Coventry City Council

Public report
Cabinet

Cabinet — 13th June 2017
Audit and Procurement Committee — 26th June 2017

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

Director Approving Submission of the report:
Director of Finance and Corporate Services

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2016/17

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

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Executive Summary:

This report outlines the final revenue and capital outturn position for 2016/17 and reviews treasury management activity and 2016/17 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- Revenue overspending of £0.7m which is required to be funded by a contribution from Council reserves.
- Within this position, headline variations including an over-spend of £6.4m within the People Directorate and an under-spend of £5.0m within Corporate budgets including the Asset Management Revenue Account (AMRA).
- £6.7m of costs incurred as a result of early retirement and voluntary redundancy decisions, consistent with approval of the programme of staffing reductions agreed by Cabinet in November 2015.
- Capital Programme expenditure of £71m which is £52m less than envisaged at the start of the year.
- A reduction in the level of Council revenue reserves from £57m to £51m and an increase in balances held relating to capital grants and capital receipts to fund future projects from £12m to £30m.

The report seeks retrospective approval for a change to the Capital Programme reflecting final scheme costs on the completed Whitley Infrastructure, Friargate Bridgedeck and South West Coventry Junction Improvement schemes delivered by Costain.

Recommendations:

Cabinet is requested to:

1. Approve the final revenue outturn position of a £0.7m overspend, balanced to nil by a £0.7m contribution from Corporate reserves.
2. Approve the final capital expenditure and resourcing position, incorporating expenditure of £71m against a final budget of £82.3m; £12.5m expenditure rescheduled into 2017/18 and a net over-spend of £1.3m.
3. Give retrospective approval for a £1.4m virement reflecting final unfunded scheme costs on the completed Whitley Infrastructure, Friargate Bridgedeck and South West Coventry Junction Improvement schemes.
4. Approve the outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Audit and Procurement Committee is recommended to:

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

List of Appendices included:

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

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee 26th June 2017

Will this report go to Council?

No

Report title: Revenue and Capital Outturn 2016/17

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position in 2016/17 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £233.4m and a Directorate Capital Programme of £117m.

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

2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position, an overspend of £0.7m. This will be funded by a contribution from Council reserves. The outturn presentation retains the previous reporting structure that existed for the majority of the year, prior to the Directorate restructure that occurred in February.

Table 1 Summary Outturn Position

Directorate	Net Budget £m	Outturn £m	Variance £m	Variance %
Chief Executives	1.1	1.1	0.0	0.0%
Place	33.5	33.5	0.0	0.0%
People	166.0	172.4	6.4	3.8%
Resources	11.4	10.7	(0.7)	6.5%
	212.0	217.7	5.7	2.7%
Contingency & Central Budgets	21.4	16.4	(5.0)	(23.4%)
Resourcing of Net Budget	(233.4)	(233.4)	0.0	0%
Bottom Line Variance	**0.0**	**0.7**	**0.7**	**0.3%**
Reserve Contribution	**0.0**	**(0.7)**	**(0.7)**	
Final Outturn	**0.0**	**0.0**	**0.0**	

2.1.2 A projected over-spend of £4.8m was reported at quarter 3. The underlying movements between quarter 3 and outturn are as follows:

- Contingency and Central - £1.7m improvement
- People Directorate - £1.4m improvement
- Resources - £0.7m improvement
- Place Directorate - £0.3m improvement

This results in an overall underlying net under-spend of £4.1m in the final quarter resulting in the overall over-spend of £0.7m.

Further detail is set out below.

2.1.3 **Directorate Positions**

Contingency and Central

Central budgets reflect an under-spend of £2.4m within the Asset Management Revenue Account (AMRA) and of £2.6m within remaining budgets. The AMRA figure results principally from rescheduled capital expenditure leading to lower capital financing costs. The year-end position is a marginal improvement on quarter 3. The remaining under-spent budgets have improved by £1.6m on the position reported previously. This relates primarily to an increased underspend on contingency budgets and greater under-spends and delivery of savings on pension costs.

People

The People directorate continued to face significant financial challenges throughout the year, and a large underspend on centralised salaries (£5.05m) masked a significant overspend across other areas (£11.45m), including undelivered savings targets and budgetary control pressure.

The net position of a £6.4m overspend is made up of undelivered savings targets - most significantly the cross cutting kickstart and headcount targets in Children's and Adult's Services £2.6m, in addition to budgetary control pressures. The service has saving and delivery plans in place to manage the saving targets, but they were unable to be delivered within the 2016/17 financial year.

The most significant budgetary control variances relate to Looked After Children Placements, and supported accommodation provision for care leavers and homeless 18-24 year olds (£3m) and an overspend in external packages of care in Adult Services (£3.9m). £1.3m of one-off grant funding has supported the bottom line within Children's Services.

Although the overspend in Adult Social Care has been managed within forecast, 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 as well as the additional funding identified as part of the budget will help to address this in future years. Children's Services has a savings delivery plan and budgetary control action plan in place for 2017/18 in order to manage the significant overspend.

Resources

The Resources Directorate has an under spend against salary budgets and turnover target of £0.8m. This is partly offset by a non-salary overspend of £0.1m resulting in a net position of £0.7m underspend. Areas of financial pressure within the directorate include Legal Services, where due to vacancies and activity pressure spend has been incurred on agency and barristers. Pressure has also been experienced in Housing Benefit Subsidy grant arrangements due to high numbers of clients being in temporary accommodation, which means the Council cannot fully reclaim the Housing Benefit paid out. These have been offset against one-off underspends in ICT, Transformation & Customer Services as a result of delays in system implementation, and income generation within the Transformation Team.

