Coventry City Council

Public report
Cabinet Report

Cabinet 29th November 2016
Audit and Procurement Committee 19th December 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 Second Quarter Financial Monitoring Report (to September 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 September 2016.

The headline revenue forecast for 2016/17 is an over spend of £7.1m. This has worsened since the Quarter 1 position when it stood at £6.4m. At the same point in 2015/16 there was a projected overspend of £4.7m.

This level of overspend is unprecedented and the worsening of an already challenging financial position signifies the need for management to take decisive action to pull this back to balance or near balance by year-end. The Council's Strategic Management Board has begun immediate implementation of a series of actions which are set out in section 5.1.

Capital spending is projected to be £88.9m for the year, a net decrease of £10.9m on the quarter 1 position. This decrease in the Capital Programme includes £13.0m of expenditure that has been rescheduled into future years.

At its meeting of 26th September when it considered the quarter 1 monitoring report the Audit and Procurement Committee, recommended that comments be passed to Cabinet regarding the non-achievement of savings in the revenue budget and the volume of rescheduling within the Capital Programme. These matters are addressed within the main body of the report.

Recommendations:

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 2.

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

3. Approve the revised capital estimated outturn position for the year of £88.9m incorporating: £2.1m net increase in spending relating to approved/technical changes (Appendix 2) and £13.0m net rescheduling of expenditure into 2017/18 (Appendix 4).

4. Note the comments made by Audit Committee and the responses to those comments within this report.

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	Prudential Indicators

Background Papers

None

Other useful documents:

None

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, 19 December 2016

Will this report go to Council?

No

Report Title:
2016/17 Second Quarter Financial Monitoring Report (to September 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 second quarterly monitoring report for 2016/17 to the end of September 2016. The purpose 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 overspend of £7.1m, an increase of £0.7m on the Quarter 1 position of £6.4m. The reported forecast at the same point in 2015/16 was an overspend of £4.7m. Capital spend is projected to be £88.9m, a decrease of £10.9m on the quarter 1 position.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The Quarter 2 revenue budget monitoring exercise has identified an overall overspend of £7.1m. 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	1.2	0.1
People	166.0	173.3	7.3
Place	33.6	34.2	0.6
Resources	11.2	11.2	0.0
	211.9	**219.9**	**8.0**
Contingency & Central Budgets	21.5	20.6	(0.9)
Total	**233.4**	**240.5**	**7.1**

The Council's Strategic Management Board (SMB) recognises that this level of overspend position is unacceptable and one which will only be corrected over the remainder of the year if decisive executive action is taken. SMB has issued instructions for the immediate implementation of a series of steps to address the position and these are set out in section 5.1.

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the forecast year-end variances is provided below. Further details are shown in Appendix 1.

People
The people directorate continues to face significant financial challenges, and a large underspend on centralised salaries of £5.6M masks a significant overspend across other areas of £12.9m.

The net position of a £7.3m overspend is largely made up of budgetary control pressures and 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 worsened slightly since quarter 1, largely as a result of a worsened budgetary position in Children's Services (LAC Placements and Supported Accommodation), and plans are in place on a recovery plan to reduce expenditure. This has largely been offset by an improved position in Education.

Adult Social Care continues to see increasing demand with regards to young adults transitioning into the service and it is anticipated that the emerging plans for further review of the all age disability service will help to address this.

Place
As at Q2, the Place Directorate is reporting a net £0.5m pressure. Gross pressures within this reported figure are £1.2m, around £1m of which is income related.

Approximately £0.3m relates to the pressure on Bus Lane enforcement income due to expected refunds and the IT issues preventing issue of a large number of Penalty Charge Notices (PCNs). Other income pressures totalling a further £0.7m are being experienced in: parking enforcement due to lower than expected PCN's issued; building cleaning due to declining work for schools; the Monitoring & Response service due to unachieved targets; and a forecast deficit on the St Mary's catering trading position. Officers are looking at each of these to try to resolve them. Other pressures relate to the unbudgeted cost of traveller incursions and agency costs in the Traffic team where recruitment difficulties are still being experienced.

