Coventry City Council

Public report
Cabinet Report

Cabinet	28th November 2017
Audit and Procurement Committee	18th December 2017

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

Director approving submission of the report:
Deputy Chief Executive Place

Ward(s) affected:
City Wide

Title:
2017/18 Second Quarter Financial Monitoring Report (to September 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 of the Council's treasury management activity as at the end of September 2017.

The headline revenue forecast for 2017/18 is an overspend of £3.1m. This has improved since the Quarter 1 position when it stood at £4.6m whilst at the same point in 2016/17 there was a projected overspend of £7.1m. Notwithstanding the relative improvement since Quarter 1 and the equivalent position last year, the reasons for the overspend represent some concerning trends for the Council. At a time of continued tightening of local authority resources the current position still represents one that demands a strong focus on addressing the underlying issues.

This position continues to reflect areas for which overspends have been reported previously but it also incorporates the emergence of new budgetary issues. The main areas of financial pressures result from a shortfall in delivering savings targets set in previous budgets in some areas and some local externally driven demand pressures, in particular, in relation to looked after children and an increase in homelessness. Where relevant, these pressures have been incorporated within the 2018/19 Pre-Budget Report (Cabinet 28th November 2017) although the expectation is that some of these pressures may increase substantially in 2018/19 compared with the current year.

The Council's Capital spending is projected to be £119.9m for the year, a net decrease of £9.1m on the position reported at Quarter 1.

Recommendations:

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 2.

2. Approve the revised capital estimated outturn position for the year of £119.8m incorporating: £1m net increase in spending relating to approved/technical changes (Appendix 2) and £9.1m of expenditure rescheduled into 2018/19 (Appendix 4).

Audit and Procurement Committee is recommended to:

1. Consider whether there are any comments they wish to be passed to Cabinet

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 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?
Audit and Procurement Committee, 18th December 2017

Will this report go to Council?
No

Report Title:
2017/18 Second Quarter Financial Monitoring Report (to September 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 second quarterly monitoring report for 2017/18 to the end of September 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 £3.1m, a decrease of £1.5m on the Quarter 1 position of £4.6m. The reported forecast at the same point in 2016/17 was an overspend of £7.1m. Capital spend is projected to be £119.9m, a decrease of £9.1m on the Quarter 1 position.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The forecast revenue overspend £3.1m 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	0.1	(0.4)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.6	76.6	5.0
Adult Social Care	81.9	81.6	(0.3)
Customer Services & Transformation	2.8	4.6	1.8
Total People Directorate	**170.7**	**176.9**	**6.2**
Place Directorate			
Directorate Management	4.0	4.0	0.0
City Centre & Major Projects	7.2	7.3	0.1
Transportation & Highways	3.9	4.1	0.2
Streetscene and Regulatory	27.1	27.7	0.6
Project Management & Property	(7.5)	(7.9)	(0.4)
Finance & Corporate Services	6.9	8.0	1.1
Total Place Directorate	**41.6**	**43.2**	**1.6**
Contingency & Central Budgets	20.2	15.5	(4.7)
Total Spend	**232.5**	**235.6**	**3.1**

2.2 Individual Directorate Comments for Revenue Forecasts

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

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£3.9m) masks a significant overspend across other areas (£10.1m).

The net position of a £6.2m overspend includes undelivered savings targets of £2.6m . This is largely as a result of delays in delivery within Children's Services and Customer Services & Transformation. Both divisions have plans against the targets however they will not be delivered within the required timescales.

The remainder of the problem is a result of budgetary control pressure, including a significant increase in the Looked After Children (LAC) population (average LAC numbers in 2016/17 were 587, whereas the discrete numbers at the end of September are in excess of 650) as well as continued pressures in supported accommodation provision for care leavers.

Childrens Leadership Team are reviewing all children and young people in placements (both LAC and Supported) to identify how costs can be reduced within the financial year and as a result have managed to reduce numbers in residential provision. Further work is in train to interrogate the LAC trends, plans and budget forecast for a more detailed consideration to include the Deputy Chief Executive (People) and Director of Finance and Corporate Services.

Place

The largest pressure within the Place Directorate's overall forecast deficit of £1.6m, relates to the unfunded cost of housing families in temporary accommodation, which due to the significant increase in homelessness, is causing a £1.5m overspend in 2017/18. Other significant pressures exist in the refuse service relating to the roll out of the redesigned service and also the need to maintain collections over the Christmas period.