Place
The Place Directorate has out-turned at a breakeven position although there are a number of compensating variations within this position.

Shortfalls totalling £1.2m occurred in some of the directorate's income generating areas. The largest of these related to unbudgeted debt write off of £650k for unrecoverable parking enforcement PCN's. The others are known trading pressures in Schools Cleaning, CCTV & alarm monitoring, and St Marys catering & events. All of these are being pursued.

These income pressures have been offset by higher income earned in other areas totalling £0.8m, due to increased car parking, bus lane enforcement, and Planning income

Cost overspends within the directorate totalled £0.9m. The vast majority of this relates to the use of agency staff to cover key vacancies which cannot be recruited to in the traffic and transportation services. This is currently being worked on to resolve. These have been offset by waste disposal and street lighting energy contract underspends totalling £0.3m, together with management actions of £0.7m. Management actions relate largely to one additional grant received in relation to project work carried out by senior staff, and also the accelerated delivery of workforce strategy targets which come in in 17/18

2.1.4 In order to help deliver the savings programmes required within the Council's budget, staff were invited towards the end of 2016 to apply to take early retirement or voluntary redundancy. In total, decisions to release c230 of staff have been agreed incurring a cost of £6.7m compared with £5.8m in 2015/16. A budget of £2.5m exists to part fund these costs and the remaining £4.2m has been funded from the £12.5m reserve balance established for this purpose by a report to Cabinet in November 2015.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2016/17 is £51.3m, compared with £57.2 at the end of 2015/16. In addition, balances generated from capital receipts and capital grants to fund future capital projects have increased from £12.4m to £30.2m and reserve balances belonging to or earmarked to support schools which have reduced from £25.8m to £22.6m. The total reserve movement in 2016/17 is summarised in the table below.

2.2.2 The Council has applied £4.2m of balances held to fund ER/VR costs in the year and a further £2m has been applied to fund a budgeted contribution to in-year Children's Social Care costs. The Management of Capital reserve includes revenue reserves to fund future capital projects and has increased by £3.2m as a result of Capital Programme resourcing decisions considered within section 2.3 below.

2.2.3 The Cabinet Member for Strategic Finance and Resources will consider an analysis of these balances and potential future spending commitments shortly and will bring recommendations forward as part of Budget Setting proposals or specific reports to Cabinet later in the year. It is also envisaged that Scrutiny Board 1 will undertake a detailed review of reserve balances this year in line with recent practice.

Table 2 Summary of Reserve Movements in 2016/17

	Balance at 31st March 2016 £000	(Increase)/ Decrease £000	Balance at 31st March 2017 £000
Council Revenue Reserves			
General Fund Balance	(3,823)	689	(3,134)
Private Finance Initiatives	(11,771)	463	(11,308)
Potential Loss of Business Rates Income	(2,670)	700	(1,970)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
Children's Social Care	(2,000)	2,000	0
Leisure Development	(876)	(18)	(894)
Public Health	(1,037)	297	(740)
Health and Social Care Schemes	(280)	280	0
Troubled Families	(701)	15	(686)
Insurance Fund	(2,402)	616	(1,786)
Management of Capital	(2,337)	(3,229)	(5,566)
Other Corporate	(2,343)	1,370	(973)
Other Directorate	(6,920)	(1,905)	(8,825)
Other Directorate funded by Grant	(3,101)	298	(2,803)
Total Council Revenue Reserves	**(57,161)**	**5,815**	**(51,346)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(6,660)	(13,829)	(20,489)
Capital Grant Unapplied Account	(5,736)	(4,001)	(9,737)
Total Council Capital Reserves	**(12,396)**	**(17,830)**	**(30,226)**
School Reserves			
Schools (specific to individual schools)	(19,983)	1,857	(18,126)
Schools (for centrally retained expenditure)	(5,841)	1,348	(4,493)
Total School Reserves	**(25,824)**	**3,205**	**(22,619)**
Total Council and Schools Reserves	**(95,381)**	**(8,810)**	**(104,191)**

2.3 Capital Outturn

2.3.1 The capital outturn position for 2016/17 is shown in summary form below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Over-spends £m	Total Variance £m
82.3	71.0	(12.5)	1.3	(11.2)

The quarter 3 monitoring report to Cabinet on 21st February 2017 approved a revised capital budget of £81.0m for 2016/17. Since then there has been a net programme increase of c£1.3m giving a final budget for the year of £82.3m. Since February, a total of £12.5m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling and Accelerated Spend

Project	(Rescheduling) /Accelerated Spend £m	Explanations
Coventry Station Masterplan/NUCKLE	(0.3)	Expenditure on Warwick Road Access Tunnel has been subject to programme delays. This was caused primarily by unforeseen utilities, alongside issues encountered with the piling sub-contractor which meant that a decision was taken to omit further piling and excavation works and ring-fence the resources for these works to be undertaken as part of the wider Station Masterplan development when the tunnel will be brought into use.
Friargate Building	(4.5)	As a result of slower than anticipated progress on site with the external façade, whilst the overall programme is maintained, there has been slippage in expenditure to these elements. This will be fully utilised in the new financial year.
Public Realm and Highways	(1.1)	This is due largely to utility organisations creating delay to works on the Banner Lane/Broad Lane Junction. Also the Public Realm 4 programme has altered due to changing priorities, the scheme still remains on course to spend Growth Deal grant by March 2018.
Sports	(0.2)	The variance to the forecast spend on the City Centre Destination Leisure Facility scheme was due to the demolition element of the project coming in under the forecasted tender return. In addition the discovery of a small amount of asbestos resulted in a slight delay to programme which impacted on the project's cash flow forecast.
Growth 1&2	(0.3)	Due to bad weather, commencement of construction was delayed on the National Transport Design Centre, which has resulted in the programme being behind the anticipated position at year-end. Rescheduling has been approved by CWLEP Board.
CIF Schemes	(0.18)	Final elements of the CIF Programme relate to Lythalls Lane industrial Estate, where £100k has been set aside to refurbish unlet Units, if necessary to achieve a lease/sale.

