Coventry City Council

Public report
Cabinet Report

Cabinet 21st February 2017
Audit and Procurement Committee 20th February 2017

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 Third Quarter Financial Monitoring Report (to December 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 December 2016.

The headline revenue forecast for 2016/17 is an over spend of £4.8m. This has improved since the Quarter 2 position when it stood at £7.1m. At the same point in 2015/16 there was a projected overspend of £3.3m.

Although the level of overspend has lessened since quarter 2, much of the movement has been the result of windfall income and movements in technical areas. Nevertheless, the pattern of budgetary control variations in previous years would indicate that the position will improve further towards the year-end and officers have been instructed to identify all appropriate ways of minimising the final overspend position.

The underlying expenditure pressures, overwhelmingly within adults and childrens social care, have continued at previous unsustainable levels. Full account has been taken of the underlying budget position moving into 2017/18 within the Budget Setting report being brought to the same meeting of Cabinet as this report.

Capital spending is projected to be £81m for the year, a net decrease of £7.9m on the quarter 2 position. This decrease in the Capital Programme includes £8.3m of expenditure that has been rescheduled into future years.

Recommendations:
Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 3.

2. Endorse the strategy set out in section 5.1 for dealing with the budgetary challenges in the current and future years.

3. Approve the revised capital estimated outturn position for the year of £81m incorporating: £0.4m net increase in spending relating to approved/technical changes (Appendix 2) and £8.3m net rescheduling of expenditure into 2017/18 (Appendix 4).

4. Note any comments made by Audit Committee ahead of the meeting of Cabinet.

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, 20th February 2017

Will this report go to Council?
No

Report Title:
2016/17 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2016/17 to the end of December 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 £4.8m, a decrease of £2.3m on the Quarter 2 position of £7.1m. The reported forecast at the same point in 2015/16 was an overspend of £3.3m. Capital spend is projected to be £81m, a decrease of £7.9m on the quarter 2 position.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The Quarter 2 revenue budget monitoring exercise has identified an overall overspend of £4.8m. 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	166.0	173.8	7.8
Place	33.6	33.9	0.3
Resources	11.4	11.4	0.0
	212.1	**220.2**	**8.1**
Contingency & Central Budgets	21.3	18.0	(3.3)
Total	**233.4**	**238.2**	**4.8**

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 £4.7m masks a significant overspend across other areas (£12.5m) including undelivered savings targets and budgetary control pressure.

The net position of £7.8m 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 worsened since quarter 2 largely as a result of a worsening position in Childrens Services due to increased demand costs in relation to looked after children and unaccompanied asylum seeking children.

Although the cumulative year on year overspend in Adult Social Care has been contained it has not yet reduced due to the increasing demand with regard to younger adults entering the service. It is anticipated that the emerging plans for further review of the all age disability service will help to address this.

Place
At Quarter 3, Place Directorate expects to have a net reportable deficit of c£0.3m. Whilst managers will continue to try to improve this position, this currently represents gross income pressures of £0.9m, expenditure pressures of £0.7m, offset by numerous overperforming income generating service areas totalling £1.1m.

Expenditure pressures are almost entirely related to difficulties in recruiting to key posts in the Traffic and Transportation service areas, the result of which has been the need to appoint a number of agency staff. These are to a degree offset with salary underspends, but as this is not a sustainable position, managers are currently assessing options to address the situation.

Income pressures continue to exist in areas previously reported. The main deficits relate to trading difficulties in relation to St Mary's Guildhall, Monitoring and Response Service, Schools Cleaning and Repair and Maintenance. All of these services are under review.

Income surpluses are being forecast in various areas. Of the £1.1m, over £0.3m relates to ongoing Bereavement Services and streetwork permits income which will help deliver the MTFS target from 2017/18. Almost £0.4m relates to increased Planning, Building Control and Licensing activty. This will be monitored to determine any ongoing trend. The remainder relates to smaller one off trading and grant incomes across a variety of service areas

Resources
The Resources Directorate has an underspend against salary budgets and turnover target of £0.5m. This is offset by non salary overspend of £0.5m resulting in a net balanced 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, within Revenues & Benefits as a result of increased activity, and in ICT Operations linked to increases in the numbers of phones.

