

Cabinet  
Audit and Procurement Committee  
Council

12<sup>th</sup> June 2018  
18<sup>th</sup> June 2018  
10<sup>th</sup> July 2018

**Name of Cabinet Member:**

Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected: All**

**Title:**

Revenue and Capital Outturn 2017/2018

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**Is this a key decision?**

Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position.

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**Executive Summary:**

This report outlines the final revenue and capital outturn position for 2017/18 and reviews treasury management activity and 2017/18 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- Revenue underspending of £1.6m which is required to be contributed to the Council's General Fund reserve.
- Within this position, contributions to reserves that require approval; £3.25m for future UK City of Culture costs and £2.1m to strengthen the Council's Business Rates' reserve.
- Headline overspends of £2.7m within Children's Services and £4.2m relating to Housing Benefit payments; part of wider budgetary pressures relating to housing and homelessness issues.
- An underspend of £6.6m within Corporate budgets relating to variations in inflation contingency, pension, treasury management and Business Rates related budgets.
- Capital Programme expenditure of £107m which is £17m less than envisaged at the start of the year.
- An increase in the level of Council revenue reserves from £51m to £67m.

The underlying revenue position has improved significantly since Quarter 3 when an overspend of £1.8 was forecast. In particular this relates to improvements within Children's Services, Adult Social Care, Customer Services and Transformation and Contingency and Central budgets which are set out in the report. This has enabled the Council to bring forward the fulfilment of several policy commitments and/or transactions recommended by the Council's Director of Finance and

Corporate Services – the Council’s Section 151 officer - to strengthen the Council’s balance sheet position. These are reflected in the recommendations below and explained in section 5.1.

**Recommendations:**

**Cabinet is recommended to approve:**

1. The final revenue outturn underspend of £1.6m (section 2.1 and Appendix 1) which will be added to the Council’s General Fund reserve.
2. The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £106.5m against a final budget of £121m; £14.7m expenditure rescheduled into 2018/19 and a net underspend £0.7m.
3. The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

**Cabinet is requested to recommend to the Council:**

4. Approval of reserve contributions of £3.25m to meet UK City of Culture commitments and £2.1m to add to the Council’s Business Rates reserve.

**Audit and Procurement Committee is recommended to:**

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

**Council is recommended to:**

1. Approve reserve contributions of £3.25m to meet UK City of Culture commitments and £2.1m to add to the Council’s Business Rates reserve.

**List of Appendices included:**

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

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

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

Yes - Audit and Procurement Committee 18<sup>th</sup> June 2018

**Will this report go to Council?**

Yes – 10<sup>th</sup> July 2018

**Report title:** Revenue and Capital Outturn 2017/18

**1. Context (or background)**

- 1.1 This report sets out the Council's revenue and capital outturn position in 2017/18 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £232.5m and a Capital Programme of £123m.
- 1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

**2. Options considered and recommended proposal**

**2.1 Revenue Outturn**

- 2.1.1 Table 1 below summarises the outturn position, an underspend of £1.6m. Local Government accounting rules require this underspend to be contributed to the Council's General Fund Balance.

**Table 1 Summary Outturn Position**

<b>Service Area</b>	<b>Net Budget £m</b>	<b>Outturn Position £m</b>	<b>Variation £m</b>	<b>Variation %</b>
<b>People Directorate</b>				
Public Health	1.6	1.4	<b>(0.2)</b>	(13%)
Directorate Management	1.5	1.4	<b>(0.1)</b>	(7%)
Education & Inclusion	12.5	12.2	<b>(0.3)</b>	(2%)
Children & Young People	70.3	73.0	<b>2.7</b>	4%
Adult Social Care	81.9	80.7	<b>(1.2)</b>	(1%)
Customer Services & Transformation	2.9	3.6	<b>0.7</b>	24%
<b>Total People Directorate</b>	<b>170.7</b>	<b>172.3</b>	<b>1.6</b>	<b>1%</b>
<b>Place Directorate</b>				
Directorate Management	3.7	3.8	<b>0.1</b>	3%
City Centre & Major Projects	7.2	7.4	<b>0.2</b>	3%
Transportation & Highways	4.2	4.6	<b>0.4</b>	10%
Streetscene and Regulatory	27.3	28.3	<b>1.0</b>	4%
Project Management & Property	(7.7)	(8.4)	<b>(0.7)</b>	(9%)
Finance & Corporate Services*	7.0	9.4	<b>2.4</b>	34%
<b>Total Place Directorate</b>	<b>41.7</b>	<b>45.1</b>	<b>3.4</b>	<b>8%</b>
Contingency & Central Budgets**	20.1	<b>13.5</b>	<b>(6.6)</b>	(33%)
<b>Total**</b>	<b>232.5</b>	<b>230.9</b>	<b>(1.6)</b>	<b>(1%)</b>

\*An overspend of £4.2m within Finance and Corporate Services relates to non-reclaimable Housing Benefit Subsidy for

temporary and supported accommodation \*\*Net position after £5.4m of contributions to reserves recommended as part of the outturn position.

