Coventry City Council

Public report
Cabinet Report

Cabinet	29th August 2017
Council	5th September 2017
Audit and Procurement Committee	11th September 2017

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

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
2017/18 First Quarter Financial Monitoring Report (to June 2017)

Is this a key decision?
No

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2017.

The headline revenue forecast for 2017/18 is an over spend of £4.6m. At the same point in 2016/17 there was a projected overspend of £6.4m.

This position reflects areas that have reported overspends in recent previous years and ones where new budgetary issues are emerging. Although the initially reported overspend position is not as large as this time last year, the Senior Management Board is aware of the need to address the range of budgetary issues facing the Council. This includes continued challenges in delivering savings targets set in previous Budgets and some local demand pressures, in particular in relation to looked after children and housing related costs. Even at this early stage it is likely that some of these pressures will need to be considered as part of the Council's Budget Setting process for the 2018/19 Budget although further work will continue to keep these to a minimum.

The Council's Capital spending is projected to be £128m for the year, a net increase of £5m on the programme planned at the start of the year.

The report also recommends a change to the Council's Investment Strategy and Policy to enable the council to continue its current level of investment in Property based Collective Investment Schemes

Recommendations:

Cabinet is recommended to:

1) Note the forecast revenue overspend at Quarter 1.

2) Approve the revised capital estimated outturn position for the year of £128m incorporating: £2.5m net increase in spending relating to approved/technical changes (Appendix 2 of the report), £12.6m of expenditure rescheduled from 2016/17 into 2017/18 and £10.3m net rescheduling of expenditure into 2018/19 (Appendix 4 of the report).

3) Request that Council approves an adjustment to the Council's Investment Strategy and Policy to increase the maximum investment limit with property based Collective Investment Schemes to £10m, up from £8m.

Council is recommended to:

1) Approve a change to Council's Investment Strategy and Policy increasing the maximum investment limit with property based Collective Investment Schemes to £10m, up from £8m.

Audit and Procurement Committee is recommended to:

1) Consider whether there are any comments they wish to be passed onto 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 2017/18
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?

Yes - Audit and Procurement Committee - 11th September 2017

Will this report go to Council?

Yes – Council - 5th September 2017

Report Title:
2017/18 First Quarter Financial Monitoring Report (to June 2017)

1. Context (or Background)

1.1 Cabinet approved the City Council's revenue budget of £232.5m on the 21st February 2017 and a Directorate Capital Programme of £123.2m. This is the first quarterly monitoring report for 2017/18 to the end of June 2017. 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 2017/18 revenue forecast is an overspend of £4.6m. The reported forecast at the same point in 2016/17 was an overspend of £6.4m. Capital spend is projected to be £128.0m, an increase of £4.8m on the original Capital Programme.

2. Options considered and recommended proposal

2.1 **Revenue Forecast -** The forecast revenue overspend £4.6m is analysed by service area below.

Table 1 - Forecast Variations

Service Area	**Revised Net Budget £m**	**Forecast Spend £m**	**Forecast Variation £m**
People Directorate			
Public Health	0.5	0.2	(0.3)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.5	75.1	3.6
Adult Social Care	82.0	81.8	(0.2)
Customer Services & Transformation	2.8	4.7	1.9
Total People Directorate	**170.7**	**175.8**	**5.1**
Place Directorate			
Directorate Management	4.0	3.9	(0.1)
City Centre & Major Projects	7.2	7.3	0.1
Transportation & Highways	3.9	4.3	0.4
Streetscene and Regulatory	26.9	27.3	0.4
Project Management & Property	(7.5)	(7.6)	(0.1)
Finance & Corporate Services	6.9	8.3	1.4
Total Place Directorate	**41.4**	**43.5**	**2.1**

Contingency & Central Budgets	20.4	17.8	(2.6)
Total Spend	**232.5**	**237.1**	**4.6**

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 of the report.

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£3.2m) masks a significant overspend across other areas (£8.3m), including undelivered savings targets and budgetary control pressure.

The net forecast position of a £5.1m overspend includes undelivered savings targets of £3.1m. This is largely as a result of delays in delivery within Children's Services and Customer Services & Transformation divisions. Both divisions have saving and delivery plans in place to manage the saving targets, but they are not forecast to be fully delivered within the 2017/18 financial year.