Vehicle & Plant Replacement	(1.6)	Service reviews and service redesigns within Highways, Streetpride and Passenger Transport Services have meant that the operational life of existing vehicles has been extended,
Education Capital Programme	(0.7)	Specific issues around the mechanical and electrical works are delayed, along with the build of a wet room at Gosford Park which are both due to the capacity of the in-house design team. The Broad Spectrum School is slightly ahead of schedule with £0.5m accelerated spend.
ICT	(1.9)	Delays in the delivery/roll of specific ICT projects, including the relocation of the data centre, Mitel and the HR/Payroll system has caused slippage in the ICT Programme
City Centre South	0.2	Extra advisor costs not taken account of or unknown in the quarter 3 projections
Disabled Facilities Grant	(0.8)	The Better Care Fund has provided additional funding in 2016/17 in the region of £600k which was not anticipated or planned for. It has not been possible to utilise this additional funding within the year. In addition, Whitefriars housing (which manages its own DFG adaptations) has a backlog of jobs as a result of their contractor going out of business.
Other	(1.3)	This covers a mixture of Play areas, Grants to SME's to encourage regeneration and growth in their sector, and other grant funded schemes. Rescheduling reflects delays in the take up of grant and changes to scope or procurement issues.
TOTAL	(12.5)	

Table 5 Over and Underspends in the Capital Programme £1.2m

Project	Over/Underspend
NUCKLE Phase 1	(0.3)
Costain Projects (Friargate Bridedeck, Whitley Junction and SWCJIP	1.6
Total	1.3

2.3.2 Costain Projects £1.4m

The recommended Capital Programme outturn position within this report includes additional overall unfunded programme cost of £1.4m for 3 recent major schemes in the city delivered by Costain; Friargate Bridge-Deck, the Whitley road junction adjacent to the Jaguar Land Rover (JLR) site and road improvements around the University of Warwick. The figures in this section refer to the total costs for all three projects, the final total out-turn for which is £45.8m (£38.95m for construction and £6.85m of third party costs). This compares with budgets previously reported to and approved by Cabinet of £44.3m and approval is sought retrospectively for the additional cost incurred.

Following award of strictly time-limited Regional Growth Funding in 2013, Costain were appointed to construct the Friargate Bridge Deck and Whitley Junction. Further work to improve roads around, and funded by, the University of Warwick, was also awarded to Costain. To meet external funder timescales it was necessary to use a 'Target Cost' contract, which allows design and construction phases to start in parallel. This approach allows only limited initial design information to be shared with the contractor with costs being adjusted through Compensation Events (CEs) as more information becomes available. The contractor is incentivised through payment of their actual costs plus or minus a 'pain/gain' share which penalises or rewards the contractor depending on the difference between actual and target cost.

This approach was essential in order to secure the external funding and prevent grant claw-back by delivering these projects within the tight time-scales. The Whitley and Bridgedeck schemes respectively have enabled £0.5 billion investment by JLR and allowed the construction of the new Council building to proceed which will deliver significant cost savings.

The previously approved approvals and additional costs included within the final outturn position include increased construction costs from 1,035 claimed compensation events. These reflect issues such as uncharted utilities, additional deep drainage works and additional work around the Friargate area. The final settlement to Costain has been the subject of a protracted negotiation, Costain claiming amounts due of up to £41.9m compared with the Council's assessment of the cost at £38.0m. In order to establish a negotiating position, a number of approaches were used including looking at Costain's direct costs and a third party evaluation of the value of works. To mitigate the risk, the Council employed a firm of forensic Quantity Surveyors to work on the contracts.

Agreement was reached on the figure of £38.95m in March subject to the Council paying in full by March 31st 2017 (the remaining £6.85m scheme costs relating to third party amounts). Cabinet Member approval for the final element of the payment was obtained in accordance with the constitution and payment made. The constitution requires that such a payment is reported retrospectively and this is the purpose of the recommendation in this report.

It is proposed to fund the additional unfunded cost of £1.4m through a reallocation of growth deal funding for the Station Masterplan following revisions to the scope of that project in relation to land acquisition requirements. It should be noted that the proposed Station Master-plan project as approved by Cabinet in January 2017 will still be delivered in its entirety.

2.3.3 The 2016/17 and future Programme continues to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Highways and Public Realm. The City Council has made significant investment in specific Public Realm schemes including use of £2m Local Growth Deal funding, secured to deliver a number of city centre public realm schemes, including Greyfriars Lane, Fairfax Street/Hales St and Cuckoo Lane. In addition works continues on the resurfacing of roads, and Swanswell Viaduct.

- Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2016/17 £4.4m of spend has been incurred within in the Strategic Transport Programme, these currently funded from the Local Growth Deal. The primary source of funding going forward with be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment.

- City Centre South (CCS) is a major regeneration project covering the southern part of Coventry city centre, which will transform the area by redeveloping approximately half (6.7 hectares) of the city centre retail core. WMCA funding worth just under £100m, and the Council is investing in the form of properties and land worth £28m which are being transferred into a Special Purpose Vehicle for the development formed with a private developer.

- Education capital grant funding is made up of two elements, Basic Need and Condition/ Maintenance. The programme this year has slipped due to some in-house capacity issues, but the City Council still has sufficient school places, in mainstream schools, secured by the primary school expansion programme in 2008-14. The replacement of Tiverton Primary School at Whitley, which is under construction, will start to address the shortage of places in special education provision in the City.

