Coventry City Council

Public report
Cabinet Report

Cabinet	13th February 2018
Audit and Procurement Committee	19th February 2018
Council	20th February 2018

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 Third Quarter Financial Monitoring Report (to December 2017)

Is this a key decision?
Yes – The report is seeking a contribution to reserves in excess of £1m

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 December 2017.

The headline revenue forecast for 2017/18 is an overspend of £1.8m. This has decreased since the Quarter 2 position when it stood at £3.1m whilst at the same point in 2016/17 there was a projected overspend of £4.8m. Notwithstanding the relative improvement since Quarter 2 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. However, it is still anticipated that tight budgetary control and utilisation of any one-off areas of flexibility will reduce the projected overspend and achieve a near balanced position by year-end.

The current position continues to reflect areas of budgetary overspend reported previously including services for looked after children and the costs of homelessness. In addition, a shortfall exists in delivering savings targets set in previous budgets. Where relevant, the likely anticipated cost of these pressures will be incorporated within the forthcoming 2018/19 Budget Report.

The report seeks approval for the contribution of 2017/18 windfall Coventry and Solihull Waste Disposal Company dividends of £1.8m to be contributed to Council reserves to part meet the Council's commitment to fund UK City of Culture 2021 costs.

The Council's Capital spending is projected to be £121.0m for the year, a net increase of £1.1m on the position reported at Quarter 2.

Recommendations:

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 3.

2. Approve the revised capital estimated outturn position for the year of £121.0m incorporating: £10.7m net increase in spending relating to approved/technical changes (Appendix 2), £10.0m of expenditure rescheduled into 2018/19 (Appendix 4) and an overspend of £0.4m (Appendix 5).

Cabinet is requested to recommend to the Council:

3. Approval of the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture 2021 report to Council on 5th December 2017.

Audit and Procurement Committee is recommended to:

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

Council is recommended to:

1. Approve the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture report to Council on 5th December 2017.

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, 19th February 2018

Will this report go to Council?

Yes – 20th February 2018

Report Title:
2017/18 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2017/18 to the end of December 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 £1.8m, a decrease of £1.3m on the Quarter 2 position of £3.1m. The reported forecast at the same point in 2016/17 was an overspend of £4.8m. Capital spend is projected to be £121.0m, an increase of £1.1m on the Quarter 2 position.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The forecast revenue overspend £1.8m 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)	(0.6)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.6	76.2	4.6
Adult Social Care	81.9	81.6	(0.3)
Customer Services & Transformation	2.8	4.4	1.6
Total People Directorate	**170.7**	**176.1**	**5.4**
Place Directorate			
Directorate Management	3.7	3.8	0.1
City Centre & Major Projects	7.2	7.4	0.2
Transportation & Highways	3.9	4.1	0.2
Streetscene and Regulatory	27.4	27.8	0.4
Project Management & Property	(7.5)	(7.9)	(0.4)
Finance & Corporate Services	6.9	9.8	2.9
Total Place Directorate	**41.6**	**45.0**	**3.4**
Contingency & Central budgets	20.2	13.2	(7.0)
Total Spend	**232.5**	**234.3**	**1.8**

2.2 Individual Directorate Comments for Revenue Forecasts

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

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£5.1m) masks a significant overspend across other areas (£10.5m).

The net position of a £5.4m 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 divisions. 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 population (average LAC numbers in 2016/17 were 587, whereas the discrete numbers at the end of December are in excess of 660) as well as continued pressures in supported accommodation provision for care leavers.

The Childrens Leadership Team is 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 has managed to reduce numbers in residential provision. This has reduced the residential forecast by £0.5m since quarter 2. 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 £3.4m relates to the unfunded cost of housing families in temporary accommodation, which is due to the significant increase in homelessness, causing a forecast £2.8m overspend in 2017/18.