A number of vacancies across the whole directorate are also being temporarily covered by agency staff as a result of reviews being carried out or difficulties in recruitment. In most cases the external cost is offset by underspends on salary budgets.

There some other income pressures being experienced in relation to the Parks service, Corporate catering, Monitoring & Response Service and Parking enforcement, all of which are actively being managed by service managers with the view to resolving in the medium term.

Contingency & Central

The variance on Corporate budgets has improved by £2.1m since Quarter 1. This reflects a revised estimate of expected grant income relating to Business Rates reliefs and an updated improved position relating to the impact of the Council's participation in the West Midlands Business Rates Pilot which have a combined impact of £1.3m. The remaining movement is on inflation contingencies which in total are expected to underspend by £2.5m, with further underspends in the Asset Management Revenue Account and the Apprenticeship Levy.

2.4 Capital Programme

Table 2 below updates the budget to take account of a £1.0m increase in the programme, and a reduction of £9.1m for expenditure which is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2017/18 of £119.9m. Appendix 3 provides an analysis by directorate of the movement since quarter 1.

The resources available listed below show how the Capital Programme will be funded in 2017/18. It shows 54% of the capital programme is funded by external grant. 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
Estimated Outturn Quarter One	**128.0**
Approved / Technical Changes (see Appendix 2)	1.0
"Net" Rescheduling into future years (see Appendix 4)	(9.1)
Revised Estimated Outturn 2017-18	**119.9**

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	51.6
Grants and Contributions	64.3
Capital Receipts	0.5
Revenue Contributions	3.0
Leasing	0.5
Total Resources Available	**119.9**

On the 10th October 2017, the Council approved a report to acquire a further financial interest in Coombe Abbey Park Ltd. Upon completion the transaction will be incorporated into the Council's Capital Programme and reflected in subsequent monitoring reports.

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.

2.5 Treasury Management Activity in 2017/18

Interest Rates

The economic outlook for the UK remains uncertain with Brexit negotiations ongoing, however the most recent inflation data indicates that CPI inflation is currently at 3.0%. The Bank of England Committee who set the official interest indicated at the last meeting that an increase in interest rates was likely to be appropriate to return inflation to a lower level and a subsequent meeting of the Committee has approved an interest rate increase to 0.5% applicable from November.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2017/18 capital programme is £43.8m, taking into account borrowing set out in Section 2.4 above (total £51.6m), 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 P6	Maximum 2017/18 to P6	As at the End of P6
5 year	1.34%	1.82%	1.79%
50 year	2.45%	2.79%	2.75%

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 one opportunity currently 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 0.61%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 30th September 2016 £m	As at 30th June 2017 £m	As at 30th September 2017 £m
Banks and Building Societies	54.4	23.4	24.4
Money Market Funds	18.6	26.9	9.9
Local Authorities	0.0	0.0	0.0
Corporate Bonds	34.9	10.4	11.4
Registered Providers	15.0	8.0	8.0
Total	**122.9**	**68.7**	**53.7**

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 September 2017 the pooled funds were valued at £39.9m, spread across the following funds: Payden & 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 September 2017 are included in Appendix 6. 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 September the value is -£68.6m (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 September the value is £240.1m 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.

Regulatory Update – MiFID II
Currently, local authorities are treated by regulated financial servies firm as professional clients who can "opt down" to be treated as retail clients if they wish. However, from 3rd January 2018 local authorities will be treated as retail clients who need to "opt up" in order to be treated as professional clients. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians but only where they are selling, arranging, adviding or managing designated investments.

There are criteria that the authority must meet in order to opt up to professional status. Firstly, the authority must have an investment balance of least £10m and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience. In additional, the firm must assess that the person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The main benefit of not opting up and being treated as a retail client is there is a duty on the firms to ensure that the investment is "suitable" for the client. However, local authorities would still not be protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and financial advice.

The Council meets the conditions to opt up to professional status and intends to do so as the costs of being a retail client are thought to outweigh the benefits.

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 Services

5.1 Financial Implications

Revenue
In line with Quarter 1 the Council continues to face some budgetary challenges from the non-achievement of planned budget savings and due to overspends in a range of housing related and children's social care budgets. The children's social care overspend has increased by £1.4m since Quarter 1 and there are strong indications from current trends that this cost pressure is likely to grow. The future implications of this are covered in more detail in the Pre-Budget and Medium Term Financial Strategy Reports being considered by Cabinet on 28th November.