Contingency & Central
The Asset Management Revenue Account is projecting a £2.3m underspend due mostly to reduced capital financing costs arising from lower than planned borrowing in 2015/16, higher than planned investment income resulting from large cash balances and newly declared share dividend income from Birmingham Airport and Coventry and Solihull Waste Disposal Company. Other emerging underspends, including £1m on inflation contingencies are offset in part by previously reported non-achievement of Workforce Strategy budget savings, the knock-on implications of which have been included within the 2017/18 Budget Report.

2.4 Capital Programme

Table 2 below updates the budget to take account of a £0.4m increase in the programme, and a reduction of £7.9m 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 £81m**.** Appendix 3 provides an analysis by directorate of the movement since quarter 2.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2016/17. It shows 95% 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 2	**88.9**
Approved / Technical Changes (see Appendix 2)	0.4
"Net" Rescheduling into future years (see Appendix 4)	(8.3)
Revised Estimated Outturn 2016-17	**81.0**

RESOURCES AVAILABLE:	**£m**
Prudential Borrowing (Specific & Gap Funding)	0
Grants and Contributions	76.9
Capital Receipts	2.8
Revenue Contributions	1.0
Leasing	0.3
Total Resources Available	**81.0**

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 have 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

The medium term outlook for the UK economy is dominated by the negotiations to leave the EU and will be largely dependant on the agreements the government is able to secure with the EU and other countries whilst the global environment is also undergoing a period of significant uncertainty. However, despite this uncertainty, the UK economy is more positive than many commentators expected due to continued strong household spending. Inflation is continuing to rise as a result of the depreciation in Sterling but this is unlikely to cause any change to interest rates unless high inflation is sustained. As such, interest rates are expected to stay at 0.25% for the foreseeable future and if any rises do occur they are expected to be very small.

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 P9	Maximum 2016/17 to P9	As at the End of P9
5 year	1.15%	2.00%	1.55%
50 year	2.07%	3.28%	2.66%

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 0.69%. 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 31st December 2015	As at 30th September 2016	As at 31st December 2016

	£m	£m	£m
Banks and Building Societies	63.0	54.4	53.4
Money Market Funds	10.6	18.6	8.7
Local Authorities	0.0	0.0	20.0
Corporate Bonds	8.4	34.9	24.3
Registered Providers	0.0	15.0	15.0
Total	**82.0**	**122.9**	**121.4**

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

As at 31st December 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 31st December 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 13.33% 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 31st December the value is -£66.8m (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 31st December the value is £172.8m 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, Resources

5.1 Financial Implications

Revenue

The quarter 2 report described a budgetary control position that was parhaps is perhaps the most challenging that the Council has ever faced at that point of the year, stemming from the non-achievement of planned budget savings and increases in social care pressures.

This situation remains true at quarter 3 although the level of overspend has lessened with much of the movement being the result of windfall income and movements in technical areas. The pattern of budgetary control variations in previous years would indicate that the position will improve further towards the year-end and officers ahave been instructed to identify all appropriate ways of minimising the final overspend position.

The underlying expenditure pressures, overwhelmingly within adults and childrens social care, have continued at previous unsustainable levels as set out more fully within the quarter 2 report. Further budgetary provision has been made available previously in some areas and the 2017/18 Budget proposals include assumptiuons about the delivery of some savings. At the same time, there is a large amount of activity being undertaken to deliver existing savings programmes and these will continue to be pursued. The underlying risks within the future Budget position are set out in full in the 2017/18 Budget Report.

Notwithstanding the likelihood of the position improving at the year-end and the need to keep up the pressure to reduce the overspend, it will be important for the incoming Director of Finance and Corporate Services to have the flexibility to manage any potential overspend. The proposed forthcoming Budget Report reverses Pre-Budget proposals to use reserve balances to balance the 2017/18 position. This ensures that there will be uncommitted reserve balances that can be applied to any 2016/17 overspend if the Council is faced with such a situation.

The latest round of Early Retirement and Voluntary Redundancy (ER/VR) is in the process of being implemented and information will bcome available shortly on the expected volume of individuals who will leave the Council as a result. This should help significantly to reduce employment costs going forward although any impact within 2016/17 will be minimal. Any redundancy and early retirement costs incurred in excess of budget wil be funded from reserves as planned.

Capital

Further significant rescheduling in schemes has reduced anticipated spend to £81m. 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 there is unlikely to be any Prudential Borrowing requirements 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 capital receipts will be received above the targeted level although this is subject to a number of transactions that may or may not be completed by year-end. Any capital receipts received add to the overall value of the Council's year-end reserve balances.