2.1.2 A projected over-spend of £1.8m was reported at quarter 3. The main underlying movements between quarter 3 and outturn are as follows:

- Children and Young People - £2.0m favourable
- Adult Social Care - £0.9m favourable
- Customer Services & Transformation - £0.9m favourable
- Streetscene & Regulatory - £0.6m adverse

This results in an overall favourable swing of £3.4m in the final quarter resulting in the overall underspend of £1.6m. Prior to the recommended reserve contributions a further favourable swing of £4.9m occurred within Contingency and Central budgets with the overall reasons for this being explained at 2.1.3 below.

Further detail is set out below.

### 2.1.3 Directorate Positions

#### **Contingency and Central (£6.6m Underspend)**

Inflation Contingencies have underspent by £3.6m, in part relating to lower than expected costs of pensions auto-enrolment. This is not unlikely to reoccur in 2018/19 on the basis that a saving of £2.3m has been built into Budget Setting and the additional cost of a 2% pay award has been absorbed. There is an underspend on pensions of £1.8m due largely to the £90m early payment of employer superannuation costs which has generated a discount for the Council from the West Midlands Pension Fund. Uncertainty around the impact of this mechanism has resulted in most of this underspend crystallising in the last quarter. The Council has received £2.1m more than budgeted for Business Rates compensation grants whilst the Asset Management Revenue Account has underspent by £1.7m including a £0.8m late swing in treasury investment value most of which has been recognised only upon disinvestment towards the end of the year. The Coventry and Warwickshire Business Rates Pool has generated a £1.1m surplus in excess of budget whilst the Council's contribution to the WMCA Devo Deal has been £0.6m less than budgeted, with the scale of these variations only being confirmed in the final quarter. The reserve contributions recommended will be made from this area, resulting in the overall underspend of £6.6m.

#### **People (£1.6m Overspend)**

The People Directorate has continued to face significant financial challenges throughout the 2017/18 financial year. Whilst the overall position is a £1.6m overspend after a number of one off benefits, an underspend of £5.1m on centralised salaries masks a significant overspend of £6.6m on other areas. £2.7m of this relates to undelivered savings targets which have not been possible to deliver in year. In addition to the undelivered savings targets there are significant budgetary control pressures, particularly within Childrens Services. We have seen a significant increase in the Looked After Children population in 2017/18 - average LAC numbers in 2016/17 were 587, whereas the average numbers in 2017/18 were 644, which is creating additional financial pressure across LAC placements and supported accommodation provision for care leavers. Childrens Leadership Team have been working to reduce cost and as a result have managed to reduce numbers in residential provision, this has reduced the residential forecast by £0.4m since quarter 2. Further work in relation to placement mix across LAC and young people leaving care forms part of the ongoing Children's Transformation programme.

### Place (£3.4m Overspend)

The directorate's deficit position of £3.4m is as a result of a number of underlying and compensating issues, however the vast majority of the pressure relates to the net £3.3m cost impact of increased homelessness on the Housing Benefit Subsidy account due both an increase in homeless people, together with the insufficiency of the government subsidy to cover the full cost of placing them in emergency accommodation.

2.1.4 The Council has continued to reduce employee numbers. In 2017/18 around 300 individuals have left the Council on the basis of early retirement or redundancy. These decisions are the result either of the Early Retirement/Voluntary Redundancy (ER/VR) programme started towards the end of 2016 or of other transformation or structural changes within services which have helped to deliver the savings programmes required within the Council's budget. The resulting redundancy and pension strain costs to the Council amount to £3m which has been funded from a budget of £2.5m established for this purpose and a further £0.5m funded within the overall bottom line.

## 2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2017/18 is £67.1m, compared with £51.3m at the end of 2016/17. In addition, balances generated from capital receipts and capital grants to fund future capital projects have increased from £30.2m to £31.2m and reserve balances belonging to or earmarked to support schools which have increased from £22.6m to £24.3m. The total reserve movement in 2017/18 is summarised in the table below.

2.2.2 The reserve balances include £10.7m set aside as part of the Council's three long-term Private Finance Initiative models, £8.3m set aside to fund costs arising from early retirement and redundancy decisions, £5.1m set aside for the Council's contribution to the UK City of Culture and cultural event costs, £4.8m to support the Adult Social Care Better Care Fund model and £5.1m in relation to the Kickstart project. The £6.3m Management of Capital reserve includes revenue reserves to fund future capital projects and has increased by £0.8m in the year.