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 a future years impact are being considered as part of the work done in preparation for 2018/19 Budget setting.

At this stage of the financial year the overall bottom line position for 2017/18, whilst challenging, is not a cause for undue concern. Work will continue across areas that are reporting overspends currently to refine the likely outturn position and reduce where possible the level of budget imbalance. Tight budgetary control will be required across other budget areas and where possible within existing policy constraints, officers will seek to deliver budgetary underspends to help mitigate overspends elsewhere. Other options for managing any residual overspend will also be kept under review including any opportunities within corporate budgets to identify one-off areas of flexibility.

It is important to stress that some significant concern is emerging about the Council's future budgetary position as a result mainly of areas that represent intractable long-term demand led issues that require longer-term solutions. As part of the Council's medium term budget considerations, decisions will be required on the extent to which demand led pressures can be safely managed down or more cost efficient service solutions identified. In addition, where existing savings targets remain undelivered, it will be important for savings plans to be clearly set out including the implications and timescale of delivering (or not delivering) these plans.

Capital
Several schemes are now reflecting the likeilood that expenditure will be rescheduled into 2018/19 including £5.3m for Growth Fund external schemes and £3.8m for the City Centre South scheme. The grant conditions surrounding the Growth Funded schemes allows the Council 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.

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 2 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	0.1	(0.2)	(0.2)	(0.4)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.3)	0.3	0.1
Children and Young People's Services	71.6	76.6	(3.1)	8.1	5.0
Adult Social Care	81.9	81.6	(0.8)	0.5	(0.3)
Customer Services & Transformation	2.8	4.6	0.4	1.4	1.8
Total People Directorate	**170.7**	**176.9**	**(4.0)**	**10.1**	**6.2**
Place Directorate Management	4.0	4.0	0.0	0.0	0.0
City Centre & Major Projects Development	7.2	7.3	0.1	0.0	0.1
Transportation & Highways	3.9	4.1	(0.5)	0.7	0.2
Streetscene & Regulatory Services	27.1	27.7	(0.4)	1.0	0.6
Project Management and Property Services	(7.5)	(7.9)	0.1	(0.5)	(0.4)
Finance & Corporate Services	6.9	8.0	(0.1)	1.2	1.1
Total Place Directorate	**41.6**	**43.2**	**(0.8)**	**2.4**	**1.6**
Resourcing	20.2	15.5	0.0	(4.7)	(4.7)
Total	**232.5**	**235.6**	**(4.9)**	**8.0**	**3.1**

Reporting Area	Explanation	£m
People Directorate	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 accounts for £3.1m of the underspend. This is partly offset by non-salary overspend as a result of agency staff in Childrens Social Care. Internally provided services in Adult Social Care contributes a further £0.5m towards the forecast underspend. As part of the Children's Services Redesign vacancy levels and agency expenditure will reduce.	(4.0)
Place Directorate	The vast majority of the variations for centralised forecasts relate to vacancies which have been held pending service review completion, or areas where there has been difficulty in recruiting to posts	(0.9)
Total Non-Controllable Variances		**(4.9)**

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	Public Health Staffing & Overheads	Savings relating to staffing vacancies and early delivery of savings.	(0.2)
Public Health	Other Variances Less that 100K		0.0
Public Health			**(0.2)**
Education and Inclusion	Inclusion & Participation	Overspend as a result of a part year delivery of the transport review, against a full year saving.	0.2
Education and Inclusion	School Enrichment Services	Performing Arts Service is forecasting an overspend of £87k 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 £59k 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
Education and Inclusion	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
Education and Inclusion	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	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)

Education and Inclusion	Other Variances Less that 100K		0.0
Education and Inclusion			**0.3**
Children and Young People's Services	LAC & Care Leavers	The overspend is as a result of undelivered savings targets and budgetary control pressure. Approximately £1.8M is a forecast shortfall in delivery of 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 slightly slower than forecast increases in internal foster carers and specialist foster carers. This is being closely monitored by the Children's Transformation Board. In addition there is a significant budgetary control pressure as a result of an increase in the number of LAC, which is impacting on the external fostering area of the placements budget. The average LAC numbers in 2016/17 were 587, whereas the discrete numbers at the end of September are in excess of 650. This largely accounts for the increase in forecast from quarter 1. Analysis has identified 2 reasons for this, firstly an increase in UASC (Unaccompanied Asylum Seeking Children) as a result of the national transfer scheme, and secondly changes in court practice which mean it is taking longer to secure permanency options for children and young people, thus inflating LAC numbers. We also have a continued pressure within supported accommodation as a result of high levels of activity. Children's Leadership Team are reviewing all children and young people in placements (both LAC and Supported) to identify how costs can be reduced within the financial year, and as a result have managed to reduce the number of LAC in the most expensive placements.	5.8
Children and Young People's Services	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
Children and Young People's Services	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
Children and Young People's Services	Other Variances Less that 100K		0.1