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 3 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend. The use of one-off resources to balance the final position means that these resources will not be available to use fund future spending priorities.

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 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	1.1	0.0	0.0	0.0
People	166.0	172.4	(4.7)	12.5	7.8
Place	33.6	33.8	(0.1)	0.4	0.3
Resources	11.4	11.4	(0.5)	0.5	0.0
	212.1	**219.0**	**(5.3)**	**13.4**	**8.1**
Contingency & Central Budgets	21.3	18.2	0.0	(3.3)	(3.3)
Total	**233.4**	**237.2**	**(5.3)**	**10.1**	**4.8**

Reporting Area	Explanation	£m
People	The People Directorate overall is underspending against its salary budgets and turnover target by £4.7m. This is partly as a result of high levels of vacancies in Childrens Social Care, which contributes £3.2m of the underspend. Part of the non-salary overspend is a result of agency staff in Childrens Social Care. During December this figure was down to 46 (compared to 76 at 31st March 2016). Internally provided services in Adult Social Care contributes a further £0.6m towards the overall underspend as a result of planned vacancies and efficiencies.	(4.7)
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)
Place	The directorate has a gross saving on salary underspends of over £0.5m which relates to areas which are having difficulties in recruiting to posts, particularly traffic and transportation. There are compensating overspends in the wider directorate forecast position where agency staff are covering some key post vacancies. Also offsetting the underspends are those areas where no vacances exist and are not therefore achieving any contribution to the turnover target, thus why there is a reduced net underspend on centralised costs of just over £0.1m	(0.1)
Total Non-Controllable Variances		**(5.3)**

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to increasing demand for social care for eligible service users. Working age adults tend to receive expensive packages of care for a longer period of time. This increases the cumulative cost of services as younger people tend to receive services longer once they enter the care system. Control mechanisms are in place to ensure expenditure is robustly managed. The increase in spend between quarter 2 and quarter 3 is around £20,000 per week. This is in part due to a number of individually high cost packages of care. In addition retrospective packages of care have increased the cost pressures on both mental health and all age disability services.	3.2
LAC Services	£0.9m of this overspend is due to agency staff, largely offset by underspends on the staffing budget. This includes a combined £439k overspend for Adoption and Special Guardianshop Order fees, largely due to increased activity over time and additional legal costs for one SGO case. The position has worsened since quarter 2 as a result of increased expenditure on LAC placements. Some of this is due to the National Transfer Scheme which Coventry has signed up to which means we will take additional UASC. Although there is a grant for these children it does not cover the full cost of supporting children. Since Q2 there has been a net increase of 20 cases.	2.1
Strategy & Commissioning (CLYP)	This budget pays for supported accommodation for care leavers, and vulnerable homeless aged 18-24. The overspend is a result of high levels of activity, and not enough of the the right types of provision. The strategy 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 has been in place since quarter 2 to plot and monitor move on timescales for individual young people. However this has not yet improved the financial position. We have now identified dedicated resource to focus on this to ensure we can reduce the expenditure in this financial year and next.	2.0
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	1.9
Child Protection	Overspend on Agency social workers to fill staffing vacancies and high levels of activity within the child protection teams. The salary underspend is £2.1m as a result of the staffing vacancies. The forecast has reduced at quarter 3 as a result of recruitment to posts and a reduction in the level of agency staff.	1.8
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. The reduction against Older People Operational is as a result of reductions in management that contribute to the delivery of this saving	1.0

Older People Community Purchasing	Underlying budget pressures have reduced since Quarter 2 through in part a reduction in residential placements, although pressures are still high. Management actions have ensured demand on social care is managed in the most cost effective way to reduce overall costs. Control mechanisms have been put in place to ensure expenditure is robustly monitored. Focused efforts to manage approved packages through the panel process have ensured packages of care are robustly scrutinised before being approved.	0.7
All Age Disability and Mental Health Operational	The overspends (agency costs, other pay and overtime) have been partly offset by underspends on centralised salary costs due to a number of vacancies.	0.3
Inclusion & Participation	This overspend mainly relates to transport costs , and are attributable to an increase in volume. All travel assistance policies are being reviewed through the formal consulation process which closes at the end of January 2017. Reduction in expenditure is wholly dependent upon the agreement and implementation of new policies that secure the Council's statutory obligations.	0.3
Internally Provided Services	The 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. The underspend has decreased since quarter 2 as a result of costs associated with re-providing short term tenancies in preparation for the closure of Farmcote Housing with Care Scheme.	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 an underspend on salaries reported as part of the centralised forecast underspend. There is now only one agency staff member filling the LADO post.	0.1
Underspends:		
Planning	Staff vacancies being held in preparation for service review.	(0.1)
Business Performance (SCTEI)	Reduction in activity surrounding LAC transport	(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)
Early Years, Parenting & Childcare	Public Health have supported an additional £0.7m of activity freeing up core budget. Further savings have been achieved through staffing vacancies	(0.7)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**12.5**