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

**Table 2 Summary of Reserve Movements in 2017/18**

	Balance at 31st March 2017	(Increase)/ Decrease	Balance at 31st March 2018
	£000	£000	£000
<u>Council Revenue Reserves</u>			
General Fund Balance	(3,134)	(1,568)	(4,702)
Private Finance Initiatives	(11,308)	527	(10,781)
Potential Loss of Business Rates Income	(1,970)	(1,444)	(3,414)
Early Retirement and Voluntary Redundancy	(8,261)	0	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
City of Culture	0	(5,050)	(5,050)

Kickstart Project	(2,986)	(2,082)	(5,068)
Adult Social Care	(18)	(4,780)	(4,797)
Leisure Development	(894)	(705)	(1,599)
Public Health	(740)	134	(606)
Troubled Families	(686)	200	(486)
Insurance Fund	(1,786)	191	(1,595)
Management of Capital	(5,566)	(766)	(6,332)
Other Corporate	(973)	375	(598)
Other Directorate	(5,839)	(1,355)	(7,194)
Other Directorate funded by Grant	(2,785)	592	(2,194)
<b>Total Council Revenue Reserves</b>	<b>(51,346)</b>	<b>(15,731)</b>	<b>(67,077)</b>
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(20,489)	(3,489)	(23,978)
Capital Grant Unapplied Account	(9,737)	2,558	(7,179)
<b>Total Council Capital Reserves</b>	<b>(30,226)</b>	<b>(931)</b>	<b>(31,157)</b>
<u>School Reserves</u>			
Schools (specific to individual schools)	(18,126)	(1,464)	(19,590)
Schools (for centrally retained expenditure)	(4,493)	(249)	(4,742)
<b>Total School Reserves</b>	<b>(22,619)</b>	<b>(1,713)</b>	<b>(24,332)</b>
<b>Total Overall Reserves</b>	<b>(104,191)</b>	<b>(18,375)</b>	<b>(122,566)</b>

## 2.3 Capital Outturn

2.3.1 The capital outturn position for 2017/18 is shown in summary below and in greater detail in Appendix 2:

**Table 3: Capital Outturn Summary**

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Over- spends £m	Total Variance £m
120.9	106.5	(14.7)	0.7	(15.4)

The quarter 3 monitoring report to Cabinet on 13<sup>th</sup> February 2018 approved a revised capital budget of £120.9m for 2017/18. Since then there has been a net programme increase of c£1m giving a final budget for the year of £122.9m. Since February, a total of £14.7m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

**Table 4: Summary of Rescheduling**

Project	(Rescheduling) /Accelerated Spend £m	Explanations
People Capital Programme (Schools and ICT)	(2.1)	General slippage £1.3m within the schools programme, based on lack of demand for school adaptations and internal staff changes. In addition £0.4m for DFG's/pathways to care take up of grant this year, £0.4m for ICT investment
Highways, Transport and Public Realm Programme	(3.0)	£0.7m WMCA UKC programme and £0.5m of S106 works which are reliant on 3 <sup>rd</sup> party match funding and some issues in tender prices. £0.9m involves works at Manor Farm (WHG Schemes) and subcontractor issues, £0.4m for Nationwide demolition has now been re-contracted for works to progress.
City Centre South and Friargate	(2.5)	Within the CCS programme progress has been made to acquire properties within the city centre this year, however it is difficult to predict as it is outside the Council control and therefore the rescheduling reflects the fact that there were not as many acquisition opportunities as originally anticipated. Friargate has seen some savings generated by maximising our internal resources rather than procuring external advisors.
Growth Grant Programme	0.8	General advancement of projects including project at Rugby Construction and Techno park and Getting Nuneaton Moving.
Whitley South Infrastructure	(4.6)	The spend profile on a project of this scale and nature is estimated at an early stage based on an industry standard S curve approach. Due to the delayed start and less activity on site during the months of February and March due to inclement weather we have incurred a slippage of £4.6m.
Kickstart Office	(1.2)	The underspend in 2017/18 has arisen due to lower than expected decommissioning costs in relation to the existing buildings and a slight delay in the completion of the Heatline contract for Friargate which has meant the first milestone payment is pushed back into 2018/19
Sports, Leisure and Parks	(2.0)	£1.6m of slippage on the Destination Leisure Facility as the slides and reroofing works have been re-sequenced to 2018/19, in addition a slight delay in the construction works for the 50m Pool at Alan Higgs
Others	(0.1)	Net movement
<b>TOTAL</b>	<b>14.7</b>	

**Table 5: Over and Underspends in the Capital Programme**

Project	Over/ (Under)spend	Explanations
Vehicle Plant Replacement	(0.7)	The service has undergone a review from 2018/19 of its requirements for vehicles acquisition over the next 5 years. This process has identified a reduction in our Prudential Borrowing requirement in 2017/18
Total	(0.7)	