All budgetary control variances over £0.1m are detailed in Appendix 1 of the report. The most significant pressure in addition to undelivered savings targets is Looked After Children Placements, and supported accommodation provision for care leavers and homeless 18-24 year olds (£1.8m). Children's Services Management Team are reviewing placements within these areas to identify actions to reduce the pressure in-year.

The Directorate's centralised salary underspend against its salary budgets and turnover target is partly as a result of high levels of vacancies in Childrens Social Care, which account for £2.6m of the underspend. This is partly offset by non-salary overspend as a result of agency staff in Childrens Social Care, although as recruitment continues this cost reduces. Agency numbers across Children's Social Care have reduced from 75 (June 2016) to 44 (June 2017). Internally provided services in Adult Social Care contribute a further £0.6m towards the forecast underspend as a result of planned vacancies and efficiencies. The Children's Services restructure is currently out to consultation, and if implemented will change the salary position.

Place

Place Directorate is forecasting an overall net deficit of £2.1m at Quarter 1. The most significant variation of £2.1m relates to the cost of Housing Benefit (HB) paid in respect of homeless people emergency Bed and Breakfast accommodation, which cannot be claimed from the government. There is also a £1.0m pressure due to the element of HB paid out for clients in supported accommodation which can also only be partially reclaimed. These pressures are offset by a surplus recovery of £1.6m HB overpayments.

In addition, some areas of the directorate are experiencing income generation pressures, the key ones being as follows. In parking enforcement, temporary vacancy issues are resulting in fewer Parking Charge Noticess (PCNs) being issued. This together with under performance on collection of PCN income is causing a £0.4m pressure. The Monitoring & Response service has not as yet been able to achieve £0.3m commercialisation and cost reduction targets. City centre commercial rental income is falling short of targets by almost £0.2m due to the disposal and demolition of some large property assets. Schools Cleaning income pressures of £0.1m still exist until the management of the service transfers to schools from September 2017, and Commercial Catering continues to experience event and café trading deficits of £0.1m.

Pressures are being offset by a £0.2m negotiated saving in relation to an external property lease termination cost, and the recovery of £0.3m of officer costs from a combination of grant and asset disposal proceeds.

Contingency & Central
Expenditure is expected to be less than anticipated across inflation contingencies, the Asset Management Revenue Account (AMRA) and the Apprenticeship Levy. The AMRA has been an area that has consistently underspent in recent years but the current forecast is an underspend of £0.3m. There is no expectation of further variations on the scale that has been experienced previously in this area.

2.3 **Capital Programme**

The 2017/18 Budget Setting report (Cabinet 21st February 2017) approved a total Directorate Capital programme for 2017/18 of £123.2m. Table 2 below updates the budget to take account of a £2.5m increase in the programme from approved/technical changes. £12.6m of expenditure has been brought forward from 2016/17 and £10.3m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2017/18 of £128.0m**.** Appendix 3 of the report provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2017/18. It shows 54% of the programme is funded by external grant monies, whilst 43% is funded from borrowing. The programme also includes funding from capital receipts of £0.5m. Overall the Capital Programme and associated resourcing reflects a forecast balanced position in 2017/18.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2017-18 MOVEMENT	**£m**
February 2017 Approved Directorate Programme	**123.2**
Net rescheduling of expenditure from 2016/17 into 2017/18	12.6
Updated Programme	**135.8**
Approved / Technical Changes (see Appendix 2)	2.5
"Net" Rescheduling into future years (see Appendix 4)	(10.3)
Revised Estimated Outturn 2017-18	**128.0**

RESOURCES AVAILABLE:	**£m**
Prudential Borrowing (Specific & Gap Funding)	54.4
Grants and Contributions	69.6
Capital Receipts	0.5
Revenue Contributions	3.0
Leasing	0.5
Total Resources Available	**128.0**

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. In recent years the Council has delayed 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 the 2017/18 and future programmes and this will come on-stream over the next few years. The revenue funding costs of this have been built into the Council's forward financial plans.