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

Commercial Waste and Domestic refuse budgets are both forecasting deficits due to the pressures of one off expenditure being invested in order to achieve savings targets and growth in income, the benefits of which will not be seen until 2018/19. In addition, domestic refuse will be unable to maintain costs within existing budgets due to the additional staff costs of maintaining collections over the Christmas period, and HGV driver pay supplements. Any decision to continue these levels of service/costs would require ongoing funding allocations.

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

Contingency & Central

This favourable variance reflects a £4.3m underpend across inflation contingencies and the Asset Management Revenue Account (AMRA). It also reflects a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business

Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model

2.4 Capital Programme

Table 2 below updates the budget to take account of a £10.7m increase in the programme, and a reduction of £10.0m for expenditure which is now planned to be carried forward into future years. There is also an overspend of £0.4m. This gives a revised projected level of expenditure for 2017/18 of £121.0m. Appendix 3 provides an analysis by directorate of the movement since quarter 2.

The resources available listed below show how the Capital Programme will be funded in 2017/18. It shows 52 % 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 Two	**119.9**
Approved / Technical Changes (see Appendix 2)	10.7
“Net” Underspending (See Appendix 5)	0.4
"Net" Rescheduling into future years (see Appendix 4)	(10.0)
Revised Estimated Outturn 2017-18	**121.0**

RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	56.3
Grants and Contributions	62.5
Capital Receipts	0.5
Revenue Contributions	1.6
Leasing	0.1
Total Resources Available	**121.0**

On the 10th October 2017, the Council approved a report to acquire a further financial interest in Coombe Abbey Park Ltd. The purchase was completed on 22nd December and the figures within this report reflect the initial £9m cost of the purchase. This could rise subsequently to £10.5m by the end of 2018 depending on the financial performance of the company.

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend, the level of resources including capital receipts that are available and an assessment of the most appropriate application and timing of these resources. 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 main economic news in this quarter was the increase in the Bank of England base rate in November from 0.25% to 0.50%, which was the first increase to rates since July 2007. This decision was taken due to growing concern about rising inflation. The Bank of England has reiterated that it expects any future increases in base rate to be at a gradual pace and limited in extent.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2017/18 capital programme is £48.5m, taking into account borrowing set out in Section 2.4 above (total £56.3m), 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 P9	Maximum 2017/18 to P9	As at the End of P9
5 year	1.34%	1.87%	1.76%
50 year	2.45%	2.79%	2.58%

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.

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 has just (January 2018) completed the redemption of one £20m tranche of long-term borrowing within its debt portfolio, the future saving from which, will be reflected in the forthcoming 2018/19 Budget Report.

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 £12.5m in short term borrowing at an average interest rate of 0.44%.

Short term investments were made at an average interest rate of 0.57%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 31st December 2016 **£m**	**As at 30th September 2017** **£m**	**As at 31st December 2017** **£m**
Banks and Building Societies	53.4	24.4	14.4
Money Market Funds	8.7	9.9	6.7
Local Authorities	20.0	0.0	0.0
Corporate Bonds	24.3	11.4	5.4
Registered Providers	15.0	8.0	8.0
Total	**121.4**	**53.7**	**34.5**

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

As at 31st December 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 31st December 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 31st December the value is -£74.3m (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 31st December the value is £268.7m 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
As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its MiFID II status prior to January 2018. This means that the authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

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
Throughout the year the Council has faced budgetary challenges from overspends in a range of housing/homelessness related and children's social care budgets. Although management action is focussed on these areas, the issues at hand are not ones that can be corrected within a short timescale. As a result, the Council's Pre-Budget Report to Cabinet (28th November) has incorporated additional budgetary provision for the anticipated additional medium term expenditure in these areas. This position will be updated as necessary in the final Budget Report to Council on 20th February.

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 impact of these pressures is also being incorporated within the forthcoming 2018/19 Budget Report.

The improvement of the overall bottom line position through 2017/18 and the Council's experience of previous trends towards the year-end indicate that the remaining overspend is not a cause for undue concern. A combination of tight budgetary control and utilisation of any one-off areas of flexibility should ensure a balanced budgetary position is achieved.