Pressures are being offset by forecast increased bereavement income of over £0.2m together with an under spend on the waste disposal budget of £0.2m due to lower actual tonnages and reduced recycling gate fees. Management are also looking for other one off actions where possible to reduce the corporate impact, which together are hoped to be worth another £0.2m.

Resources
The Resources Directorate has underspent against salary budgets and turnover target of £0.7m. This is offset by non-salary overspend of £0.7M resulting in a balanced net position. Areas of financial pressure within the directorate are within Legal Services, where due to vacancies and activity pressure, spend is being incurred on agency and barristers, and within Revenues & Benefits as a result of increased activity.

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 is being considered as part of 2017/18 budget setting. The Asset Management Revenue Account is projecting a £1.4m underspend (much reduced from previous years) due mostly to reduced capital

financing costs arising from lower than planned borrowing in 2015/16 and higher than planned investment income resulting from large cash balances.

2.4 Capital Programme

Table 2 below updates the budget to take account of a £2.1m increase in the programme, and a reduction of £13.0m for expenditure which is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2016/17 of £88.9m**.** Appendix 3 provides an analysis by directorate of the movement since quarter 1.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2016/17. It shows 87% of the capital programme is funded by external grant. Overall the capital programme and associated resourcing reflects a forecast balanced position in 2016/17.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2016-17 MOVEMENT	£m
Estimated Outturn Quarter 1	**99.8**
Approved / Technical Changes (see Appendix 2)	2.1
"Net" Rescheduling into future years (see Appendix 4)	(13.0)
Revised Estimated Outturn 2016-17	**88.9**

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	5.5
Grants and Contributions	77.7
Capital Receipts	4.3
Revenue Contributions	1.0
Leasing	0.4
Total Resources Available	**88.9**

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend and the level of resources available. These decisions will pay due regard to the need to earmark resources to fund future spending commitments. The Council has continued to delay prudential borrowing as a means of funding capital spend but it is important to be aware that significant amounts of borrowing has been approved to fund future spend and this will come on-stream over the next few years.

2.5 Treasury Management Activity in 2016/17

Interest Rates

Whilst the debate about what Brexit will actually mean for the UK continues, there has been a material change in the financial landscape with a first rate change for 8 years. During quarter 2 the Bank of England Base rate was cut from 0.5% to 0.25%. Initially, this was thought to be the first step and another rate cut could be on the way this financial year. However, high recent inflation figures due to the low value of the pound causing the cost of imports to rise indicates that a rate rise could in fact be on the horizon. Much like the uncertainty surrounding what Brexit will actually look like, there is a great deal of uncertainty about which direction interest rates will move next. It is likelu though that any increases (or decreases) will be very small and gradual with historic high levels of interest rates not being seen for some time.

Long Term (Capital) Borrowing
There is no net long term borrowing requirement for 2016/17 and 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 P6	Maximum 2016/17 to P6	As at the End of P6
5 year	1.15%	2.00%	1.21%
50 year	2.07%	3.28%	3.30%

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 0.79%. 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 September	As at 30th June 2016	As at 30th September

	2015 £m	£m	2016 £m
Banks and Building Societies	69.3	54.0	54.4
Money Market Funds	6.9	15.8	18.6
Local Authorities	0.0	0.0	0.0
Corporate Bonds	15.6	23.2	34.9
Registered Providers	0.0	5.0	15.0
Total	**91.8**	**98.0**	**122.9**

External Investments
In addition to the above investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and non-specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid as cash, can be withdrawn within two to four days, and short average duration. The Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. These pooled funds are designed to be held for longer durations, allowing any short term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 30th September 2016 the pooled funds were valued at £38.5m, spread across the following funds: Payden & Rygel; Federated Prime Rate, CCLA, Standard Life Investments and Royal London Asset Management.