2.4 **Treasury Management Activity in 2017/18**

Interest Rates

The economic outlook for the UK is challenging with economic growth slowing as higher inflation and lower confidence weigh on activity. The uncertainty that the current Brexit negotioations have caused is highlighted by the recent mixed messages released by the Bank of England talking up the potential of both a rate rise and a rate cut in the near future. However, the most likely scenario is for the interest rate to stay at 0.25% for the short to medium term with a rate rise more likely than a cut thereafter. However, any rate changes will be mimimal and gradual in nature.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2017/18 capital programme is £46.6m, taking into account borrowing set out in Section 2.4 above (total £54.4m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£7.8). 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 2017/18 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 2017/18 to P3	Maximum 2017/18 to P3	As at the End of P3
5 year	1.34%	1.64%	1.63%
50 year	2.47%	2.68%	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 2017/18, 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 replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings. However, the Council and its Treasury Management advisors are exploring currently one opportunity in relation to part of the Council's debt portfolio which, if successful, may deliver a small revenue saving.

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 0.68%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 30th June 2016 £m	As at 31st March 2017 £m	As at 30th June 2017 £m
Banks and Building Societies	54.0	14.0	23.4
Money Market Funds	15.8	6.5	26.9
Local Authorities	0.0	45.0	0.0
Corporate Bonds	23.2	13.6	10.4
Registered Providers	5.0	10.0	8.0
Total	**98.0**	**89.1**	**68.7**

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

As at 30th June 2017 the pooled funds were valued at £39.8m, spread across the following funds: Payden and Rygel; Federated Prime Rate, CCLA, Standard Life Investments, Royal London Asset Management and Deutsche Bank.

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

The indicators, together with the relevant figures as at 30th June 2017 are included in Appendix 6 of the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2017/18. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June the value is -£69.7m (minus) compared to +£80.0m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June the value is £243.9m compared to £400.0m within the Treasury Management Strategy, reflecting that a significant proportion of the Councils investment balance is at a fixed interest rate.

CCLA Investment Limit
The Council's Investment Strategy and Policy dictates which organisations the Council is able to invest its cash balances with and the financial limits that apply to each counterparty or type of counterparty. Until February the Council's policy allowed up to £10m to be invested with individual Collective Investment Schemes, which are investments that are managed by external fund managers on the Council's behalf. The limit applies at the point that the investment is made and at that point the Council held an investment of £10m in the CCLA (Churches, Charities and Local Authorities), a property based investment fund.

The policy was revised as part of the 2017/18 Budget Report (February 2017), reducing the maximum limit for unsecured investments with individual counterparties from £10m to £8m. This limit was established through advice from the Council's treasury advisors using an estimate of the Council's projected maximum investment balance for 2017/18, and applying a limit of 5% of this total for such investments.

In April 2017 the Council made a payment of £93.3m to the West Midlands Pension Fund. This represented three years' employer superannuation payments in line with the strategy agreed as part of the Budget Report. The Council's cash balances have gone down significantly as a result, a movement anticipated as part of the revised strategy referenced above.

Local Authorities have recently begun to increase direct investments in property as they seek a higher return on their investments and the Council is also seeking to identify any appropriate opportunities to do this. Notwithstanding that the Council is taking care to adopt a modest and balanced approach and to risk assess each individual opportunity to invest in this way direct investment in property can leave authorities open to risks including property voids and falls in property capital values.

Investing in CCLA mitigates these risks to some degree due to the fact that there is a much larger pool of properties in the portfolio, spread geographically and by type. This can help to smooth any future falls in the capital value of properties and void rental income losses. As well as being lower risk than direct property investment, the CCLA has historically generated good returns for the authority. Since the initial investment was made in December 2013, it has generated £917k in interest at a rate of 4.9% and in 2016/17 alone it generated £397k at an interest rate of 4.8%.

Although the CCLA investment is not contrary to the Council's existing strategy (because it complied at the time the investment was made), existing working practice would be to reduce the investment to meet the new limit. However, the relatively strong returns from the fund combined with the relatively high level of security within this investment type have led to a local assessment that the Council should modify its investment strategy to accommodate the existing investment. This has been discussed with our treasury advisors and whilst they continue to maintain their previous advice they are also advising local authorities that investments in CCLA provide greater security than many direct property investments being made across the sector. On balance the Director of Finance and Corporate Services' view is that this the balance of relatively good returns and low risk justify a marginal change in the Council's Investment Strategy and Policy to accommodate this existing investment.