2.3.2 The 2017/18 and future the Programme continue to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Highways and Public Realm. The City Council has continued to make significant investment in specific Public Realm schemes, a further £7.75m of Local Growth Deal funding has been secured and schemes are being designed currently to commence delivery in 2018-19. In addition works continue on the resurfacing of roads, and upgrading of Swanswell Viaduct nears completion.
- Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2017/18 £5.9m of spend has been incurred within the Programme including the A46 link road, Very Light Rail and Coventry Station Master Plan, currently funded from the Local Growth Deal. The primary source of funding going forward will be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment.
- City Centre South (CCS) is a major regeneration project covering the southern part of Coventry city centre, which will transform the area by redeveloping approximately half (6.7 hectares) of the city centre retail core. WMCA funding is just under £100m, and the Council is investing in the form of properties and land worth £28m which are being transferred into a Special Purpose Vehicle for the development formed with a private developer. Acquisitions of Hertford Street/market Way and Coventry Point have now been secured.
- Education capital grant funding is made up of two elements, Basic Need and Condition/ Maintenance. The programme this year has slipped due to some in-house capacity issues, but the City Council still has sufficient school places, in mainstream schools, secured by the primary school expansion programme in 2008-14. The replacement of Tiverton Primary School at Whitley, which is under construction, will start to address the shortage of places in special education provision in the City, due for completion in 2018/19.
- City Centre Destination Leisure Facility (CCDLF) - In September 2014, Coventry City Council approved the addition of £36.7m to its capital programme for 2014/15 onwards, for the development of the CCDLF on the existing Christchurch House and Spire House site. The CCDLF is currently on Programme and scheduled to be fully opened in spring 2019. The next stage of the sports strategy to build the 50m Swimming Pool at the Alan Higgs Centre and bowling facilities are underway for 2018/19



- On the 22<sup>nd</sup> December 2017 the City Council acquired 100% of the ordinary share capital of Coombe Abbey Park Limited (CAPL), the principal activity of which is the running of the Coombe Abbey Hotel. The purchase of £9m represent a capital cost to the Council.
- Whitley South Infrastructure – In July 2016 the Council approved the site at Whitley South to be used to develop the expansion plants of JLR by developing the public infrastructure to accommodate proposed Research & Development campus, accommodate a number of small medium enterprises together with a hotel and car show room.

2.3.3 The funding in respect of this capital expenditure of £106.5m is summarised in Table 6 below. The Programme has been resourced c56% from capital grants and where possible the use of these grants has been maximised to defer the Councils requirement for prudential borrowing in year. In 2017/18 £15m Growth funding has been applied which need to be back-filled by capital reserves, capital receipts and prudential borrowing over the next few years.

**Table 6: Capital Funding**

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	31.0	31.0	0
Grants and Other Contributions	59.8	66.7	6.9
Revenue Contributions	2.7	2.7	0
Capital Receipts	12.2	36.1	23.9
Capital of Management Reserve	0.7	7.0	6.3
<b>Total Resourcing</b>	<b>106.5</b>	<b>143.5</b>	<b>37.1</b>

#### 2.4 Treasury Management Activity

2.4.1 Contrary to expectations following the EU referendum in June 2016, the UK economy strengthened by 1.8% in the calendar year 2017, the same level as 2016. However, inflation rose to as high as 3.1% in November 2017 before falling back to 2.7% in February 2018 meaning that real earnings fell as earnings growth dropped below inflation. This meant that the Bank of England increased the Bank Rate by 0.25% to 0.5% in November 2017, the first rate increase in ten years.

Current forecasts indicate that the Bank Rate will continue to increase gradually, perhaps seeing another 0.25% increase in 2018 with increases continuing potentially meaning a Bank Rate of 1.25% by September 2019.

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

**Table 7: PWLB Interest Rates**

<b>PWLB Loan Duration (standard rates)</b>	<b>Minimum in 2017/18</b>	<b>Maximum in 2017/18</b>	<b>Average in 2017/18</b>
5 year	1.34%	2.21%	1.70%
20 year	2.66%	3.10%	2.84%
50 year	2.45%	2.84%	2.61%

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

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has increased by £19.7m:-

**Table 8: 2017/18 Capital Financing Requirement (CFR)**

	<b>£m</b>
Capital Financing Requirement at 1 <sup>st</sup> April 2018	380.8
Borrowing required to finance 2017/18 Capital Programme	31.1
PFI & Finance Leases liabilities	0.3
Donated Assets	(0.3)
Provision to Repay Debt (Minimum Revenue Provision)	(10.2)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.0)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1 <sup>st</sup> April 2018	<b>400.5</b>

No new long term borrowing was actually taken out during 2017/18, however, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2018/19. Within 2017/18, the movements in long-term borrowing and other liabilities were:-

**Table 9: Long Term Liabilities (debt outstanding)**

<b>Source of Borrowing</b>	<b>Balance at 31st March 2017 £m</b>	<b>Repaid in Year £m</b>	<b>Raised in Year £m</b>	<b>Balance at 31st March 2018 £m</b>
PWLB	209.4	(5.5)	0	203.9
Money Market	59.0	(21.0)	0	38.0
Stock Issue	12.0	0	0	12.0
Other	0.5	(0.1)	0	0.4