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

The indicators, together with the relevant figures as at 30th September 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 13.31% 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 September the value is -£77.6m (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 September the value is £182.1m 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

3.1 None.

4. Timetable for implementing this decision

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

5. Comments from Executive Director of Resources

5.1 Financial Implications

The following financial explanations are made in the context of comments made by the Audit and Procurement Committee at their meeting which considered the quarter 1 position, regarding the non-achievement of savings in the revenue budget and the volume of rescheduling within the Capital Programme.

Revenue

The current financial position is perhaps the most challenging that the Council has ever faced at this point of the year. This stems from two fundamental reasons, non-achievement of planned budget savings and increases in social care pressures. A further contributory factor is that the Council no longer has the degree of flexibility that it has maintained previously within central budgets – underspends on these budgets have often helped to balance the overall bottom line in previous years.

Recent Budgets have seen the Council achieve very significant savings programmes to meet large reductions in Government grant funding. Current estimates indicate that out of £52m of savings for 2016/17 set in recent years over 90% of these will be achieved. However, the remaining savings are proving more difficult to deliver and there is likely to be a shortfall in achievement both in 2016/17 and in 2017/18 when savings targets increase by a further £16m.

The most significant shortfalls are within the People Directorate which continues to face challenges from high and increasing demand across a number of service areas. As well as causing new budget pressure from the cost of care packages and support for children and adults that have entered the care system, this pressure makes it more difficult to meet budget savings based on reductions in workforce numbers and transformational change. The relatively new management team within the directorate has plans in place to implement savings fully by 2018/19 but given the nature of these savings and the current early status of progress in delivering them it is unrealistic to expect them to be delivered in full within the current financial year or 2017/18.

The Pre-Budget Report on today's agenda describes the overall savings that the Council will be unable to deliver to the initially planned time-scale in relation to 2017/18. Proposals are included to make budgetary adjustments to reflect this shortfall with compensating savings identified from a range of other areas. It should be stressed that the achievement of those savings targets that remain will continue to be a key budget risk in 2017/18 and this risk will be set in the context of the overall Budget proposals.

At quarter 1 a range of actions were approved to manage the bottom line but the continued and increasing over-spend now demands a more rigorous approach. A further round of Early Retirement and Voluntary Redundancy (ER/VR) is in the process of being implemented by Strategic Management Board although this will not take effect in time to have a significant impact within the current year. It is expected to have fewer areas of exemption compared with previous ER/VR rounds and should help significantly to reduce employment costs going forward.

In addition, and specifically in relation to 2016/17, it is proposed that further actions are taken as follows:

- Restrict employee recruitment to essential posts only.
- Scrutinise and review agency and interim payments
- Restrict all controllable purchases to essential spend only.
- Identify the capacity to maximise the application of grant income to in-year revenue spend.
- Identify the capacity to maximise the application of reserve balances to in-year revenue spend.
- Explore all options, including technical solutions (e.g. bad debt provisions), that might be available to manage the year-end position.

Progress on the implementation of these actions will be monitored regularly.

Given the scale of the financial gap, the Executive Director of Resources will also ensure that sufficient resources are identified for use within 2016/17 should the financial position not be brought back to balance at year-end, including the use of corporate reserve balances. Work to establish the flexibility of Council reserves has already been set in motion by officers and through Scrutiny Board 1. It should be stressed that the use of such resources as a retrospective measure to balance the revenue position would be highly undesirable.

Capital

Further significant rescheduling in schemes has reduced anticipated spend to c£89m (£11m less than quarter 1). 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 reduced the level of Prudential Borrowing required in the year. Additional grant is made up mainly of £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.