This change is required by the Constitution to be approved by Council. Therefore, it is recommended that the Council's Investment Strategy and Policy is changed so that the maximum investment limit with Property based Collective Investment Schemes is returned to £10m, up from £8m. The Strategy is reviewed every year as part of the Council's Budget Setting process.

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 the Director of Finance and Corporate Resources

5.1 Financial Implications

Revenue

Following the challenging budgetary control position faced by the Council in 2016/17 and further Government grant cuts for 2017/18 the Council continues to face significant revenue pressures. Most service areas are being delivered within budget and the new resources that have been made available to the Council for adult social care should ensure that this area is in a strong position to manage its budgetary position this year. However, some intractable problems remain, in particular from the non-achievement of planned budget savings and due to further increases in children's social care pressures as a result of the number and costs of looked after children.

A further large budget overspend is the result of Housing Benefit paid out for emergency bed and breakfast accommodation for homeless people. This is a problem that is common to a number of local authorities across the country and options are currently being explored to provide more cost effective accommodation options for the Council.

Management focus and activity is continuing in order to achieve existing savings programmes although it is important for Cabinet to be aware that a small number of remaining undelivered savings will prove difficult to deliver. The extent to which these pressures are likely to have an on-going impact will be considered as part of the early work done in preparation for 2018/19 Budget setting.

At this stage of the financial year the overall bottom line position, whilst challenging, is not a cause for undue concern. Work will continue across areas that are reporting overspends currently to move towards a balanced position and it is anticipated that the financial position for a number of these will improve as the year progresses. Other options for managing any residual overspend will also be kept under review.

Capital
Several schemes are now reflecting the likeilood that expenditure will be rescheduled into 2018/19. Basic Need, A46 link road and Coventry Station Masterplan make up the largest part of this. The Council has received additional grant that it will be able to use to fund capital expenditure on a cash-flow basis within 2017/18 and therefore reduce the amount of Prudential Borrowing that it is required to undertake in the year by £6.3m. Rescheduling from 2016/17 together with additional funds being added to the Capital Programme has led to an overall increase of c£5m to the planned expenditure from the base budget position of £123.2m.

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 in managing this risk and this report is a key part of the process.

6.3 **What is the impact on the organisation?**

In Quarter 1 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend. Any use of one-off resources to balance the final position means that these resources would 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.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed "Budget Holder Forecasts" for the purposes of this report). The 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**	**£m**	**£m**
Public Health	0.5	0.2	(0.2)	(0.1)	(0.3)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.2)	0.3	0.1
Children and Young People's Services	71.5	75.1	(2.6)	6.2	3.6
Adult Social Care	82.0	81.8	(0.6)	0.4	(0.2)
Customer Services & Transformation	2.8	4.7	0.3	1.6	1.9
Total People Directorate	**170.7**	**175.8**	**(3.3)**	**8.4**	**5.1**
Place Directorate Management	4.0	3.9	0.0	(0.1)	(0.1)
City Centre & Major Projects Development	7.2	7.3	0.1	0.0	0.1
Transportation & Highways	3.9	4.3	(0.4)	0.8	0.4
Streetscene & Regulatory Services	26.9	27.3	(0.5)	0.9	0.4
Project Management and Property Services	(7.5)	(7.5)	(0.1)	0.0	(0.1)
Finance & Corporate Services	6.9	8.3	0.2	1.2	1.4
Total Place Directorate	**41.4**	**43.5**	**(0.7)**	**2.8**	**2.1**
Resourcing	20.4	17.8	0.0	(2.6)	(2.6)
Total	**232.5**	**237.1**	**(4.0)**	**8.6**	**4.6**