As reported previously, significant concern exists about the Council's future budgetary position as a result mainly of areas that represent intractable 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
The rescheduling for the quarter includes movement across a number of schemes. Where schemes are rescheduled into 2018/19 and contain grant conditions that allow the Council to fund capital expenditure on a cash-flow basis within 2017/18, this will reduce the amount of Prudential Borrowing that the Council is required to undertake in the year. Overall rescheduling for the year now stands at £29m demonstrating the challenges in profiling and delivering a capital schemes. This challenge will continue into 2018/19 and if anything will be exacerbated as the Council seeks to manage a very large programme, much of which will rely upon external funding and partners.

Reserves
The Coventry and Solihull Waste Disposal Company (CSWDC) in which the Council is a major shareholder alongside Solihull Council, has announced recently an improvement in the distribution of its dividends. The future years' impact of this is being reflected within the Council's forthcoming 2018/19 Budget Report whilst in 2017/18 the effect is additional resources of £1.828m. On 5th December the Council committed £4.75m of corporate reserves for the UK City of Culture 2021 build-up programme, title year and legacy programme (across the period 2018 – 2024), to be drawn down if the city was awarded the title. The subsequent announcement that Coventry has been awarded UK City of Culture status means that these resources now need to be identified. Additionally, it has been announced that the War Memorial Park in Coventry has been chosen as the English location for the BBC Music's The Biggest Weekend which will take place across four sites in four nations over the late May Bank Holiday weekend in 2018. The Council will incur some costs associated with hosting the event. It is proposed within this report that the £1.8m CSWDC dividends are contributed to reserves to part-fund these two commitments. Further funding sources will be identified as part of the 2017/18 financial outturn process.

Treasury Management
In broad terms, the 0.25% rise in interest rates announced in November will not have a significant short to medium term impact on the Council's finances. Most of the Council's current long-term borrowing is at fixed interest rates and the impact on the Council's short term investment income and borrowing costs (which are more susceptible to interest rate movements) will not be significant. The Council is currently moving into a phase where it will no longer have the high level of investment balances that it has enjoyed in recent years. This is due in large part to the level of capital expenditure being incurred, and the utilisation of grant income received previously ahead of the need to spend. Other recent developments include the Council's investment in the Coombe Hotel (£9m) and redemption of long-term borrowing (£20m repayment plus a premium of £10m). However, given the even higher levels of expenditure expected over the coming years, much of it externally funded, it is difficult to predict the impact on the Council's expected treasury position with any certainty at this stage.

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 3 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend should this occur. 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 directorate forecast 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)	(0.4)	(0.6)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.3)	0.4	0.1
Children and Young People's Services	71.6	76.2	(4.1)	8.7	4.6
Adult Social Care	81.9	81.6	(0.7)	0.4	(0.3)
Customer Services & Transformation	2.8	4.4	0.3	1.3	1.6
Total People Directorate	**170.7**	**176.1**	**(5.0)**	**10.4**	**5.4**
Place Directorate Management	3.7	3.8	0.0	0.1	0.1
City Centre & Major Projects Development	7.2	7.4	0.1	0.1	0.2
Transportation & Highways	3.9	4.1	(0.4)	0.6	0.2
Streetscene & Regulatory Services	27.4	27.9	(0.4)	0.8	0.4
Project Management and Property Services	(7.5)	(8.0)	0.0	(0.4)	(0.4)
Finance & Corporate Services	6.9	9.8	(0.1)	3.0	2.9
Total Place Directorate	**41.6**	**45.0**	**(0.8)**	**4.2**	**3.4**
Total Contingency & Central Budgets	**20.2**	**13.2**	**0.0**	**(7.0)**	**(7.0)**
Total Spend	**232.5**	**234.3**	**(5.8)**	**7.6**	**1.8**