<b>sub total ~ long term borrowing</b>	<b>280.9</b>	<b>(26.6)</b>	<b>0</b>	<b>254.3</b>
Other Local Authority Debt	15.4	(1.1)	0	14.3
PFI & Finance Leasing Liabilities	73.9	(2.4)	0.2	71.7
<b>Total</b>	<b>370.2</b>	<b>(30.1)</b>	<b>0.2</b>	<b>340.3</b>

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

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

<b>Period</b>	<b>Long Term Borrowing £m</b>
Under 12 Months	17.7
1 – 2 years	6.2
2 – 5 years	33.5
5 – 10 years	16.2
Over 10 years	180.7
<b>Total</b>	<b>254.3</b>

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £45m of short term borrowing was taken out during the year, with £30m still outstanding at 31<sup>st</sup> March 2018. This borrowing was all taken out with other Local Authorities & public sector bodies and was required to manage short term cash flow shortages towards the end of the financial year. During the year the Council held significant short term investments, as set out in Table 11. The average short term investment rate in 2017/18 was 0.56%.

**Table 11: In House Investments at 31st March 2018**

	<b>At 30<sup>th</sup> June 2017 £m</b>	<b>At 30<sup>th</sup> Sept 2017 £m</b>	<b>At 31<sup>st</sup> Dec 2017 £m</b>	<b>At 31<sup>st</sup> Mar 2018 £m</b>
Banks and Building Societies	23.4	24.4	14.4	4.4
Local Authorities	0.0	0.0	0.0	0.0
Money Market Funds	26.9	9.9	6.7	2.5
Corporate Bonds	10.4	11.4	5.4	5.4
Registered Providers	8.0	8.0	8.0	8.0
<b>Total</b>	<b>68.7</b>	<b>53.7</b>	<b>34.5</b>	<b>20.3</b>

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

**Table 12: External, Pooled Investments as at 31<sup>st</sup> March 2018**

	<b>Date Invested</b>	<b>Cost £m</b>	<b>Value £m</b>	<b>Annualised Return %</b>
CCLA	Nov 2013	10.0	10.54	4.86%
Payden Sterling Reserve	Feb 2012	7.5	7.95	1.02%
Royal London Enhanced Cash Plus Fund	Sep 2016	4.8	4.86	0.72%
Deutsche Ultra Short Fund	Jan 2017	1.0	1.01	0.49%
Royal London Cash Plus Fund	Sep 2016	3.0	3.03	0.47%
<b>Total</b>		<b>26.3</b>	<b>27.39</b>	<b>2.22%</b>

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

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

#### **Revenue Related Prudential Indicators**

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 12.38%, as against 13.55% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

## Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £360.9m was within the limit of £470.4m.
- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing plus PFI and finance lease liabilities at £360.9m was within the boundary of £430.4m.
- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2019/20 CFR limit of £511.9m.
- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 21.6% of total debt that needs to be refinanced in 2018/19, compared to the PI limit of 40% in the 2018/19 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

### 3. Results of consultation undertaken

3.1 None

### 4. Timetable for implementing this decision

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

### 5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The final revenue outturn picture for 2017/18 is underspend of £1.6. This is calculated after taking account of recommended contributions to reserves; £3.25m. to fulfil a financial commitment that the Council has already made formally to support future UK City of Culture activity and; £2.1m into the Business Rates reserve to increase the Council's financial resilience ahead of the uncertainty that surrounds forthcoming changes to local Government

Finance. Accounting regulations demand that the final £1.6m underspend is contributed to the Council's General Fund Balance, topping this particular reserve up to £4.7m which represents 2% of net revenue budget in line with the Council's Medium Term Financial Strategy.

Large overspends have occurred within individual service areas, most notably children's social care and services relating to housing and homelessness.

Children's social care has been a persistent area of budget pressure in recent years caused by comparatively high and growing numbers of Looked After Children. The Council has provided additional budgetary provision in the 2018/19 Budget process and has plans in place to help manage the number of children in the Council's care and the type of care provided. Nevertheless, this will continue to be one of the key areas of budgetary focus in 2018/19.

Housing and homelessness has emerged as a budgetary issue more recently, both in Coventry and nationally. The number of individuals and families presenting with a housing need has outstripped the supply of traditional sources of accommodation leading to a need to use more expensive housing alternatives for which Government Housing Benefit subsidy covers only part of the cost to the Council. Again the Council has provided additional budgetary provision and is in the process of identifying appropriate and financially sustainable solutions to these issues.

A number of service areas reported budgetary underspends and/or reported a significantly improved position in the final quarter of the year. This delivered an overall underspend at year end and a significant positive swing from the reported Quarter 3 position. A large proportion of this improvement came from sources that were difficult to predict or impossible to rely upon when the Council last reported its financial position. In addition to unexpectedly high windfall Business Rates compensation grants, a number of these have come about as a result of background work to improve and support the Council's financial position including:

- Up front payment of 3 years of employer pension contributions sharing the benefits of enhanced rates of investment returns available to the West Midlands pension Fund.
- Returns from the Coventry and Warwickshire Business Rates Pool – keeping Business Rates growth income across the sub-region locally rather than this being returned to Government
- Early repayment of one of the Council's long-term debts at a financially advantageous rate.
- Redemption of one of the Council's long-term treasury investments with in-year crystallisation of the capital growth.
- Provision of a guarantee to the Coventry and Solihull Waste Disposal Company enabling the Company to release sustained dividend levels.