At quarter 1, the Audit and Procurement Committee raised its concern at the decrease in capital expenditure compared with the February Budget Setting position. The year to date decrease now stands at £34.3m compared with £23.4m at Quarter 1. Given the overall scale of the changes and the comments passed from Audit and Procurement Committee it is appropriate to further discuss the context to and headline reasons for the movement as follows.

- The Council is in a period of delivering some of the largest programmes of capital expenditure in its history and managing a programme of this scale sets its own challenges in terms of delivering this on time.
- Elements of the programme are often set on an aspirational basis, with a working assumption that all elements of it are implemented on time.
- A number of the projects have two or more programme and delivery partners which affect the governance and implementation timetables in a way that can be difficult to predict at the start of each financial year. For instance, the NUCKLE and Coventry Station Masterplan projects include a range of partner bodies across sectors.

- The CIF programme in particular relies upon appropriate opportunities to emerge rather than ones that are driven by the Council, such that the Council does not dictate the rate of process.

The detailed rescheduling is set out by scheme at Appendix 4.

5.2 Legal implications

None

6. Other implications

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

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

In Quarter 2 there is a 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 **<u>Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position</u>**
Appendix 1 details directorates forecasted variances.

For 2016/17 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 subject to a centralised forecast and those that are managed at a whole Council or Directorate level (termed "Budget Holder Forecasts" for the purposes of this report). These Centralised 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 Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Directorate	**Revised Budget**	**Forecast Spend After Action/ Use of Reserves**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Net Forecast Variation**
	£m	**£m**			**£m**
Chief Executives	1.1	1.2	0.1	0.0	0.1
People	166.0	173.3	(5.6)	12.9	7.3
Place	33.6	34.2	0.0	0.6	0.6
Resources	11.2	11.2	(0.7)	0.7	0.0
	211.9	**219.9**	**(6.2)**	**14.2**	**8.0**
Contingency & Central Budgets	21.5	20.6	0.0	(0.9)	(0.9)
Total	**233.4**	**240.5**	**(6.2)**	**13.3**	**7.1**

Centralised salaries and overheads		
Reporting Area	**Explanation**	**£m**
People	The People Directorate overall is underspending against its salary budgets and turnover target by £5.6M. This is partly as a result of high levels of vacancies in Children's Social Care, and this area contributes £3.3M of the salary underspend. Part of the non-salary overspend is as a result of agency staff in Children's Social Care. The plan to reduce these continues, and we currently have 60 agency workers in this area (compared with 76 at 31st March 2016) Internally provided services in Adult Social Care also contributes approximately £0.9M towards this underspend as a result of planned vacancies and efficiencies.	(5.6)
Resources	The Resources Directorate overall is underspending against its salary budgets and turnover target by £0.6M. This is due to vacancies across HR and Workforce Services and Legal & Democratic Services.	(0.7)
Total Centralised salaries and overheads Variances		**(6.3)**

Budget Holder Forecasts		
REPORTING AREA	**EXPLANATION**	**£m**
PEOPLE DIRECTORATE		
Overspends:		
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. The increase in spend between quarter 1 and quarter 2 has primarily resulted as a consequence of increases in learning disability home care. This comprises 15 new commitments and 26 increased commitments between period 5 and period 6.	2.4
Child Protection	Overspend on Agency social workers to fill staffing vacancies and high levels of activity within the child protection teams. The salary underspend has £2.3M underspend as a result of the staffing vacancies. The forecast has reduced at QTR 2 as a result of lower caseloads in the RAS.	2.3
SCTEI Strategic Management	This is undelivered savings targets within Children's Services (headcount reduction and Kickstart) and also contains the costs of children's transformation. The service has saving and delivery plans in place to deliver these targets, but they cannot be achieved within the current timescale	1.8
Strategy & Commissioning (CLYP)	This budget pays for supported accommodation for care leavers, and vulnerable homeless aged 18-24. Overspend is a result of high levels of activity, and not enough of the the right types of provision. The strategy to to ensure that young people are in appropriate accommodation and not placed together with adults is also impacting as a result of needing to spot purchase more placements. A recovery plan is being worked on by commissioners and finance, which will plot and monitor move on timescales for individual young people. This work will take place between now and December, and should result in a more favourable financial forecast will be possible at Q3.	1.6
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 the social care is managed in the most cost effective way to reduce overall costs. Control mechanisms in place to ensure expenditure is robustly managed. The variance has resulted in focused efforts to monitor approved packages through the panel process and aim to reduce expenditure by being creative with support arrangements. The weekly cost of services has reduced between quarter 1 and quarter 2, although the overall numbers of people supported has remained largely the same.	1.3
LAC Services	£1M of this overspend is due to agency staff, largely offset by underspends on the staffing budget. This includes a combined £400k overspend for Adoption and Special Guardianship orders, largely due to increased activity over time and additional legal costs for one SGO case. This is offset by underspend on placements of £340k due to a reduction in LAC numbers.	1.2