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 £4.1m of the underspend. This is partly offset by non salary overspend as a result of agency staff in Childrens Social Care. As part of the Children's Services Redesign vacancy levels and agency expenditure will reduce.	(5.0)
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	(0.8)
Total Non-Controllable Variances		**(5.9)**

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	CPH Disparities	Reduced contract payments forecast based on activity levels	(0.2)
Public Health	Other Variances Less that 100K		(0.2)
Public Health			**(0.4)**
Education and Inclusion	Libraries	Library Service overspend is linked to the purchase of self service machines, which is one-off expenditure required as part of the Connecting Communities programme. The in-year position also reflects additional transitional support being provided for libraries which are becoming community-led. The service will continue to look at ways overall expenditure can be reduced between now and the end of the financial year.	0.3
Education and Inclusion	Inclusion & Participation	The majority of this overspend is as a result of part year delivery of the transport review, against a full year saving. This was due to delays in agreeing and implementing the policy changes and was flagged as part of the cabinet report in relation to SEN transport. The full year impact of delivery, based on current activity, indicates that there is an ongoing £150K financial problem, and ways to mitigate this are being looked at as part of a Transport Strategic Review group reporting to People Leadership Team.	0.2
Education and Inclusion	School Enrichment Services	Coventry Music is forecasting an overspend of £62k mainly due to anticipated shortfalls in income.A service redesign was implemented in September 2017 which will deliver a more effective and efficient service, and increase flexibility for customers. The service is forecasting a breakeven position in the next financial year. Governor Support is currently forecasting an over spend of approximately £50k due to reduced levels of buyback from schools. A plan is in place to reduce this deficit for future years, and the service are currently undertaking additional work, as well as actively looking for alternative income streams .	0.1
Education and Inclusion	Adult Education	To date it has not been possible to meet a financial target set as part of previous budget setting process to ensure we maximise ESFA grant funding against internal training programmes.	0.1
Education and Inclusion	Advice and Health Information Services	Resettlement generates grant income which will be maximised where possible. This underspend offsets expenditure within other Council services, in relation to support of individuals and families who resettle in Coventry.	(0.4)

Education and Inclusion	Other Variances Less that 100K		0.1
Education and Inclusion			**0.4**
Children and Young People's Services	Commissioning, QA and Performance	The overspend is largely as a result of agency staff covering vacancies, and 4 additional time-limited posts, currently covered by agency, to respond to concerns raised by OFSTED in relation to volume and quality of the work in the Safeguarding Service. As part of the redesign we continue to recruit to permanent posts which will reduce the overspend in the next financial year. In addition, the 4 additional posts have been funded as part of the redesign until March 18, and we are considering the best options for filling these posts during that timescale. The overspend is largely offset by an underspend on centralised salaries.	0.4
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.	2.8
Children and Young People's Services	LAC & Care Leavers	The majority of the overspend in this area is in relation to LAC and leaving care placement costs. The key changes since quarter 2 are a forecast reduction of £0.5M in the residential budget due to a decrease in the number of children in residential from 67 at Q2 to 59 in Q3. This is as a result of planned management action including review of all residential placements / packages, improved sign-off process for residential placements, and increased focus within the Placements Team on identifying appropriate fostering placements. The forecast for supported accommodation has increased slightly since quarter 2. This is because the numbers in the service are static, despite activity to move on over 18 year olds to their own tenancies. A dedicated post has just been recruited to, to support the move on activity, and ensure we support future care leavers into their own tenancies in a timely manner. This work continues to be aligned with the wider Housing and Homelessness Strategy.	5.5
Children and Young People's Services			
Children and Young People's Services			**8.7**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to the continued increases in demand for complex social care support for eligible service users. In addition Coventry is paying comparatively higher unit costs for 18-64 year old residential packages. This is under review and actions will be taken to redress this trend. Overall 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 explain their panel submission before approval is gained.	0.4
Adult Social Care	All Age Disability and Mental Health Operational	There has been a significant increase in DOLs demand leading to addtional assessment costs (£160k). The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs (£146k). This is partially offset by the vacancy savings showing on the centralised forecast.	0.3
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
Adult Social Care	Adult Social Care Director	Underspends achieved due to early delivery of Adult Social Care savings targets.	(0.2)

