the Council's new Workforce Strategy which will support the Council's overall business objectives which will include Kickstart moving forward.	-0.2
Other Variations less than 100k		-0.1
	Forecast Overspend/(Underspend)	**0.1**

Contingency & Central Budgets		
Overspends:		
Workforce Strategy	As part of the Workforce Strategy budget savings first identified in 2015/16, there is a step-up in the target held within corporate budgets in 2016/17. The actions to deliver this have not yet been identified and this will be considered as part of wider budget balancing work through the year.	0.7
Underspends:		
Asset Management Revenue Account	The AMRA position reflects reduced capital financing costs arising from lower than planned borrowing in 2015/16.	(0.8)
Inflation and Contingency Budgets	The underspends across inflation contingency budgets assumes no further significant contractual inflation allocations in the year.	(1.2)
	Forecast Overspend/(Underspend)	**(1.3)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Highways Investment	Addition to the programme as a result of additional funding received from Highways Maintenance Incentive Fund £0.2m and DfT Pot Hole Action Fund £0.2m.	0.4
Growth Deal	Technical adjustment to ensure programme is appropriately reflected per Growth Deal 5 year programme.	0.8
Nuckle	In Quarter one of the 2015/16 monitoring report, £799k was reported as an underspend towards NUCKLE 1.2 budget as agreed at Cabinet on 3rd March 2015. However, due to delays within phase 1.1 of the project and additional compensation events identified by the contractor a revised settlement up to £7.6m has been agreed, giving a net requirement of £730k required to be vired back into 1.1 in order to finalise the financial commitments on the project.	0.7
UK Autodrive and UK CITE	Successful bids have resulted in grant being awarded by InnovateUK for UK Autodrive £0.3m and UK CITE £0.5m, which is cash flowed over 3 financial years.	0.1
Superconnectivity	The budget figure of £170k had only taken account of the underspend from the previous financial year and had not taken account of the remaining grant claims that will be received this financial year. We are currently forecasting that in total this financial year there will be 532 claims totalling £554k. The last grant payments are currently forecasted to be made in October so we should receive all £554k back from DCMS this financial year, therefore, as with the original budget figures the capital expenditure and income will balance	0.4
Regional Growth Fund 4	The programme will come under initially budgeted at, as part of the grant conditions these funds will be returned to the Governing Body.	(0.1)
Coombe Country Park – Summer House and Car Park Equipment	Two capital projects are taking place at Coombe Country Park, the refurbishment of the Summer House at a cost of £60k, which will be marketed as a venue for events, primarily weddings. And the purchase of new car park equipment £166k. Both capital schemes will be funded through prudential borrowing and refunded through the income generated.	0.2
City Centre Destination Leisure Facility	Nominal amount to cover the transfer of Christchurch/Spire House to the City Centre Destination Leisure Facility scheme. No physical transaction will take place.	(1.5)
Miscellaneous	Net technical changes	(0.1)
SUB TOTAL - Place Directorate		**0.9**

TOTAL APPROVED / TECHNICAL CHANGES		**0.9**

Capital Programme: Estimated Outturn 2016/17

The table below presents the revised estimated outturn for 2016/17.

DIRECTORATE	FEB 201 DIRECTORATE PROGRAMME £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 16-17 £M
PEOPLE	3.9	0.0	0.0	(0.5)	3.4
PLACE	124.8	0.9	0.0	(34.7)	91.0
RESOURCES	5.4	0.0	0.0	0.0	5.4
TOTAL	**134.1**	**0.9**	**0.0**	**(35.3)**	**99.8**

*The "Feb 2015 Directorate Programme" figure presented in the above table reflects the capital programme as presented in the February Budget Setting report, revised to take into account the net impact of rescheduling expenditure between 2015/16 and 2016/17.