Adult Social Care Director	This overspend is as result off all corporate budget savings allocations (£1.226m) 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	Overspends (agency costs, other pay and overtime) have been offset by larger underspends on centralised salary costs due to a number of vacancies and planned efficiencies. Underspend has increased since quarter 1 as a result of an earlier than anticipated closure of one of the Housing with Care schemes.	0.4
All Age Disability and Mental Health Operational	Overspends (agency costs, other pay and overtime) have been offset by underspends on centralised salary costs due to a number of vacancies.	0.3
Older People Operational	Overspends (agency costs, other pay and overtime) have been offset by underspends on centralised salary costs due to a number of vacancies and implementation of the management review.	0.3
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.	0.2
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 Children's Safeguarding service. This is partially offset by underspend on salaries reported as part of the centralised forecast underspend. The reliance on agency Independent Reviewing Officers has been reduced to zero as permanent staff are now in place. There is now only one agency staff member filling the LADO post.	0.2
Learning & Achievement	The current forecast is showing 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
Underspends:		
Older People Operational	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
Planning	Grant funded post vacancies being held in preparation for service review.	(0.1)
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.	(0.1)
Advice and Health Information Services	Underspend in respect of grant income received to support spend in other Council services.	(0.2)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**12.8**

REPORTING AREA	**EXPLANATION**	**£m**
PLACE DIRECTORATE		
Overspends:		
Traffic	The majority of the variation is within Parking services: Bus Lane Enforcement - the effect on income of recent ICT server issues (now resolved) which have prevented the issue of approx 6k PCNs. Parking Enforcement - Temporary resource issues have resulted in lower than originally targeted PCN numbers (estimated 40k versus budgeted 42k).	0.5

Environmental Services	Non achievement of Income Targets in relation to CCTV & Community Safety	0.3
Cultural & Sport	Primarily a St Mary's trading deficit	0.1
Transport & Infrastructure	Anticipated expenditure on agency cover and reduced income from capitalised staff due to post vacancies	0.1
Facilities & Property Services	Primarily Building Cleaning trading deficit.	0.1
Underspends:		
Directorate & Support	Management actions to offset directorate pressures	(0.2)
Waste & Fleet Services	A reduction in the recycling gate fee together with a reduction in the amount of materials collected by the Street Cleansing teams	(0.1)
Streetpride & Parks	Additional Bereavement Services income of £260k partly offset by increased Agency costs and Traveller Incursions.	(0.1)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**0.6**