Adult Social Care	Strategic Commissioning (Adults)	Pressures relating to under achievement of Supporting People income are offset by a number of underspends across other areas of contractual spend.	(0.3)
Adult Social Care			**0.4**
Customer Services & Transformation	Customer and Business Services	Unmet element of £1.8m Business Services savings target (£629K) 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 (£448K), partially offset by forecast underspend and overachievement of income in Post and Fastprint.	0.9
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
	Other Variances Less that 100K		0.1
Customer Services & Transformation			**1.3**
Total Non-Controllable Variances - People			**10.4**

Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	Primarily St. Mary's trading deficit of £137k. This is expected to improve in 18/19 once service improvements have been implemented.	0.2
City Centre & Major Projects Development			**0.2**
Transportation & Highways	Traffic	Traffic pressures are due to varying factors. Within Network Management, vacancies within Urban Traffic Control are resulting in agency staff spend, and also irrecoverable costs are being incurred as a result of damage to assets due to road traffic accidents. Within parking services, there are spend pressures caused by increased repairs to equipment, and an increase in external service charges. Income pressures are also being experienced within parking enforcement due to reduced recovery and fewer PCN’s issued, however it is expected this will be offset by increased bus lane enforcement income	0.5
Transportation & Highways	Highways	This overspend primarily relates to expenditure on agency cover to fill vacant posts, and some priority patching works costing in excess of available budget.	0.1
Transportation & Highways	Other Variances Less that 100K		
Transportation & Highways			**0.6**

Streetscene & Regulatory Services	Planning & Regulatory Services	Price Increase of 20% on Planning fees from mid Jan 18	(0.2)
Streetscene & Regulatory Services	Waste & Fleet Services	Fleet Services are not fully achieving savings targets for the refinancing of vehicles as some vehicles have been replaced sooner than had been planned. There are also one off costs relating to the purchase of bins, caddies & liners for the new refuse service, Market Related Pay (HGV Drivers) and additional costs expected to maintain collections over the christmas and new year period. These, together with the restructuring and investment costs and one off pressures in commercial waste are being partly offset by reductions in the cost of waste disposal and some underspends on Passenger Transport.	1.0
Streetscene & Regulatory Services	Other Variances Less that 100K		
Streetscene & Regulatory Services			**0.8**
Project Management and Property Services	Development Services	Core funded surveyors costs being recovered from sales disposal proceeds.	(0.2)
Project Management and Property Services	Facilities & Property Services	£155k pressure in building cleaning reflecting the transfer of cleaning to schools at the start of the academic year (September 2017) as opposed to April 2017.	0.2
Project Management and Property Services	PAM Management & Support	c£200k underspend against reduced cost of Lamb St dilapidation costs, and use of £117k residual earmarked reserves set aside for strategic property review	(0.3)
Project Management and Property Services	Other Variances Less that 100K		(0.1)
Project Management and Property Services			**(0.4)**
Finance & Corporate Services	Revenues and Benefits	There is a net pressure within the Housing Benefit (HB) Subsidy account. The largest pressure (circa £3.0m) 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 £1.1m)	3.0
Finance & Corporate Services	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. In addition there are pressures within Coroners due to increased pathology and venue fees (£60k), offset by increased income from the Registrar's service (£40k).	0.2
Finance & Corporate Services	Financial Mgt	Primarily the accelerated achievement of headcount savings target, temporarily offsetting the delay in achievement elsewhere in the division, together with savings on non-staff budgets (c£40k).	(0.3)
Finance & Corporate Services	Other Variances Less that 100K		0.1
Finance & Corporate Services			**3.0**