Reporting Area	Explanation	£m
People Directorate	The centralised salary underspend against its salary budgets and turnover target is partly as a result of high levels of vacancies in Childrens Social Care, which account for £2.6m of the underspend. This is partly offset by non-salary overspend as a result of agency staff in Childrens Social Care, although as recruitment continues this cost reduces. Internally provided services in Adult Social Care contribute a further £0.6m towards the forecast underspend as a result of planned vacancies and efficiencies. The Children's Services restructure is currently out to consultation, and if implemented will change the salary position.	(3.3)
Place Directorate	Centralised budgets in Place are more than delivering turnover targets, primarily due to high levels of vacancies in Traffic & Transportation, Streetpride, and Domestic Refuse & Recycling. Some of these underspends are offset by the cost of agency staff where cover is required to maintain service continuity.	(0.7)
Total Non-Controllable Variances		**(4.0)**

PEOPLE DIRECTORATE			
Service Area	**Reporting Area**	**EXPLANATION**	**£m**
Public Health	Public Health Staffing & Overheads	Underspend on salary costs arising from vacancies.	(0.2)
	Other Variances Less that 100K		0.1
Public Health			**(0.1)**
Education and Inclusion	School Enrichment Services	Performing Arts Service is forecasting an overspend of £138k mainly due to anticipated shortfalls in income. A service redesign will be implemented in September 2017 which will achieve efficiencies, increase flexibility for customers and assist the service in achieving a break even position. Governor Support is currently forecasting an over spend of £44k due to reduced levels of buyback from schools. A plan is in place to reduce this deficit and the service are currently attending a number of additional meetings as well as actively looking for alternative income streams.	0.2
	Inclusion & Participation	Overspend as a result of a part year delivery of the transport review, against a full year saving.	0.2
	Advice and Health Information Services	Resettlement generates corporate income which will be maximised where possible. Under Spend will be used to support spend in other Council services.	(0.4)
	Adult Education	Target set in corporate plan to switch internal training with ESFA grant funding. To date it has not been possible to identify areas in the Council where this can take place.	0.1

	Libraries	Library Service variance due to current predicted overspend due to purchase of self service machines required as part of the Connecting Communities programme.	0.2
Education and Inclusion			**0.3**
Children and Young People's Services	Children's Services Management Team	The overspend is as a result of additional staffing capacity working on OFSTED Improvement Plan activities and delivery of the Children's Transformation programme. There is also a small forecast shortfall in delivery of workforce savings reported to the June Children's Transformation Board.	0.3
	Commissioning, QA and Performance	Following the Ofsted monitoring visit (and further backed up in the OFSTED Inspection) and significant concerns about the volume and quality of the work of CP chairs and IRO's, it was agreed that 4 additional posts were required on an interim basis. All 4 posts are currently recruited to on an agency basis, and the re-structure out to consultation proposes that these posts are recruited to on fixed term contracts for 12 months, and beyond that subject to reviewof workload, areas of responsibility and identified budget. We also currently have some other agency staff filling establishment posts, but will continue to recruit to permanent posts.	0.4
	Help & Protection	Overspend relates to the costs of Agency staff covering posts across the service. This is more than offset by underspends across salary budgets. There is also a pressure as a result of grant fall out for the Family Drug and Alcohol Court. It is proposed that this will be resolved as part of the restructure out to consultation, and we are also exploring the possibility of a Social Impact Bond funding model from 2018/19.	1.8
	LAC & Care Leavers	The overspend is as a result of undelivered savings targets and budgetary control pressure. Approximately £1.7M is a forecast shortfall in delivery of workforce savings reported to the Children's Transformation Board. This is in the area of Looked After Children Placements and is as a result of delays in the delivery of the internal residential provision changes, and slower than forecast increases in internal foster carers. This is being closely monitored by the Children's Transformation Board. In addition there is continued pressure in external residential placements and supported accommodation as a result of high levels of activity. Children's Leadership Team are reviewing all children and young people in placements to identify how costs can be reduced within the financial year.	3.6
Children and Young People's Services			**6.2**
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies.	0.2
	All Age Disability and Mental Health Operational	The overspends on other pay, overtime and variable allowances are partly offset by underspends on centralised salary costs due to a number of vacancies. An overall overspend on centralised salaries due to management of vacancies targets.	0.1
	Other Variances Less that 100K		0.1