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Revenues and Benefits	The controllable overspend is comprised largely of unbudgeted spend in relation to Civica remote processing to address workload fluctuations and vacancy cover. The £0.3m centralised forecast underspend (salaries) offsets much of the Civica remote processing expenditure and illustrates that the Civica resource is being applied to backfill vacancies within the service as workloads continue to fluctuate. In addition, there remain expenditure pressures on court fees and payment card charges.	0.3
ICT Operations	Work is currently underway to review all spend to identify detailed reasons for the current predicted overspend across User Support on mobile telephones and IT hardware. In addition a review of spend on other cost centres within ICT Operations is being carried out to identify savings which could be used to manage overspend.	0.3
Legal Services	Overspend relates to barrister and locum costs. This is mainly due to vacancies within the Advocacy Team and People Team but is being exacerbated by an increasing volume of court work (higher volume of cases and cases taking longer) and an increase in barrister. Steps are being taken to address the difficulties experienced in recruiting. This is offset by underspend on salaries reported as part of the directorate salaries underspend.	0.2
HR Support	This illustrates a reduction in income from schools for the HR Advisory SLA. In response a redesign of the service level agreement with schools has been completed with the intention to increase buy back next year together with a reduction in the staffing that currently support schools.	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.	(0.1)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**0.7**
Contingency & Central Budgets		
Overspends:		

Workforce Strategy	Shortfall in achievement of Workforce Strategy budget savings. The actions to deliver this have not yet been identified and are being revisited as part of the Pre-Budget Report. Underspend in inflation contingencies has reduced from quarter 1, reflecting a reduced saving on pension costs incurred compared to budget. The Policy Contingency is expected to underspend assuming no further significant commitments against the Budget this year.	0.7
Underspends:		
Asset Management Revenue Account	The Asset Management Revenue Account is projecting a £1.4m underspend (much reduced from previous years) due mostly to reduced capital financing costs arising from lower than planned borrowing in 2015/16 and higher than planned investment income resulting from large cash balances.	(1.4)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**(0.8)**

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Condition - Schools	£0.5m grant received in addition to what was was anticipated and built in at Budget Setting.	0.5
SUB TOTAL - People		**0.5**
PLACE DIRECTORATE		
European Structural and Investment Fund (ESIF)	Successful grant award from European Regional Development Fund for a 3 year ESIF programme in relation to Business Support £1.5m, Low Carbon Programme £1.95m and Innovation £0.8m.	0.8
Alan Higgs 50m Swimming Pool	Cabinet Report 30th August 2016 – City Wide Public Leisure Provision, addition of £10.5m prudential borrowing to the Capital programme. Cash flowed as £0.5m 16/17, £4m 17/18 and £6m 18/19.	0.5
Kickstart Office CERA	Revenue contribution to Council House works.	0.4
Integrated Transport Programme	Addition to the programme of £56k Section 106 and £75k Section 278 from Aldi Superstore, towards the cost of the provision of a footpath/cycleway from the site to Lynchgate Road and the extension of the footway north of Shultern Lane to connect to the traffic free section of Shultern Lane to the east.	0.2
A46 Link Road	DfT Grant for A46 Link Road Phase 1 (Coventry Connectivity to UK Central, Birmingham Airport and HS2) awarded £600k, it is anticipated that £200k will be spent this financial year.	0.2
Superconnectivity	Programme revised to reflect remaining anticipated outturn.	(0.3)
Highways Investment	Agreed transfer of resource to revenue for A45 historic commitment.	(0.1)
Miscellaneous	Net technical changes	(0.1)
SUB TOTAL - Place Directorate		**1.6**
TOTAL APPROVED / TECHNICAL CHANGES		**2.1**

Appendix 3

Capital Programme: Estimated Outturn 2016/17

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

DIRECTORATE	ESTIMATED OUTTURN QTR 1 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 15-16 £m
PEOPLE	15.1	0.5	0.0	(3.8)	11.8
PLACE	79.3	1.7	0.0	(8.8)	72.2
RESOURCES	5.4	(0.1)	0.0	(0.4)	4.9
TOTAL	**99.8**	**2.1**	**0.0**	**(13.0)**	**88.9**