- City Centre Destination Facility (CCDF) - In September 2014, Coventry City Council approved the addition of £36.7m to its capital programme for 2014/15 onwards, for the development of a (CCDLF) on the existing Christchurch House and Spire House site. The design for the CCDLF has now been taken to RIBA stage 4, with full planning permission approved in July 2016 .The demolition of Christchurch House and Spire House site commenced September 2016 in and was completed in February 2017. The Councils preferred contractor Buckingham's Group Ltd starting the construction of the CCDLF in March 2017 and are currently working on the building foundations. The CCDLF is currently on programme and scheduled to be fully opened in spring 2019.

2.3.2 The funding in respect of this capital expenditure of £71.0m is summarised in Table 6 below The Programme has been resourced almost exclusively from capital grants including use of the £35m grant for Whitley infrastructure which has been applied ahead of the need to spend on the Whitley scheme. In order to fund future programmes of spend these resources will need to be back-filled by capital reserves, capital receipts and prudential borrowing over the next few years.

Table 6: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	0	0	0
Grants and Other Contributions	70.5	83.8	13.3
Revenue Contributions	0.5	0.5	0
Capital Receipts	0	20.5	20.5
Capital of Management Reserve	0	5.6	5.6
Total Resourcing	**71.0**	**110.4**	**39.4**

2.4 Treasury Management Activity

2.4.1 Political uncertainty has been the main driver of the economic landscape during 2016/17. Uncertainty over the outcome of the US Presidential election & the UK's future relationship with the EU resulted in significant market volatility during the year. UK inflation continued to be subdued in the first half of 2016/17, however, the sharp fall in the Sterling exchange rate following the EU referendum had an impact on import prices which resulted in inflation rising from 0.3% in April 2016 to 2.3% in March 2017. Despite the uncertainty, UK GDP grew steadily during the year & the unemployment rate dropped to 4.7% in February, its lowest level in 11 years. The fallout from the EU referendum also caused the Bank of England Base rate to be cut to 0.25% from 0.5%. Current forecasts expect the base rate to stay at 0.25% until at least June 2020, with a further reduction to close to zero more likely than a rate rise in the meantime.

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

Table 7: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2016/17	Maximum in 2016/17	Average in 2016/17
5 year	1.15%	2.00%	1.56%
20 year	2.20%	3.40%	2.85%
50 year	2.07%	3.28%	2.69%

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

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has reduced by £11m:-

Table 8: 2016/17 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2016	391.8
Borrowing to finance 2016/17 Capital Programme	0.0
PFI & Finance Leases liabilities	1.1
Donated Assets	(1.1)
Provision to Repay Debt (Minimum Revenue Provision)	(10.0)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(0.9)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1st April 2017	**380.8**

No new long term borrowing was taken out during 2016/17, however, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2017/18. Within 2016/17, the movements in long-term borrowing and other liabilities were:-

Table 9: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2016 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2017 £m
PWLB	209.4	0	0	209.4
Money Market	59.0	0	0	59.0
Stock Issue	12.0	0	0	12.0
Other	0.5	0	0	0.5
sub total ~ long term borrowing	**280.9**	**0**	**0**	**280.9**
Other Local Authority Debt	16.5	(1.1)	0	15.4
PFI & Finance Leasing Liabilities	74.9	(2.1)	1.1	73.9
Total	**372.3**	**(3.2)**	**1.1**	**370.2**

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

Table 10: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m	Short Term Borrowing £m
Under 12 Months	37.0	0
1 – 2 years	7.3	0
2 – 5 years	34.2	0
5 – 10 years	21.7	0
Over 10 years	180.7	0
Total	**280.9**	**0**

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

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. No short term borrowing was taken out during the year as the Council’s cashflow requirements were met from its own cash and short term investment balances. During the year the Council held significant short term investments, as set out in Table 11. The average short term investment rate in 2016/17 was 0.66%.

Table 11: In House Investments at 31st March 2017

	At 30th June 2016 £m	At 30th Sept 2016 £m	At 31st Dec 2016 £m	At 31st Mar 2017 £m
Banks and Building Societies	54.0	54.4	53.4	14.0
Local Authorities	0.0	0.0	20.0	45.0
Money Market Funds	15.8	18.6	8.7	6.5
Corporate Bonds	23.2	34.9	24.3	13.6
Registered Providers	5.0	15.0	15.0	10.0
Total	**98.0**	**122.9**	**121.4**	**89.1**

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

Table 12: External, Pooled Investments as at 31st March 2017

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	10.0	11.03	4.86%
Royal London Enhanced Cash Plus Fund	Sep 2016	4.8	4.83	1.22%
Payden Sterling Reserve	Feb 2012	7.5	7.93	1.14%
Federated Prime Rate Cash Plus	Mar 2013	7.7	7.85	0.65%
Deutsche Ultra Short Fund	Jan 2017	1.0	1.00	0.64%
Standard Life Investments Sterling Short Duration Fund	Mar 2015	7.8	7.90	0.61%
Royal London Cash Plus Fund	Sep 2016	3.0	3.01	0.59%
Total		**41.8**	**43.55**	**1.78%**

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

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 13.09%, as against a 14.03% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £357.1m was within the limit of £477.3m.

- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing plus PFI and finance lease liabilities at £357.1m was within the boundary of £437.3m.

- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2018/19 CFR limit of £479.7m.

- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 13.2% of total debt that needs to be refinanced in 2017/18, compared to the PI limit of 40% in the 2017/18 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City

Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

3. Results of consultation undertaken

3.1 None.

4. Timetable for implementing this decision

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

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The final revenue outturn picture for 2016/17 is over-spend of £0.7 balanced to nil by a contribution from Council reserves. Large overspends have occurred within individual service areas, most notably adults' and children's social care.