Adult Social Care			**0.4**
Customer Services & Transformation	HR and Workforce Development Management	• Unmet element of savings target as a result of significant HR input to deliver Workforce Strategy programme - £115K • Unbudgeted agency cost in HR Operations covering key vacancies and work to deliver Workforce Strategy. This is offset by salary underspends showing in the Centralised Forecast Variance - £44K • Ongoing pressure relating to shortfall in SLA income from schools which will be the subject of further review and action during Qtr 2 - £130K. • Ongoing pressure relating to cross-Council DBS required for key posts including social care - £60K	0.4
	Customer and Business Services	• Unmet element of £1.8m Business Services savings target - £680K • Ongoing pressure relating to homelessness service mainly comprising B&B rental cost not covered by Housing Benefit, agency cost in Housing Options team as service is redesigned and implications of Homelessness Reduction Act clarified and furniture storage cost - £310K	1.0
	ICT Operations	• Ongoing pressure relating to mobile phones exacerbated by increases in number of devices needed due to changes in ways of working and replacement devices - £290K • Various smaller software related pressures £50K • Part offset by ongoing underspend in Data and Voice Network relating to areas where spending needs have reduced over several years - £116K. Zero base budget work underway.	0.2
Customer Services & Transformation			**1.6**
Forecast Overspend/(Underspend)			**8.4**

PLACE DIRECTORATE			
Service Area	**Reporting Area**	**EXPLANATION**	**£m**
Place Directorate Management	Other Variances Less that 100K		(0.1)
Place Directorate Management			**(0.1)**
Transportation & Highways	Highways	Anticipated expenditure on agency cover and unfunded surface water management planning checks (for which potential income streams are being investigated). The Highways DLO trading position is balanced but is reliant on a number of assumptions with regards to income streams.	0.1
	Traffic	- Parking services (£370k): primarily due to income pressure within parking enforcement due to reduced recovery rates and fewer number of PCNs issued (due to staff shortages). There are also expenditure and income pressures within car parks. - Network Management (£247k): primarily within UTC due to anticipated expenditure on agency cover, pressures due to unrecoverable road traffic accident damages to assets and the unfunded costs of growth to the asset estate (energy and maintenance). In addition there is a pressure within the shared streetworks area due to the cost of temporary staff to cover vacant posts and the knock-on effect on income performance.	0.6

	Transport & Infrastrucutre	Anticipated expenditure on agency cover due to key vacancy	0.1
	Other Variances Less that 100K		0.0
Transportation & Highways			**0.8**
Streetscene & Regulatory Services	Streetpride & Parks	Anticipated expenditure on the use of Overtime / Agency to reflect planned works / service requirements due to vacancies, together with increased Traveller Incursion costs	0.5
	Waste & Fleet Services	The overspend primarily relates to Domestic Refuse & Recycling, and is due to the additional costs / salaries for the change of service to fortnightly collections.	0.2
	Environmental Services	Non achievement of Income Targets in relation to CCTV & Community Safety	0.2
	Other Variances Less that 100K		0.0
Streetscene & Regulatory Services			**0.9**
Project Management and Property Services	Development Services	Management action to offset wider pressures by recovering some of the core funded surveyor cost of disposals from the sales proceeds	(0.2)
	Commercial Property	A decline in City Centre commercial rent is occurring and expected to get worse, this is due to the impact of City Centre South and other major building developments in the City Centre.	0.3
	PAM Management & Support	This underspend reflects the lower cost of the Council's liability for exiting an external lease at Lamb Street	(0.2)
	Other Variances Less that 100K		0.1
Project Management and Property Services			**0.0**
Finance & Corporate Services	Revenues and Benefits	There is a net pressure within the Housing Benefit (HB) Subsidy account. The largest pressure (circa £2.1m) is due to the element of HB paid out for bed & breakfast (B&B) accommodation for homeless people which cannot be reclaimed from DWP as HB Subsidy. In addition there is a pressure (circa £1.0m) due to the element of HB paid out for mainly clients in supported accommodation which can only be partially reclaimed from DWP as HB Subsidy. The above two pressures are offset by the surplus recovery of HB overpayments (circa £1.6m)	1.4
	Financial Mgt	Accelerated achievement of headcount savings target, temporarily offsetting the delay in achievement elsewhere in the division. In addition, savings have been made on non-staff budgets (circa £30k).	(0.3)
	Legal Services - People	Variation primarily due to the cost of external barrister expenditure. The service is hoping to bring down external costs by greater use of internal resources for court work and the forecast reflects this. In addition there are pressures within Coroners due to increased pathology and venue fees (£60k), offset by increased income from the Registrar's service (£60k).	0.1
Finance & Corporate Services			**1.2**
Forecast Overspend/(Underspend)			**2.8**