Appendix 4

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	Significant rescheduling is due to additional pupil place provision at Mount Nod Primary being delayed, as the Primary School Place Provision Strategy for the west of the city has not been completed and statutory proposal will be required.	(1.3)
Broad Spectrum School	Due to later start on site than planned as a result of delays in securing planning permission. Report due to go to Cabinet on 4th October 2016 and start on site expected late October.	(1.0)
Condition - Schools	Rescheduling is due to the ongoing SEN review of provision including the Link and KEY provision. The new Tiverton Broad Spectrum School project will start on site later than anticipated due to a delay in obtaining planning permission. Work is expected to start on site expected in late October. The Link is subject to the ongoing SEN review for creation of additional places.	(0.9)
Planned Condition Fund	Was not allocated to a specific scheme pending the identification of further schemes and will be carried forward into 2017/18.	(0.2)
Emergency Basic Need	No additional primary places required for start of 2016/17 academic year despite pressures in the west of the city.	(0.1)
DOH Care Implementation Grant	The Care Act has required a number of amendments to the system. Following slippage of the national programme timescales for system development have changed.	(0.1)
Pathways to Care (Support to Foster Carers)	Reschedule £100K to 2016/17 based on current expenditure and will review this at Q3 if there is a need for us to consider any further requests	(0.1)
Miscellaneous	Net rescheduling	(0.1)
SUB TOTAL - People Directorate		**(3.8)**

PLACE DIRECTORATE		
Kickstart	The slippage to 2017/18 is as a result of construction delays on site. Difficulties were experienced with the erection of the steel frame and subsequent concrete panels, thereby extending the construction programme.	(4.5)
Coventry Station Masterplan and Nuckle 1.2	The project delivery methodology has changed following poor progress earlier this year from Network Rail, and unsatisfactory scheme costs which were above the approved budget. This resulted in a review by the project team of delivery options and following a recommendation to board a decision was taken to procure the GRIP 3 & 4 design through an OJEU compliant HCA Framework. The tender process is now underway and a designer is expected to be appointed in January 2017.	(4.0)
Station Access Warwick Road	Spend is down on this as the site works have encountered unchartered services which have resulted in a delay on site while services were diverted	(0.1)
Housing Policy (Siskin Drive)	Scheme has slipped due to delays in agreeing a design solution for the proposed works and has been rescheduled for 17/18	(0.1)
GD1 - Coton Arches	The project has submitted a revised profile that has resulted in rescheduling additional spend into 2017-18. This has been approved by CWLEP board.	(0.6)

Accelerated Spend		
GD2 - Skills Capital	The project has submitted a revised profile which has resulted in accelerating spend that was previously rescheduling at Qtr 1. This has been approved by CWLEP board.	0.3
GD2 - A46 Link Road (Expressway M6 to M40) - Unlocking Sites	A successful bid resulting in the award from CWLEP Board of £0.5m from the Growth Deal 2 Unlocking Sites pot. Initially programmed for 17/18, £0.2m is being accelerated to this financial year.	0.2
GD2 - A45/Leamington Road - Unlocking Sites	A successful bid resulting in the award from CWLEP Board of £0.75m from the Growth Deal 2 Unlocking Sites pot. Initially programmed for 17/18, £0.1m is being accelerated to this financial year.	0.1
SUB TOTAL - Place Directorate		**(8.7)**

RESOURCES DIRECTORATE		
Strategy Systems Development	The main budget re-scheduled to next year relates to EDRMS. This project now links closely to the Information Management Strategy and our original approach and focus has changed as organisational priorities and pressures change.	(0.3)
Kickstart - ICT Systems	We've been able to get anticipated capital costs down by using internal resource and therefore some savings are being identified which we are now earmarking for resources to contribute to some early works on data centres. In addition a large part of this re-scheduling is linked to our Cloud Technology programme, this links to decisions around property and locations of our data centres.	(0.2)
SUB TOTAL - Resources Directorate		**(0.5)**

TOTAL RESCHEDULING	**(13.0)**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th September 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%	13.31%
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	£182.1m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£78.3mm	-£77.6m
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%	 13% 1% 14% 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