Within Adults' Social Care, additional funding identified as part of the February 2016 Budget Report and subsequent resources announced in early 2017 (the 3% Adult Social Care precept, the 2017/18 Adult Social Care Grant and resources announced within the Government's Spring 2017 Budget) should ensure that the service will be able to manage within budget in 2017/18.

A greater challenge exists within Children's Services. Although the service has a savings delivery plan and budgetary control action plan in place for 2017/18 in order to manage its significant underlying over-spend, there is a recognition that maintaining expenditure within budget will be very difficult. Delivery of the transformation savings required will be a key focus in this service area.

The Asset Management Revenue Account has delivered a significant saving compared to budget. This results from lower than anticipated capital spending plus intentional efforts to minimise the level of Council borrowing through the application of capital receipts and revenue contributions (over several years). The underlying and on-going flexibility in this area has enabled an on-going £1.5m saving to be built into the 2017/18 budget. The measures that have helped to generate this saving will continue to be taken to help strengthen the financial position of the Council as a whole and will continue to be a very important feature of the Council's medium term financial planning.

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

As referenced above, management of the Council's programme of savings targets has not achieved universal success across all service areas. Care will be needed to ensure that the scale and pace of savings targets remains realistic in the face of service demands, recognising also that all services need to contribute to the changes needed to deliver a balanced budget.

The application of grant funding has been maximised within the Capital Programme resulting in no prudential borrowing in the year. Prudential Borrowing approvals not utilised for the 2016/17 programme will be applied in future years as capital spending is incurred.

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

Tight management of the Council's finances over recent years has enabled the Council to establish a balanced three year budget and generated capital resources that offer some limited future flexibility. Decisions will be required going forward to consider the best way in which these resources can be applied for strategic use. These might include meeting new/existing policy priorities, meeting potential spending pressures on existing schemes, identifying new opportunities for buying income generating assets or displacing Prudential Borrowing on existing capital schemes (effectively repaying debt).

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

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?
The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

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

6.3 What is the impact on the organisation?
The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the massive challenges being faced with regard to the level of funding available to local government over the next few years.

6.4 Equalities / EIA
No specific impact.

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

6.6 Implications for partner organisations?
None.

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Members: Councillor J Mutton	Cabinet Member for Strategic Finance and Resources	-		

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Appendix 1 Revenue Variations

Reporting Area	Explanation	£m
People	The People Directorate overall has underspent against its salary budgets and turnover target by £5.05m. This is partly as a result of high levels of vacancies in Childrens Social Care, which contributed £3.2m of the underspend. Part of the non-salary overspend is a result of agency staff in Childrens Social Care. During March this figure was down to 47 (compared to 76 at 31st March 2016). Internally provided services in Adult Social Care contributed a further £0.6m towards the overall underspend as a result of planned vacancies and efficiencies.	(5.1)
Resources	The Resources Directorate overall is underspending against its salary budgets and turnover target by £0.8M. This is due to vacancies and early delivery of staffing savings across all areas of the service.	(0.8)
Place	This variation is primarily caused by vacancies which have proved difficult to recruit to, net of turnover targets for the directorate. Some of the vacancies are key posts which have required agency appointments, which are under review with HR colleagues to appoint on a permanent basis	(0.3)
Total Non-Controllable Variances		**(6.2)**

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 scrutinised and managed. Significant work on reducing retrospective packages has been undertaken this year so a more consistent and accurate budget forecast is achieved on a monthly basis.	3.1
LAC Services	An overspend on staffing due to use of agency staff to cover vacancies, which is partly offset by an underspend in the centralised salary forecast. Overall there is an overspend on LAC placements of £1M, this is due to an overspend on external residential placements for LAC driven by cost as although numbers have remained stable there has been an increase in more expensive placements, partially offset by an underspend on internal and external fostering as a result of lower numbers on average across the year in fostering placements than originally planned. Total LAC placements have increased over the year from 487 to 503.	2.6

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 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 in place to plot and monitor move on timescales for individual young people, and this should improve the position in 2017/18. Recent work has also commenced on a review and refresh of the corporate housing and homelessness strategy.	2.2
Child Protection	Overspend on staffing costs due to use of agency incurred to fill vacancies. This is offset by an underspend on salaries reported as part of the centralised forecast, £0.1M underspend on Section 17 and discretionary payments due to greater scrutiny of expenditure, and £0.1M underspend on Educational Welfare service due to holding vacancies ahead of Education Services Grant fall out in 2017/18.	1.6
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	1.5
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 were required to be delivered over the year across all of adult social care.	1.0
Older People Community Purchasing	Underlying budget pressures have reduced during the year 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
Inclusion & Participation	This overspend mainly relates to transport costs, offset by underspends in a number of other areas. The overspend is partly attributable to an increase in volume. All travel assistance policies have been reviewed and the revised policies will be implemented in September 17.	0.5
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.	0.3
Adult Education	This is an undelivered savings target, that was due to be delivered through resource switching. This has been managed within the Budgetary Control Posiiton for the Education, Libraries & Adult Learning service.	0.2
Safeguarding	Overspend is due to agency costs being incurred to fill staffing vacancies within the Children's Safeguarding service. This is partially offset be an underspend on salaries reported as part of the centralised forecast underspend	0.1
School Enrichment Services	Performing Arts Service income has reduced during the year resulting in a £100k shortfall against budget. The service redesign will be implemented in September 17 which will achieved efficiencies, increase flexibility for customers and assist the service in achieving a break even position.	0.1
Underspends:		
Business Performance (SCTEI)	Underspend as a result of a reduction in activity on LAC transport, and a shift in the way LAC transport has been provided.	(0.1)