The Council continues to face reductions in government funding and a need to absorb the financial impact of demographic and societal pressures such as those outlined above. Management attention has continued to focus on appropriate approaches to manage these pressures, to deliver the existing financial savings programmes approved previously and to focus on new ways of balancing the Council's budget.

On balance, although some areas of the budget are overspent, the Council remains in a robust financial position due to a range of ongoing measures. The Council continues to give a high priority to financial management at a senior level and strong corporate control continues to be applied allowing the Council to take advantage of tactical opportunities to protect its budget such as: central control of salaries, management of reserve balances and

capital receipts for corporate use, implementation of staff reduction programmes and continued attraction of significant external funding. These actions have helped to contribute to continued achievement of underspends and demonstrates the continued strength of the Council's budget management approach.

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

Significant application of grant funding has been undertaken within the Capital Programme although some previously approved prudential borrowing has been applied within 2017/18. The level of Prudential Borrowing applied is likely to increase over the next couple of years as the relevant capital spending is incurred and as other sources of funding are exhausted.

The increase in the Council's reserves reflects several different circumstances; the need to fund future spending commitments that the Council has already entered into (City of Culture); the need to support spending programmes that have a multi year dimension (Kickstart, Adult Social Care); and to provide protection against potential risks to the Council's overall financial health (General Fund Balance, Business Rates). Events elsewhere within local government including; the issuing of a Section 114 Notice at Northamptonshire; sector wide concerns at the diminution of reserve balances and; perceived threats from the future of the Local Government Finance model beyond 2019/20, have demonstrated the importance of maintaining a robust balance sheet position. The view of the Director of Finance and Corporate Services is that the Council needs to ensure that it maintains sufficient resources to protect against financial shocks and provide resources that can be utilised at appropriate times to invest in local infrastructure or income earning assets. This view extends to the assessment that current reserves represent an appropriate level of balances for an authority of the Council's size. These balances are all earmarked for approved uses or will otherwise be available for member decision in the forthcoming Budget Setting process.

## 5.2 Legal implications

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

## 6. Other implications

### 6.1 How will this contribute to achievement of the Council's 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 we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

### 6.2 How is risk being managed?

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

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

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

**6.4 Equalities / EIA**

No specific impact.

**6.5 Implications for (or impact on) the environment**

None

**6.6 Implications for partner organisations?**

None



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## Appendix 1 Revenue Variations

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 Forecast 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	1.6	1.4	(0.1)	(0.1)	(0.2)
People Directorate Management	1.5	1.4	0.0	(0.1)	(0.1)
Education and Skills	12.5	12.2	(0.3)	0.0	(0.3)
Children and Young People's Services	70.3	73.0	(4.2)	6.9	2.7
Adult Social Care	81.9	80.7	(0.6)	(0.6)	(1.2)
Customer Services & Transformation	2.9	3.6	0.1	0.6	0.7
<b>Total People Directorate</b>	<b>170.7</b>	<b>172.3</b>	<b>(5.1)</b>	<b>6.7</b>	<b>1.6</b>
Place Directorate Management	3.7	3.8	0.0	0.1	0.1
City Centre & Major Projects Development	7.2	7.5	0.1	0.2	0.3
Transportation & Highways	4.2	4.6	(0.4)	0.8	0.4
Streetscene & Regulatory Services	27.3	28.4	(0.3)	1.4	1.1
Project Management and Property Services	(7.6)	(8.4)	0.7	(1.5)	(0.8)
Finance & Corporate Services	6.9	9.4	(0.3)	2.8	2.5
<b>Total Place Directorate</b>	<b>41.7</b>	<b>45.3</b>	<b>(0.2)</b>	<b>3.8</b>	<b>3.6</b>
<b>Total Contingency &amp; Central Budgets</b>	<b>20.1</b>	<b>13.3</b>	<b>0.0</b>	<b>(6.8)</b>	<b>(6.8)</b>
<b>Total Spend</b>	<b>232.5</b>	<b>230.9</b>	<b>(5.3)</b>	<b>3.7</b>	<b>(1.6)</b>

The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

Reporting Area	Explanation	£m
People Directorate	The Directorates underspend against its salary budgets and turnover target is mainly due to high levels of vacancies in Childrens Social Care which accounts for £4.2m of the £5.1m underspend. This is partially offset by a non salary overspend as a result of agency staff in Childrens Social Care. With the implementation of the Childrens Services Redesign underway, it is expected that vacancy levels and agency costs will reduce in the new year.	(5.1)
Place Directorate	The Place Directorate has had a number of vacancies during the year, primarily in Transportation and Highways, and Streetscene & Regulatory services. The former is due to difficulties in recruitment, the latter whilst a service review takes place. In both cases these have been covered by agency staff resulting in no overall significant saving or pressure.	(0.2)
<b>Total Non-Controllable Variances</b>		<b>(5.3)</b>