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Traffic	Anticipated expenditure on agency cover and budget pressures on UTC maintenance budgets and within Parking Enforcement. This is offset by permit scheme income which is estimated to exceed targets by approximatley £100k.	0.3
Environmental Services	This pressure relates primarily to commercialisation targets set for CCTV/Community Safety which have not as yet been achieved. A shortfall of £339k is expected for the current year for this service which is currently under management review.	0.3
Waste & Fleet Services	Primarily additional Domestic Waste Christmas collections costs and one off pressures against the Fleet budget in respect of telematics implementation (Ctrack) and Materials, offset by lower waste disposal and passenger transport costs.	0.2
Transport & Infrastructure	Anticipated expenditure on agency cover and reduced income from capitalised staff	0.2
Cultural & Sport	Primarily a trading deficit and unachieved savings target relating to St Mary's Guildhall	0.1
Underspends:		
Kickstart Project	Increased staff resource funded from capital	(0.1)
Planning & Regulatory Services	Anticipated income on Planning and Licensing related activities higher than budgeted for.	(0.4)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**0.4**

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 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.	0.4
Legal Services	Overspend relates to barrister and locum costs. This is mainly due to an increasing volume of court work (higher volume of cases and cases taking longer) and an increase in barrister costs. Vacancies earlier in the year also increased volume of work being passed to external barristers. This cost is partially offset by an underspend on salaries reported as part of the directorate salaries underspend.	0.2
ICT Operations	Increased costs of mobile phones due to increased volume of phones and higher than expected costs relating to historic contract issues. It is anticipated that these costs relate to current year only and so will not create an on-going pressure.	0.2

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)
Financial Management	Underspend as a result of early delivery of 17/18 step up in savings target, funded from non salary savings including review of CIPFA apprenticeship programme, and additional income for services provided by the Finance Team.	(0.1)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**0.5**

Contingency & Central Budgets		
Underspends:		
Corporate Finance	The Asset Management Revenue Account is projecting a £2.3m underspend due mostly to reduced capital financing costs arising from lower than planned borrowing in 2015/16, higher than planned investment income resulting from large cash balances and newly declared share dividend income from Birmingham Airport and Coventry and Solihull Waste Disposal Company. Other emerging underspends including £1m on inflation contingencies are offset in part by previously reported non-achievement of Workforce Strategy budget savings, the knock-on implications of which have been included within the 2017/18 Pre-Budget Report. The Policy Contingency is expected to underspend assuming no further significant commitments against the Budget this year.	(3.3)
	Forecast Overspend/(Underspend)	(3.3)

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Condition - Schools	Additional section 106 funds received as an Education contribution.	0.1
SUB TOTAL - People		**0.1**
PLACE DIRECTORATE		
City Centre South	West Midlands Combined Authority approved £98.8m devolution funding for the development of the City Centre on the 9th December 2016. It is aniticpated that £0.3m expenditure will occur this financial year.	0.3
SUB TOTAL - Place Directorate		**0.3**
TOTAL APPROVED / TECHNICAL CHANGES		**0.4**

Appendix 3

Capital Programme: Estimated Outturn 2016/17

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

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 15-16 £m
PEOPLE	11.8	0.2	(0.0)	(2.5)	9.5
PLACE	72.2	0.2	0.0	(5.0)	67.4
RESOURCES	4.9	0.0	0.0	(0.8)	4.1
TOTAL	**88.9**	**0.4**	**(0.0)**	**(8.3)**	**81.0**