Planning	Planned underspend as a result of staff savings delivered ahead of the Education Services Redesign.	(0.1)
Integrated Youth Support Service	Public health have supported an additional £0.2M of activity in the Youth Service freeing up Core budget.	(0.2)
CPH Place	This underspend relates to lower than anticipated costs relating to the initial expected costs of supporting the development of Combined Authority proposals	(0.2)
Advice and Health Information Services	Underspend in respect of Migration grant income, which supports expenditure within other Council services.	(0.3)
Strategic Commissioning (Adults)	This underspend is the effect of better than anticipated efficiency savings across a number of contracts.	(0.4)
Early Years, Parenting & Childcare	Public Health have supported an additional £1.0m of activity freeing up core budget.	(1.1)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**11.3**
REPORTING AREA	**EXPLANATION**	**£m**
PLACE DIRECTORATE		
Overspends:		
Traffic	The primary reason for the variation is due to 2 key pressures, the use of agency staff to cover vacancies of £313k, together with the write-off of prior year parking enforcement debt amounting to £648k. Debt write off was greater than anticipated and insufficiently provided for in the bad debt provision. This is partly due to an increase in the level of bad debt attributable to vehicles that have been incorrectly registered with the DVLA and/or where it is not possible to trace the owner. Consequently, the average income yield per PCN has decreased below the levels that were used to forecast throughout the year. In addition, there has also been an increase in the number of cancelled PCNs for other reasons - including the cancellation of older debts and difficulty enforcing debts (e.g. persistent offenders and bailiff enforcement). An action plan is in place to mitigate some of these issues in 2017/18. This was offset by: • Increased bus lane enforcement PCN's generating £111k • Higher car parking income performance of £173k • Street Lighting energy saving of £220k due to contract price reduction	0.5
Environmental Services	Continued under recovery of new MTFS income targets relating to alarm monitoring and CCTV services. There is currently an ongoing review which will aim to reduce this pressure.	0.2
Streetpride & Parks	Primarily agency costs incurred in Streetpride during service reviews, together with traveller incursion cost pressures, offset by a net income surplus generated in bereavement services	0.2
Sports, Culture, Destination & Bus Relationships	Pressure caused primarily by a St. Mary's catering trading deficit of £140k, together with the £46k cost of the Free Passport to Leisure card issue	0.2
Waste & Fleet Services	Savings on Waste disposal costs and reduced Passenger Transport costs have helped offset a series of primarily one off pressures in fleet.	0.1

Commercial Property	Building cleaning trading deficit	0.1
Transport & Infrastructure	Expenditure on agency cover and reduced income from capitalised staff.	0.1
Underspends:		
Economy & Jobs	Grant funding identified to meet staffing costs	(0.1)
Development Services	Sale proceeds for Canley site for surveyors costs £177k received after Q3 forecast.	(0.1)
PTH Management & Support	Underspend due to charging for officer time spent on major projects.	(0.2)
Directorate & Support	In year accelerated delivery of workforce strategy targets for the directorate of c£0.5m, offset by under delivery of Kickstart targets. Both these targets increase significantly in 17/18 which will result in a net deficit target as yet to be achieved	(0.3)
Planning & Regulatory Services	Higher planning and enforcement income than budgeted	(0.5)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**0.1**
REPORTING AREA	**EXPLANATION**	**£m**
RESOURCES DIRECTORATE		
Overspends:		
Legal Services	Overspend due to high levels of activity within Children's Services (number of hearings per case) requiring external counsel to be instructed. In addition, due to vacancies on the team there has been the need for agency cover. The majority of the vacancies are now recruited to. There has also been increased activity within Coroners, which has led to an overspend. The unpredictable nature of some of this work has led to the increase in overspend since quarter 3.	0.5
Revenues and Benefits	A net overspend of £1.2M on Housing Benefit Subsidy, which is made up of an overspend on housing benefit paid for clients in temporary and supported accommodation, which is less than can be reclaimed from the Subsidy grant (£2.9M). This is reduced by £1.8M as a result of recovered overpaid housing benefit. There is also an underspend of £0.7M, as a result of 1-off grant from DWP, and other 1-off technical issues.	0.4
ICT Operations	Overspend relates to the costs of migrating users from the previous mobile phone contract to the new one (now complete) and some one-off spend relating to roll out of kit in preparation for Friargate. This was partially offset by tightened control and scrutiny around contracts within the Data & Voice Team.	0.3
Underspends:		
Financial Mgt	Underspend as a result of early delivery of 17/18 step up in savings target, funded from salary and non-salary savings including review of CIPFA apprenticeship programme, and additional income for services provided by the Finance Team.	(0.1)