Total Non-Controllable Variances - Place			**4.2**

Service Area	**Reporting Area**	**Explanation**	**£M**
Contingency & Central Budgets	Contingency & Central Budgets	This favourable variance reflects a £3.2m underpend across inflation contingencies, the Pensions Prepayment model, the Apprenticeship Levy and the Sports Contingency and a £1.1m underspend within the Asset Management Revenue Account (AMRA). This is also a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model.	**(7.0)**
Total Non-Controllable Variances - Contingency & Central Budgets			**(7.0)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Coombe	Cabinet in 10th October 2017 first instalment for investment in Coombe Abbey Hotel	9.0
Heatline	Final Payment for Heatline Phase 1	0.5
Acquistion of New Children Homes	Cabinet 7th March 2017 - As part of the Children Internal Residential Resign Project budget is for acquistion of 3 new sites	0.8
Disabled Facilities Grants	DLCG Additional funding for DFG announed in December 2017	0.3
Miscellaneous	Net programme changes	0.1
SUB TOTAL - Place Directorate		**10.7**
TOTAL APPROVED / TECHNICAL CHANGES		**10.7**

Appendix 3

Capital Programme: Estimated Outturn 2017/18

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

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £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	1.1	0.0	(5.1)	19.1
PLACE	96.8	9.6	0.4	(4.9)	101.9
TOTAL	**119.9**	**10.7**	**0.4**	**(10.0)**	**121.0**

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Suitability/Access	Budget was set with previous budget holder, it has now been reviewed by new budget holder based on the actual spend this year and changes to forecast have been made.	-0.1
CLYP - Condition	The original condition budget of £4.9m included £1.8 of contingency to absorb the volatility of estimated jobs within the condition programme and an allocation for emergency works. At quarter 3 - the contingency budget has been reduced to c£1m which will be carried forward into future years programme. The £600k of the remaining £700k rescheduling is for works at Hearsall Primary School that were forecast to be completed in 2017/18 but due to works running over will now be completed in 2018/19.	-1.7
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. In December 2017, Government awarded an additional £320,000 to the City Council on top of the existing increased DFG resources. Additional flexibilities provided by DCLG, have provided freedom to expand the use of these funds to meet the needs of eligible residents. Officers have been reviewing the use of the allocation in order to maximise existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. An expanded programme of works has now been identified, however this has led to a rescheduling of spend of £920k.	-0.9
ICT Programme	The reason for the rescheduling at quarter 3 is primarily due to the organisational focus on the move to Friargate. With the majority of resource being focussed on the move to Friargate and the associated technology programmes, other areas of work have been postponed or delayed into next financial year and beyond. We have significant calls on spend for next financial year including £500k for the proposed works at Whitley Depot/Jackson Road and £250k for network redesign following issues earlier in the year. These are alongside the continued work on systems and technology consolidation which continue to deliver revenue savings. The ICT Strategy is being re-written in the first half of financial year 2018/19 and this will align to the organisations single transformation programme that is currently being developed. This will bring about more organisational prioritisation to the work programme and therefore more consistency and reliability to spend profiles of activities.	-2.3
SUB TOTAL - People Directorate		**-5.1**