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	£196k of Basic Need funding has been rescheduled mainly due to there being no further requirement for emergency additional school places in 2016/17 either in mainstream or early years settings.	-0.2
Condition - Schools	Within the condition programme we are reporting some £925k of rescheduling arising from delays arising from 1) s278 Highway works linked to the Governments Priority Schools Building Programme which impacts on two schools and 2) ongoing discussion with the Inspire Multi Academy Trust on the procurement of agreed conditon works at Hersall Primary School to enable it to academise and join the Trust. The proposed works were the subject of a Cabinet Report on 29th November 2016 and it is anticipated that subject to agreement being reached the works will now be undertaken in 2017/18.	-0.9
Broad Spectrum School	Due to later start on site than planned as a result of delays in securing planning permission.	-1.0
Broad Park House (Breaks for Disabled)	Broad Park House is again delayed due to the ongoing review of residential short break provision for children and young people with learning and/or physical difficulties	-0.3
Miscellaneous	Net rescheduling	-0.1
SUB TOTAL - People Directorate		**(2.5)**

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Whitefriars Housing Estates	Ahead of schedule with planned works, therefore the 2017-18 planned programme can be accelerated.	0.3
Vehicle & Plant Replacement PB	Delayed vehicle purchase due to service reviews within Highways, Streetpride, and Waste services.	-1.5
ITB - Traffic Management	The section 106 scheme around ALDI (Shilton Lane / Lynchgate Road) is cuurently in design phase, will will mean the scheme will not be delivered until 2017-18.	-0.1
GD13 - Dynamic Routing	Technical adjustment to re-align the programme as per the Growth Deal cashflow.	-0.2
Finance Birmingham (Mezanine Funding)	A proposal to use match Coventry Investment Fund with a scheme run by Finance Birmingham to provide mezzanine finance to Coventry businesses is no longer going ahead, so this is being removed from the Council's capital budget plans.	-1.0
Investment in Sporting Facilities (NEW)	This budget is more difficult to forecast as it relates to reactive repairs to Coventry Sports & Leisure Centre to keep the building open and operational for the remaining lifecycle. There will be a spend of £55k, but the remaining budget will need to carry forward into 2017/18.	-0.2
ESIF	These work orders are Business Grant Programmes and the spend is dependent on the grantees spending and submitting claims. The latest forecasts reflect the most update to date picture of when these businesses will claim their grant.	-0.3

Canley Regeneration	The rescheduling is due to continued public realm improvements around Canley, which will now complete next financial year.	-0.2
Growing Places	These work orders are Business Grant Programmes and the spend is dependent on the grantees spending and submitting claims. The latest forecasts reflect the most update to date picture of when these businesses will claim their grant.	-0.8
Alan Higgs 50m Swimming Pool	The professional design team for the Alan Higgs project has now been appointed and the associated fee proposals were less than originally budgeted for, in addition the programme has also slipped slightly due to the various approvals processes.	-0.2
City Centre Destination Leisure Facility	There is now cost certainty around high risk areas such as the demolition which is coming in under the anticipated tender return (mainly due to a lack of asbestos), the contingency will carry forward into construction element of the project.	-0.3
Refit - Guaranteed energy savings	There is still some uncertainty about how and when this project will progress but won't be in 2016-17	-0.4
Miscellaneous	Net rescheduling	-0.1
SUB TOTAL - Place Directorate		**(5.0)**

RESOURCES DIRECTORATE		
Strategy Systems Development	As reported at quarter 2, there has been a significant amount of work in looking at revenue spend within ICT to deliver savings targets and planning the work to support the ICT strategy. This has meant re-profiling some of our strategic plans. It has also been possible to deliver some more of the technical work internally rather than rely on external third parties, which means the costs are lower. However, a large part of this re-scheduling is linked to the Cloud Technology programme, this links to decisions around property and locations of data centres which may mean the need to accelerate some of this programme towards the end of this financial year and into the next.	-0.3
Kickstart - Customer Journey	This budget primarily relates to the ICT requirements and spend for the Customer Journey programme but also covers other programmes of work such as Electronic Document and Records Management (EDRMS) and HR & Payroll. The EDRMS project now links closely to the Information Management Strategy and the original approach and focus has changed as organisational priorities and pressures change. The rescheduling still leaves budget this year for the project but there is rescheduling to cover any acceleration of the programme that may be required next financial year in particular around the move to Friargate. There have also been issues with the HR & Pay project which has meant the budget will not be used as quickly as anticipated. This has led to a need to reschedule.	-0.5
SUB TOTAL - Resources Directorate		**(0.8)**

TOTAL RESCHEDULING	**(8.3)**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st December 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%	13.33%
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	£371.9m 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	£371.9m 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	£371.9m 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	£172.8m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£78.3mm	-£66.8m
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