Customer and Business Services	A £396K underspend as a result of increased internal income (printing) and early delivery of 17/18 step up in savings target, funded from salary and non-salary savings. This has been offset by a £243K overspend relating to support costs for statutorily homeless clients including storage costs for clients' possessions, and some additional temporary resource. This position is under ongoing review against a backdrop of national change with the imminent introduction of the Homelessness Reduction Bill.	(0.2)
Transformation Programme Office	Underspend relates to costs being charged to specific projects resulting in unexpected internal income.	(0.3)
ICT Strategy, Systems & Development	Underspend relates to delays in system implementations which have delayed requirement for revenue software licencing costs.	(0.4)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**0.1**
Contingency & Central Budgets		
Underspends:		
Corporate Finance	The Asset Management Revenue Account has under-spent by £2.4m at year-end compared with £2.3m at quarter 3. This is 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. The inflation contingencies budget has under-spent by £1.5m compared with £1.0m projected at quarter 3. Further under-spends have occurred within the Policy Contingency, the Coventry and Warwickshire Business Rates Pool budget and in budgets for pensions savings and pension costs.	(5.0)
	Forecast Overspend/(Underspend)	**(5.0)**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES	(RESCHEDULING) / ACCELERATED SPEND	(UNDERSPEND) / OVERSPEND	EXPLANATION
PEOPLE DIRECTORATE				
DFG		(0.8)		BCF additional funding in the region of £600k was put into the Capital budget for DFG 2016/17. This was not anticipated or planned for. Therefore due to operational demands throughout the year we never developed an effective strategy to use this additional funding and with normal working practices we would never have spent the additional monies. Also spend was reduced in this area due to unforeseen problem with a backlog of jobs with Whitefriars Housing Group which would have ordinarily been paid for in the year.
Pathways to Care (Support to Foster Carers)		(0.1)		This relates to 3 applications which were approved in 16/17 but due to issues ranging from Planning consent to Legal loan agreeements, were not in place to action the payment 16/17. These documents have now been finalised and payment will be process in 17/18
Condition - Schools		(0.8)		This is an ongoing programme, works will be scheduled into 17/18, specifically the mechancial and electrical works are delayed due to the capacity of the inhouse design team.
Broad Spectrum School		0.5		Part of a £10m construction programme, works a month ahead of schedule.
Early Years		(0.1)		Projects are currenlty being revaluated, pending the outcome of the Family Hubs.
Suitability/Access		(0.1)		Some of the funds orginally set aside to complete a wet room at Gosford Park, were not able to be completed as schedule due to lack of inhouse capacity. The remainder will be carryforward to met the furture demands.
Miscellaneous		(0.1)		Aggregated changes that total >£100k.
SUB TOTAL - People	**0.0**	**(1.4)**	**0.0**	

PLACE DIRECTORATE				
City Centre South		0.2		Extra advisor costs not taken account for or unknown in the quarter 3 projections
Banner Lane S106		(0.6)		There has been some slippage on the scheme due to various site issues related to utilities causing delays to works. Works are now nearing completion, with Severn Trent Water soon to undertake diversion works which enables the DLO to complete the scheme
Warwick Station Access		(0.3)		Expenditure on Warwick Road Access Tunnel has slipped due to programme delays. This was caused primarily by unforeseen utilities, alongside issues encountered with the piling sub-contractor which meant that a decision was taken to omit further piling and excavation works and ringfence the resources for these works to be undertaken as part of the wider Station Masterplan development when the tunnel will be brought into use.
Nuckle		0.0	(0.3)	A final reivew of NUCKLE 1.1 financial accounts has recognised a small underspend on phase 1 of the project, mainly due to Network Rail revising their pricing schedule. Some of this will be used to fund the reduced funding of ERDF £175k and the balance will be set aside towards Phase 2.
GD14 - A46 N-S Corridor (Stanks)		0.2		The CWLEP Programme Board have asked us to accelerate spend on projects where possible. The project identified utilities spend that could be accelerated and spend increased into 16/17.
GD17 - National Transport Design Centre		(0.7)		Delay in construction start date due to bad weather has resulted in rescheduling of £0.7m, which CWLEP board have approved. Scheme still remains within acceptable timescales.
GD22 - Warks College STEM		0.2		The CWLEP Programme Board have asked us to accelerate spend on projects where possible. The project identified spend that could be accelerated and spend increased into 16/17.

A46 Link Road Phase 2		(0.1)		There has been some slippage on expenditure as the DfT have confirmed that an Outline Business Case isn't required and the project can instead progress to Full Business Case which has resulted in a change to programme and expenditure profile.
Public Realm 4		(0.4)		The slippage reflects changes to the Public Realm Phase 4 programme, and has no impact on Growth Deal grant which needs to be spent by the end of 17/18.
Lythalls Lane (CIF)		(0.1)		Funding set aside to refurbish unlet Units, if necessary to achieve lease/Sale
Vehicle and Plant Replacement		(1.6)		**Prudential Borrowing** - Service reviews within Highways, Streetpride and Passenger Transport Services have meant that the operational life of existing vehicles has been extended. Within PTS this was due to proposals within SEN in the People directorate regarding home to school transport, and within Streepride and Highways, due to service redesign. **Leasing** - Service reviews within Streetpride have casued leases for vehicles and plant to be extended pending service resdeign. Additionally a number of vehciles were brought out of lease at preferentail rates, meaning that we can benefit from extending the life of unfinanced vehicles. There are also a number of vehicles originally located within schools, which have become suplus to their requirements and the have relocated to other areas with short term extensions to their lease.
Play Areas		(0.3)		New Century Park spend delayed due to elected member involvement in wanting to explore links with Sphinx Running Club and we await further instructions, time delays in waiting for quotes, and Project Team capacity issue has deffered works starting in 16/17. Where spend was delayed due capacity in other teams we have met and tried to work out a timetable, however both the Public Health Project work and the dealing with travellers has affected progress.