CONTINGENCY AND CENTRAL		
Reporting Area	**EXPLANATION**	**£m**
Corporate Finance	Expenditure is expected to be less than anticipated across inflation contingencies, the Asset Management Revenue Account (AMRA) and the Apprenticeship Levy. The AMRA has been an area that has consistently underspent in recent years but the current forecast is an underspend of £0.3m. There is no expectation of further variations on the scale that has been experienced previously in this area.	(2.6)
Forecast Overspend/(Underspend)		**(2.6)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Disabled Facilities Grant	Increase in Base budget, to reconcile back to 2017/18 new Grant Award	0.3
SUB TOTAL - People		**0.3**
PLACE DIRECTORATE		
Keeping Coventry Moving - National Productivity Investment Fund (NPIF)	On 12th May 2017, West Midlands Combined Authority (WMCA) approved the National Productivity Investment Fund allocations for Local Authorities. This included £0.7m for Coventry to deliver the Keeping Coventry Moving programme. Alll grant monies must be spent by 31st March 2018.	0.7
Acquistion of Dutton Road	Bringing the capital programme in line with Cabinet report 24th June for the acquistion of 1 Dutton Road industiral Estate	0.9
Far Gosford Street Regeneration - Liveability	Removing Liveability funding, not required for 2017/18. Will be used as match funding for Burgess and London Road schemes	(0.1)
Far Gosford Street Regeneration - CPO	Technical Adjustment on CPO accelerated spend in Far Gosfrod Street. Final CPO Pyament estimated £98k will be brought back into the programme once compensation is agreed	0.3
Coventry on the Move in Parks Project Phase 1	New Scheme	0.3
London Road Cemetry	Scheme has not been approved yet	(0.2)
Miscellaneous	Net technical changes	0.3
SUB TOTAL - Place Directorate		**2.2**
TOTAL APPROVED / TECHNICAL CHANGES		**2.5**

Appendix 3

Capital Programme: Estimated Outturn 2017/18

The table below presents the revised estimated outturn for 2017/18.

DIRECTORATE	ESTIMATED OUTTURN QTR 1 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 17-18 £m
PEOPLE	26.8	0.3	0.0	(3.7)	23.4
PLACE	109.0	2.2	0.0	(6.6)	104.6
TOTAL	**135.8**	**2.5**	**0.0**	**(10.3)**	**128.0**