Appendix 4

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Basic Need	Within the basic need programme we are reporting £3.2m of rescheduling relating to 3 major schemes including, Mount Nod Primary place provision delayed as the Primary School Place Provision Strategy has not been completed for which it relies on, and statutory proposal will be required. Secondary IPP £2m – capacity for secondary places are being absorbed through the free school provision at Seva, Eden and Finham Park 2 this year, pushing our requirement to September 2018 onwards and £0.2m The Link, which is subject to the ongoing SEN review for creation of additional places.	-3.3
Coventry Investment Fund incl Unallocated Pot, Cathedral Lanes and Finance Birmingham	The only project we have approved to spend this year is SITEL at £111,224. However, this may change as Councillors will be discussing CIF in the coming weeks. The developer of Cathedral lanes will not require the drawdown of funds this financial year, at the time of budget setting there will be confirmation whether these funds are required moving forward. The legal contracts for Finance Birmingham are yet to be signed.	-11.1
Coventry Station Masterplan & Nuckle 1.2	The programme has been re-based to reflect design changes such as the up scoped glazed footbridge, in order to create a high quality gateway to the city, as well as being architecturally sympathetic with the current listed station building. We have also been engaging with contractors to obtain more robust timescales for construction programmes and phasing. The revised cash flow therefore reflects a more realistic and robust programme.	-7.4
Growth Deal – Coton Arches	A revised programme has been received from the project sponsor, resulting spend being rescheduled into 2017-18.	-0.2
Growth Deal – A46 N-S Corridor (Stanks)	A revised programme has been received from the project sponsor, resulting spend being rescheduled into 2017-18.	-3.0
Growth Deal – Skills Capital	The project has been withdrawn by the sponsor, therefore funds have been slipped into next financial year and will be re-allocated.	-0.5
Growth Deal – Public Realm	Approval of £2m of growth deal unlocking sites funds to be used to deliver new public realm schemes, which will include Greyfriars Lane, Pepper Lane, and movement of Coventry Cross along with other public realm elements. £1m cash flowed to be spent in 2016-17.	1.0
Vehicle & Plant Replacement	The rescheduling is due to a review of financing periods for vehicles. This means that vehicles will be kept in service for longer, and financed for longer periods which will realise savings, and enable achievement of fleet savings targets.	-1.1
Growing Places Fund Infrastructure	The GD Infrastructure programme makes grants available to external bodies to run projects. Two of our largest projects in this strand have not started as soon as originally planned, so our forecasts have had to be updated to reflect a much slower rate of spend. We are still expecting that all the grant will be claimed, albeit it over a longer period.	-3.6
Play Areas	Following review of the cashflow, it is confirmed an element of expenditure will slip into next financial year.	-0.1

City Centre Destination Leisure Facility	Over the last few weeks the client team has had the opportunity to meet with the short listed Contractors (during second stage of the contractor procurement process) and ascertain their thoughts in relation to the project programme and budget . This has enabled the client team in conjunction with our Professional Project team to pull together a cash flow forecast that is more reflective of how actual spend will come through. In addition both the demolition and rides contracts have now been awarded which have established more certainty around the actual cash flow forecast. This has resulted in a slippage of spend from 2016/17 into early 2017/18 against the original forecast. Despite the slippage the project is still on budget and on programme and will be complete towards the end of 2018 as was planned.	-5.2
Miscellaneous	Net rescheduling	-0.2
SUB TOTAL - Place Directorate		**(34.7)**

PEOPLE DIRECTORATE		
Dol-Y-Moch	It has now been confirmed that the scheme will slip into next financial year as Dol-Y-Moch will then have the cashflow to ensure full delivery of proposed extension plans.	(0.6)
SUB TOTAL - People Directorate		**(0.6)**

TOTAL RESCHEDULING	**(35.3)**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2016
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).	14.03%	13.67%
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 £496.7m	£381.9m 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.	£477.3m	£381.9m 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.	£437.3m	£381.9m 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.	£391.3m	£209.4m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£78.3mm	-£61.7m
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%	 10% 3% 15% 11% 61%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£30m	£5.4m