PLACE DIRECTORATE		
City Centre First (UK Central & Connectivity Programme)	With the announcement of City of Culture, the ring road junction improvements may not be a priority in the short term. Work is being done to determine whether the resources would be better suited to deliver public realm improvements, this will require change approval from WMCA.	-0.3
Coventry Very Light Rail (UK Central & Connectivity Programme)	Strategic Board requested additional work into the track feasibility study, which has pushed the programme back, resulting in £0.2m rescheduling into next year.	-0.2
Highways Investment - Whitefriars	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed. To accommodate this, Whitefriars, normal programme was increased.	0.4
Highways Investment - Manor Farm	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed.	-0.7
Coventry Station Masterplan	The majority of this work included a design change for NUCKLE 1.2 that gives a better rail solution to accommodate freight traffic which uses the Coventry to Nuneaton route while there has been increased spend during the design stage it will lead to a saving during construction as well as a reduced number of work sites to manage.	0.2
GD10 - A5 Corridor Project	This project is currently on hold whilst discussions are held with Highways England and CWLEP following the announcement of the Highways England Strategic Review and subsequent impact on the projects deliverability in line with the GD Programme.	-0.4
GD11 - Coton Arches	CWLEP Programme Delivery Board (Dec 17) approved slippage of 1.2m into 18/19. This was caused by a delay with being able to go out to tender for the works. Tenders now returned and a preferred bidder selected. The resulting work package has confirmed the slippage.	-1.2
GD14 - A46 N-S Corridor (Stanks)	This is due to a delay in obtaining relevant approvals to be able to go out to tender – as a result there has been a delay in delivering the works. Project now working to a revised work schedule – majority of spend approved for 18/19.	-0.7
GD18 (ULS09) - Getting West Nuneation Moving: Bermuda Connection	There had been decisions pending on match funding by WCC which has meant a delay in contracting.	0.5
Whitley South Infrastructure	The difference between the forecast and actual is due to the need to estimate expenditure on the project prior to an agreed programme being adopted for the works. The initial forecast was based on a best guess scenario with an assumed start on site date.	2.6

Public Realm Phase 4	Due to continued negotiations on design and delivery on Cuckoo Lane and Coventry Cross, approval has been recived from CWLEP to reschedule scheme delivery into 2018-19.	-0.5
Vehicle & Plant Replacement	All these vehicles that have been rescheduled have been assessed and are still in reasonable condition. Our aim is to maximise their life for another financial year therefore saving costs. These vehicles have all been rescheduled into 2018/19 for replacement.	-2.0
Play Areas	We rely on amenities team capacity, contractors capacity and weather conditions etc. and due to a combination of these we have been unable to fulfill our planned programme this year.	-0.2
ESIF - Low Carbon	ESIF Low Carbon runs a capital grants programme, and the take up has been slower than originally anticipated, so we need to reschedule this spend. A project change request has been agreed with the funder	-0.6
Housing Venture	Due to staff changes at Whitefriars there is a real lack of real progression on the garage/infill sites and therefore it will be highly unlikely that there will be any requests for financial contributions to the Council in this financial year.	-0.4
Growing Places - Infrastructure	The last project in this sub programme, managed by WCC is has been delayed due to budgeting and rescoping. The funding is now forecast to be drawdown in Dec 2018.	-0.5
Growing Places - Round 2 Open Call	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.2
Growing Places - Round 3 Open Door	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.4
Miscellaneous	Net rescheduling	-0.3
SUB TOTAL - Place Directorate		**-4.9**
TOTAL RESCHEDULING		**-10.0**

Appendix 5

Capital Programme: Over/underspends 2017/18

PLACE DIRECTORATE		
Challenge Fund - Swanswell Viaduct	The Quarter 3 reported forecast outturn position for Swanswell Viaduct is a £600k overspend. The findings of the preliminary surveys necessitated more intrusive work, leading to the initial design stage being overspent by £300,000. Subsequently, the contractor has underestimated the costs of working on a complex 50 year old structure and these costs are now becoming clear. The pain/gain mechanism in the contract is ensuring that the city council's exposure to these costs is limited. It should be noted that an independent valuation of the work indicates that a construction completion of £5.2 million is still extremely good value. The overspend will be resourced as follows, £170k has been identified from current year Highway budgets and the remaining £430k will be built into budget setting as a payback from Highway Investment over the next 2 years, £250k in 2018-19 and £180k in 2019-20.	0.4
SUB TOTAL - Place Directorate		**0.4**
TOTAL Overspend		**0.4**

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st Dec 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	£268.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£80.0m	-£74.3m
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%	 16% 4% 13% 7% 60%
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