Children and Young People's Services			**8.1**
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.	0.3
Adult Social Care	All Age Disability and Mental Health Operational	Underlying budget pressures continue to rise in part due to increasing demand for complex social care support for eligible service users. Working age adults tend to receive expensive packages of care for a longer period of time. This increases the cumulative cost of services as younger people tend to receive services longer once they enter the care system. Control mechanisms are in place to ensure expenditure is robustly managed. Approval for packages are rigorously scrutinised at panel meetings with social workers required to present their panel submission before approval is gained	0.3
Adult Social Care	Older People Community Purchasing	Budget pressures continue due to market pressures that are leading to increased prices the local authority are paying for services.On-going monitoring of price increases are underway and reported through the managers. Approval for packages are rigorously scrutinised at panel meetings with social workers required to present their panel submission before approval is gained.	0.3
Adult Social Care	Adult Social Care Director	Underspends achieved due to early delivery of Adult Social Care savings targets.	(0.2)
Adult Social Care	Other Variances Less that 100K		(0.2)
Adult Social Care			**0.5**
Customer Services & Transformation	Customer and Business Services	Unmet element of £1.8m Business Services savings target (£623K) and ongoing pressure relating to homelessness service mainly comprising B&B rental cost not covered by Housing Benefit and agency cost in Housing Options team (£311K). This is partially offset by additional income forecast in Post and Fastprint	0.8
Customer Services & Transformation	HR and Workforce Development Management	Unmet element of savings target linked to resources needed for Workforce Strategy programme (£103k). Additional Resource requirements for Workforce Programme (£90k) as well as agency costs to cover vacant posts	0.2
Customer Services & Transformation	ICT Operations	There is an ongoing pressure with Mobile Phone contracts as the demand for flexible ways of working increases (£227K). This is partially offset by the data and voice budget underspending where older technology has been decommissioned and is no longer needed (£116K).	0.1
Customer Services & Transformation	Other Variances Less that 100K		0.3
Customer Services & Transformation			**1.4**
Total Non-Controllable Variances - People			**10.1**

Place Directorate	Place		
Service Area	**Reporting Area**	**Explanation**	**£M**
Transportation & Highways	Traffic	Parking services (£174k): income pressures within parking enforcement due to reduced recovery rates and fewer number of PCNs issued, offset by an increase in bus lane enforcement income. There are also expenditure and income pressures within car parks. Network Management (£153k): primarily within urban traffic control due to anticipated expenditure on agency cover, pressures due to unrecoverable road traffic accident damages to assets and the unfunded energy & maintenance cost of growth in the asset estate	0.3
Transportation & Highways	Highways	Primarily agency cover for vacant posts and unfunded surface water management planning checks, patially offset by capital contributions.	0.3
Transportation & Highways	Other Variances Less that 100K		0.1
Transportation & Highways			**0.7**
Streetscene & Regulatory Services	Waste & Fleet Services	Fleet services are not as yet fully achieving their vehicle refinancing targets due to high inflation on vehicle acquisition. There are also some additional costs within refuse relating to the purchase of bins, caddies & liners for the redesigned service, plus some additional costs expected to maintain collections over the christmas and new year period. These are partly offset by reductions in the cost of waste disposal and some underspends on PTS.	0.6
Streetscene & Regulatory Services	Streetpride & Parks	Variation as a result of reduced Coombe Abbey car parking income together with temporary agency staff costs required to cover vacancies in the service being held pending the outcome of a review	0.5
Streetscene & Regulatory Services	Planning and Regulatory Services	Variation due to an overachievement of income in Building Control.	(0.1)
Streetscene & Regulatory Services	Other Variances Less that 100K		0.0
Streetscene & Regulatory Services			**1.0**
Project Management and Property Services	Development Services	Core funded surveyors costs being recovered from sales disposal proceeds.	(0.2)
Project Management and Property Services	PAM Management & Support	£200k underspend against anticipated reduced cost of Lamb St dilapidation costs.	(0.2)