Service Area	Reporting Area	Explanation	£M
Public Health	Other Variances Less than 100K		(0.1)
<b>Public Health</b>			<b>(0.1)</b>
People Directorate Management	Director	The majority of the underspend relates to a reduction in expected external support costs	(0.1)
<b>People Directorate Management</b>			<b>(0.1)</b>
Education and Skills	Advice and Health Information Services	Library Service overspend is linked to the purchase of self service machines, which is one-off expenditure agreed as required to support delivery of the Connecting Communities programme.	0.3
Education and Skills	Libraries	Coventry Music: The over spend was predicted in the first year of the new model of delivery which was a demand led service. The set up costs and administration plus slight decline in the first quarter of take up from schools led to this position however increased take up and broader service offer will lead to the service being able to break even moving forward. The grant funding position has been taken out of high risk and is now on track with the new leadership. Governor Support Services: Whilst this is a fully traded offer for schools, the over spend has been due to a lack of investment in terms of reviewing current offer against demand. Moving forward the new offer includes in conjunction with the teaching school alliance a range of bespoke and ongoing training packages, Governor Hub and a flexible package for multi academy trusts. The next 12 months may see a continued overspend moving to break even in year 2.	0.2

Education and Skills	Inclusion & Participation	The forecast overspend is a result of part year delivery of the transport review, against a full year saving. This was due to a requirement to implement the policy changes with effect from 1st September 2017 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 a continued financial pressure relating to increase in demand. Efficiency activity in procurement may offset this pressure going forward. The Transport Strategic Review group reporting to People Leadership Team, are actively monitoring the situation and stimulating action for cost reduction.	0.2
Education and Skills	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 Skills	School Enrichment Services	Underspend in respect of Migration grant income, which supports expenditure within other Council services.	(0.7)
Education and Skills	Other Variances Less than 100K		(0.1)
<b>Education and Skills</b>			<b>0.0</b>
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. There has been an in-year reduction in the forecast due to a decrease in the number of children in residential, 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. There was also a reduction in internal fostering placement costs during Q4, due to decreased activity. This is being addressed through the transformation programme. The Throughcare budget has overspent, as forecast, due to an increasing number of former LAC attending university. The overspend in Supported Accommodation was due to delays in over 18s moving on to their own tenancies. A dedicated post has recently been recruited to, to support 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. Some of the budget holder variance across the service relates to agency staff being used to cover vacancies, this is offset by underspends on the centralised variance. Overall the spend has reduced from 2016/17 levels and work continues across the service to address outstanding areas of concern.	4.8
Children and Young People's Services	Help & Protection	The overspend largely relates to the costs of Agency staff covering posts across the service, and savings targets held on a budget holder code. This is more than offset by underspends across salary budgets. There was also a pressure as a result of grant fall out for the Family Drug and Alcohol Court. This has been built into core budget for 2018/19, with additional benefits realisation due to a SIB due to commence October 2018. The overall underspend also includes some one-off Public Health funding (£650k).	1.9

Children and Young People's Services	Commissioning, QA and Performance	The budget holder 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. The overspend is more than offset by an underspend on centralised salaries. The variance between the Q3 forecast and outturn is due to additional vacancies, and the unavoidable time lag between appointing staff and their commencement date.	0.3
Children and Young People's Services	Children's Services Management Team	The service has delivered in year savings as a result of in-year service changes (e.g. Youth Offending Service review). These contribute towards the delivery of the Children's Services Transformation programme.	(0.1)
Children and Young People's Services	Other Variances Less than 100K		
<b>Children and Young People's Services</b>			<b>6.9</b>
Adult Social Care	Strategic Commissioning (Adults)	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	Adult Social Care Director	There has been a significant increase in DOLs demand leading to additional assessment costs (£142k). The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs (£193k). This is partially offset by the vacancy savings showing on the centralised forecast.	0.3
Adult Social Care	Internally Provided Services	Underspends achieved due to early delivery of Adult Social Care savings targets.	(0.3)
Adult Social Care	All Age Disability and Mental Health Operational	Pressures relating to under achievement of Supporting People income are offset by a number of underspends across other areas of contractual spend.	(0.4)
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Changes in the overall position have been achieved as the consequence of a number of different interventions. Firstly there has been a sustained focus on reducing costs within the All Age Disability Service. This has been led through the panel review process and supported by improved commissioning arrangements. In addition monies have been reclaimed that had previously not been forecast. This includes an ordinary residence agreement and Direct Payment re-payments.	(0.5)
<b>Adult Social Care</b>			<b>(0.6)</b>
Customer Services & Transformation	HR and Workforce Development Management	The majority of the overspend (£103k) relates to a delay in the delivery of savings which will now be delivered in 2018/19.	0.3
Customer Services & Transformation	Customer and Business Services	The overspend reflects the increasing pressure relating to the homelessness service and the associated costs of bed & breakfast provision. It also includes the cost of utilising agency staff to cover demand; and an unmet element of the Business Services savings target	0.9
Customer Services & Transformation	ICT Operations	The bulk of the underspend is due to two main factors. Firstly a large, unexpected one off rebate on the business rates for the	(0.3)