Appendix 4

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	Basic Need Funding is for additional pupil places. The Education service had anticipated that further growth in population might necessitate expanding one of two Primary Schools but this has not been required. Substantial expansion to Secondary Schools will be required from 2018, this is estimated to cost in the region of £30m and it is unlikely to be covered from DFE Grant. We need to reschedule the £3.5m towards the preparation of the secondary school expansion programme	-3.5
Broad Park House (Breaks for Disabled Grant)	Residual Part of Grant. The use of these resources currently under review, no spend planned this year	-0.1
ICT - Superfast Broadband	This funding relates to a Project Manager post for the Superfast Broadband project being delivered with Solihull and Warwickshire. This post is still out to advert and therefore the monies will not be spent this year, hence the request for the rescheduling into next year.	-0.1
SUB TOTAL - People Directorate		**-3.7**
PLACE DIRECTORATE		
UK Central & Connectivity - Coventry South Package - A46 Link Road	At the time of setting the Capital Programme in February 2017, it was anticipated that construction would begin in Quarter 4 of 2017-18. A more robust programme has been developed, whereby planning approval is due in Quarter 3 which is then followed by full business case approval in Quarter 4 which will enable all land consents to be put in place, which means that construction will not commence until Quarter 1 of 2018-19.	-2.4
UK Central & Connectivity - City Centre First - City Centre Place Plus	A priority programme for the Place Transportation Major Projects team is currently being finalised, which is resulting in a relatively small slippage of the design stage. There is every possibility that as we get to Quarter 3 we may be in a position to accelerate the programme.	-0.1
UK Central & Connectivity - Very Light Rapid Transit - Coventry Shuttle	Improved understanding of the development stage of the scheme has enabled a far more detailed cashflow. The design of the vehicle and track will commence in Qtr 3 once the feasibility studies have been completed. These works will be alongside the options and design of the desired route for Coventry Shuttle.	0.6
Whitefriars Housing Estates	On the 5th June 2017 at Whitefriars Housing Board, it was agreed between City Council Highways and Whitefriars colleagues that an additional £0.4m of work would be programmed into 2017-18, this is resourced by the right to buy receipts received from Whitefriars.	0.4
Coventry Station Masterplan inc Nuckle 1.2, Station Access & Friargate West	There has been a shift in expenditure profile due to a rethink of the programme procurement strategy. This follows recent experience on NUCKLE 1.2 using Network Rail to deliver part of the programme (doubling proposed development costs and lack of commitment to an overall price or programme for delivery). Instead of Network Rail delivering the CSMP project elements as originally assumed a revised delivery model being proposed to instead go to market. This will provide delivery / cost efficiencies and also introduces a contractor procurement process into the programme. This will result in a delay	-2.5

	in the commencement of detailed design for all schemes to allow for tender timescales, instead of awarding to Network Rail under an Implementation Agreement. This change has reduced 2017/18 spend profile accordingly	
GD06 - R&D Steel	Accelerating – The project has started delivery and updated its forecasts. The project has been able to bring forward the purchase of some large pieces of equipment, allowing for their use within the project ahead of the original schedule. The acceleration of spend has been agreed at CWLEP Programme Delivery Board.	0.4
GD08 - Business Innovation Fund	Rescheduling – This project will provide funding to businesses using a combination of Grant and Loans. This is the first time this approach has been used by CCC. The project is still in its development phase, with a start date now expected in January 2018.	-0.6
GD10 - A5 Corridor Project	This is an package of road improvement that is currently under development. The project team has provide an updated spend schedule based on a revised plan of works with some funding slipping from 16/17 and 17/18 into 18/19, but other spend from 19/20 being accelerated to 18/19.	0.4
ESIF Low Carbon	This is an ERDF business grant programmes. All of the European programmes had a slow start due to contracting with DCLG etc. and uptake has been slower than anticipated.	-0.6
ESIF Innovation	This is an ERDF business grant programmes. All of the European programmes had a slow start due to contracting with DCLG etc. and uptake has been slower than anticipated.	-0.4
Growing Places	The delays in claiming these have been mainly due to two individual projects where the applicant has not been able to claim their grant in line with the original timetable for various reasons. Rescheduling has been used to reflect the new expected profiles.	-0.8
City Centre Destination Leisure Facility	The City Centre Destination Facility has encountered some unexpected archaeological works which were undertaken during April and May that have slightly impacted on the programme. The shift in programme along with a significant element of the children's play structure (central bowl area) are now scheduled to be spent in 2018/19 and not as originally forecast in 2017/18. We are also not anticipating committing any contingency in 2017/18 resulting in the £0.7m rescheduling.	-0.7
Alan Higgs Centre - 50m Swimming Pool	On the Alan Higgs 50m pool project, we have adjusted the programme slightly so that the current facility (indoor football hall) remains open and operational until the end of March 2018 (instead of the end of February 2018) and therefore the construction works will now start in April 2018.	-0.2
SUB TOTAL - Place Directorate		**-6.6**
TOTAL RESCHEDULING		**-10.3**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2017
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).	13.53%	13.54%
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 £474.2m	£367.7m 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.	£470.4m	£367.7m 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.	£430.4m	£367.7m 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.	£400.0m	£243.9m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£80.0m	-£69.7m
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 13% 3% 13% 10% 61%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£24m	£0.0m