Kickstart Office		(4.5)		As a result of slower than anticipated progress on site with the external façade, whilst the overall programme is maintained, there has been slippage in expenditure to these elements. This will be fully utilised in the new financial year.
ESIF - Low Carbon		(0.2)		Due to the delay in this project being started there was a significant delay to the allocation of grant funding to businesses. DCLG invited us to submit project change requests to re-profile spend and outputs which have now been approved. The first Grants have now been allocated with the first claims now being received. Funding to be re-profiled to 17/18
ESIF - Innovation		(0.1)		
Canley Regeneration (Prior Deram Park)		(0.1)		Procurement problems with replacement street furniture (supplier delivery delays) and delay waiting for confirmation of approval for elements of the work area have delayed the works on site. Remaining budget to be carried over as remaining planned works have been put back due to start of new housing development adjacent the work area and potential for damage newly completed works.
London Road		(0.2)		There is no capital spend on the LRC project at present as the spend for the development stage is funded through revenue (code 10284) – therefore all expenditure to date is sitting in revenue
Far Gosford St Liveability Fund		(0.1)		The actual costs are attributed to the acquisition of property and compensation in relation to the Far Gosford Street CPO. Negotiations with property owners have been concluded which has led to this increased expenditure for associated CPO cost and compensation in Q3.
FGS CPO's / Ringfenced Receipts		0.3		The actual costs are attributed to the acquisition of property and compensation in relation to the Far Gosford Street CPO. Negotiations with property owners have been concluded which has led to this increased expenditure for associated CPO cost and compensation in Q3
Growing Places Fund		(0.5)		Grantee's approval for Infrastructure project was delayed so a claim was not submitted as planned. Round 2 Open Call and Round 3 Open Door, which are on-gpoing business grants have experienced delays from businesses in submitting claims, spend has been re-profiled into 2017-18

City Centre Destination Leisure Facility		(0.2)		The variance to the forecast spend on the CCDLF scheme was due to the demolition element of the project coming in under the forecasted tender return. In addition a the discovery of a small amount of Asbestos resulted in a slight delay to programme which impacted on the project's cash flow forecast.
Capital Disposals - Lease Buy Out of Elm Farm	1.3			Cabinet Approved on 24th November 2015 the freehold disposal of land at Elms Farm and surrender the long-lease hold payment to the tenant on condition of a freehold developer being secured. This has now been achieved and this is the payment to the tenant funded from the capital receipt.
Major Projects (SWCJIP)			0.2	This overspend is being funded by university of Warwick (see 2.3.2 of report)
Major Projects (incl Friargate Bridgedeck, Whitley Junction)			1.4	See 2.3.2 of Report
SUB TOTAL - Place Directorate	**1.3**	**(9.2)**	**1.3**	
RESOURCES DIRECTORATE				
ICT Infrastructure Operations		(0.1)		Spend relating to relocation of our data centre has had to be postponed into 17/18 due to the Ofsted inspection. This work was due to take place in March, but will now be in April.
Kickstart - Infrastructure		(0.2)		The roll out of Mitel has been delayed due to technical issues earlier in the project. The current underspend relates to final payments which will not be made until the project is completed in May 2017.

Strategy Systems Development		(0.6)		There has been a significant amount of work in looking at revenue spend within ICT to deliver savings targets and planning the work to support the ICT strategy. This has meant re-profiling some of our strategic plans. We are also finding that we are being able to deliver some more of the technical work internally rather than rely on external third parties, which means the costs are lower. We are looking at some significant data centre work next year which will require spend, hence the rescheduling. Also, we had a Digital Strategy for the City approved on 21st February, as a result we will be refreshing our ICT strategy during 2017/18 which will include more details about investment profiles moving forward.
Kickstart - ICT Systems		(0.6)		The bulk of the rescheduling is a result of the HR & Payroll system project. This is as a result of some significant changes in direction on this project and with the supplier. Negotiations with the supplier being managed at a senior level within the organisation (Barry Hastie & Lisa Commane). However, this has meant that spend has not occurred to profile and will therefore need to be rescheduled into next year. It is hoped that the position on this project will become much clearer during quarter 1 of 2017/18.
Kickstart - Customer Journey		(0.4)		The bulk of the rescheduling is a result of various elements of spend and project implementations coming to an end and coming in below the anticipated value. During quarter 1 of 2017/18 there we will review the project profiles and, in line with our new reporting arrangements for the capital programme, review the funding profile.
SUB TOTAL - Resources Directorate	**0.0**	**(1.9)**	**0.0**	
TOTAL RESCHEDULING	**1.3**	**(12.6)**	**1.3**	

Appendix 3

Summary Prudential Indicators

		Per Treasury Management Strategy 16/17 £000's	Actual 16/17 £000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	32,742	30,561
	(b) General Fund net revenue stream	233,381	233,381
	General Fund Percentage	14.03%	13.09%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	429,600	357,137
	Capital Financing Requirement (forecast end of 18/19)	452,714	479,713
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	429,600	357,137
	less investments	-48,444	-137,170
	less transferred debt reimbursed by others	-15,438	-15,437
	Net Debt	365,718	204,530
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	107,778	71,002
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	452,714	380,813
	Capital Financing Requirement excluding transferred debt	437,277	365,376
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	404,411	404,411
	+ authorised limit for other long term liabilities	72,865	72,865
	= authorised limit for debt	477,277	477,277
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	364,411	364,411
	+ Operational boundary for other long term liabilities	72,865	72,865
	= Operational boundary for external debt	437,277	437,277
7	**Actual external debt**		
	actual borrowing at 31 March 2017		280,903
	+ PFI & Finance Leasing liabilities at 31 March 2017		72,801
	+ transferred debt liabilities at 31 March 2017		15,437
	= actual gross external debt at 31 March 2017		369,141
8	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	391,297	211,312

	Variable Rate		
	Upper Limit for Variable Rate Exposures	78,259	-67,579
9	**Maturity structure of borrowing - limits**	**upper limit**	**actual**
	under 12 months	40%	13.2%
	12 months to within 24 months	20%	2.6%
	24 months to within 5 years	30%	12.2%
	5 years to within 10 years	30%	7.7%
	10 years & above	100%	64.3%
10	**Investments longer than 364 days: upper limit**	30,000	5,525