Project Management and Property Services	Other Variances Less that 100K		(0.1)
Project Management and Property Services			**(0.5)**
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)	1.3
Finance & Corporate Services	Legal Services - People	Variation primarily due to the cost of external barrister expenditure which the service is hoping to bring down external costs by greater use of internal resources for court work. 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	Financial Mgt	Accelerated achievement of headcount savings target plus 30k savings have been made on non-staff budgets	(0.3)
Finance & Corporate Services	Other Variances Less that 100K		0.1
Finance & Corporate Services			**1.2**
Total Non-Controllable Variances - Place			**2.4**

CONTINGENCY AND CENTRAL		
Reporting Area	**EXPLANATION**	**£m**
Corporate Finance	This favourable variance reflects less than anticipated expenditure across inflation contingencies (£2.5m), the Asset Management Revenue Account (AMRA) (£0.3m) and the Apprenticeship Levy. It also incorporates a combination of higher than expected grant income relating to Business Rates reliefs and benefit from the Council's particpation in the West Midlands Business Rates Pilot (£1.3m).	(4.7)
Forecast Overspend/(Underspend)		**(4.7)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£ m
PLACE DIRECTORATE		
Friargate	As approved at Cabinet on 24th January 2017, early Project Management fees for Friagate WMCA £50m Business Case development costs	0.5
Highways Maintenance & Investment	The purchase of Welfare Units which will initially be funded from the Capital Reserve, to be re-paid back from Place Revenue over the next 5 years.	0.2
Bus Lanes	It has been agreed to extend the trial phase of the suspension of phase 1 of the bus lane review to a full 12 months. Alongside this it has also been agreed that the next phase of bus lane suspensions and the permanent removal of some of the Foleshill Rd bus lanes will commence. The total cost of the next phases of work is £465k of which £160k is to be provided from the existing urban traffic control integrated transport capital pot for 2017/18 and the balance of £305k is to be provided from capital receipts in 2017/18.	0.3
SUB TOTAL - Place Directorate		**1.0**
TOTAL APPROVED / TECHNICAL CHANGES		**1.0**

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	23.1	0.0	0.0	0.0	23.1
PLACE	104.9	1.0	0.0	(9.2)	96.8
TOTAL	**128.0**	**1.0**	**0.0**	**(9.1)**	**119.9**

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
City Centre South	The £11m forecast capital spend was an estimate taken from the Full Business Case grant application at the point of which it was submitted to the WMCA i.e. November 2016. This was a pro rata figure assuming that land assembly would commence in the second part of 2017/18. In reality, third party land and buildings will be purchased as opportunities arise. The £7m figure is based on more accurate information.	-3.8
GD11 - Coton Arches	Slippage on scheme as a result of delays issuing the works tender whilst WCC worked with utility companies to mitigate costly service diversions. Now issued. Slippage agreed by Programme Delivery Board on the 21st September.	-0.3
GD14 - A46 N-S Corridor (Stanks)	Slippage as a result of the delay issuing works tenders. Delays to the programme are caused by the difficulty obtaining a Section 6 agreement from Highways England to carry out works and revising the land dedication agreement with Opus 40 and Taylor Wimpey. Slippage due to be spent in 2018/19. Waiting for agreement from Programme Delivery Board.	-2.8
GD18 (ULS00) - Unlocking Sites	This was unallocated spend that will be allocated and spent in future years.	-0.7
GD18 (ULS01) - Regeneration of Priory Square, Dudley	This project has had its funding withdrawn (at the Sep 21st Programme Delivery Board and confirmed at CWLEP Board 9th Oct. As no scheme forthcoming)	-0.2
GD18 (ULS02) - Bridge to Living	This scheme is no longer able to progress due to the owners of the retail block pulling out of the scheme	-0.4
GD18 (ULS09) - Getting West Nuneation Moving: Bermuda Connection	Awaiting confirmation of match funding status – this project has reported slippage, status confirmed by 31/10/17	-1.0
SUB TOTAL - Place Directorate		**-9.1**
TOTAL RESCHEDULING		**-9.1**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th Sept 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%	13.49%
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	£362.2m 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	£362.2m 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	£362.2m 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	£240.1m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£80.0m	-£68.6m
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 12% 4% 13% 8% 63%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£24m	£9.8m