		<p>fibre network. Secondly, staff costs of the PC refresh programme were capitalised which led to a revenue underspend.</p>	
Customer Services & Transformation	ICT Strategy, Systems & Development	<p>The majority of the underspend relates to the Systems Management budget - an extremely complex budget made up of approx. 300 system contracts. The price of some systems has reduced and other increases were not as high as expected. Also, some implementation projects are still ongoing and so some anticipated revenue costs will be delayed until 2018/19.</p>	(0.1)
Customer Services & Transformation	Transformation Programme Office	<p>This service holds a budget which is intended to be used across the Council to support transformation activity - either through additional temporary staffing resource or by funding external expertise. As such this area is difficult to forecast. During 2017/18 expected additional resource was not required for some transformation activity and alternative funding sources became available to support other activity. This has resulted in an underspend.</p>	(0.2)
<b>Customer Services &amp; Transformation</b>			<b>0.6</b>
<b>Total Non-Controllable Variances - People</b>			<b>6.7</b>
<b>Place Directorate</b>	<b>Place</b>		
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
Place Directorate Management	Other Variances Less than 100K		0.1
<b>Place Directorate Management</b>			<b>0.1</b>
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	<p>This deficit reflects £178k exit costs were incurred for restructures at Culture Coventry Trust, together with an ongoing trading deficit at St Mary's Guildhall and Godiva's café of £99k, for which there are a series of service improvements implemented to generate cost savings and improve income</p>	0.3
<b>City Centre &amp; Major Projects Development</b>			<b>0.3</b>
Transportation & Highways	Highways	<p>The pressure in Highways was a result of £170k expenditure pressures within priority patching due to the conditions of roads and the severity of winter, increased spend of £150k on gritting during the severe winter, and reduced income of £110k from fewer footway crossings and losses on fixed price jobs</p>	0.6
Transportation & Highways	Traffic	<p>Traffic pressures are due to compensating factors. Within Network Management, vacancies in Urban Traffic Control resulted in agency staff expenditure, which together with irrecoverable costs relating to accident damage to highway assets has caused a c£0.2m pressure. This has however, been offset by a net overachieved combined income on parking and enforcement activity, primarily relating to bus gate infringements</p>	0.1
Transportation & Highways	Other Variances		0.1

	Less than 100K		
<b>Transportation &amp; Highways</b>			<b>0.8</b>
Streetscene & Regulatory Services	Waste & Fleet Services	Some lost work, plus the delayed achievement of commercial waste growth income targets whilst the service undergoes a major review accounts for the vast majority of the deficit for waste and fleet. Overspends on transport & fleet costs, together with the cost of maintaining collection of domestic refuse during the Christmas period are compounding the deficit. However as a result of the move to alternate weekly collection, waste disposal costs are lower than budgeted, helping to reduce the net service overspend	1.0
Streetscene & Regulatory Services	Streetpride & Parks	Whilst the Streetpride service has been under review during the year, vacancies have been covered by a combination of agency staff and overtime. Pressures on Coombe Car Parking income has also occurred together with additional costs relating to the Tree contract. These pressures have however been partially offset by additional Bereavement Services fee income	0.3
Streetscene & Regulatory Services	Environmental Services	This variation is due to an under recovery in income for CCTV . There has been a significant improvement in the performance of this service over the past year and is working to continue progress in 18/19.	0.1
<b>Streetscene &amp; Regulatory Services</b>			<b>1.4</b>
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	One-off saving relating to the reduction in dilapidation costs while exiting Lamb Street lease	(0.3)
Project Management and Property Services	Facilities & Property Services	DFG capital grant of £0.4m was applied against R&M core funded costs relating to Adult Social Care schemes in the final quarter. In addition, unplanned Occupier support works relating primarily to the Education capital programme were carried out generating an additional windfall income of £0.2m	(1.0)
Project Management and Property Services	Other Variances Less than 100K		
<b>Project Management and Property Services</b>			<b>(1.5)</b>
Finance & Corporate Services	Revenues and Benefits	The Housing Benefit Subsidy account has been under pressure. The largest cost (£3.3m) is due to the element of HB paid out for bed & breakfast accommodation for homeless people which cannot be reclaimed from DWP as benefit subsidy. There is also a pressure (£0.9m) due to the element of benefit paid out for mainly clients in supported accommodation which can only be partially reclaimed. These have been partially offset by a surplus recovery of benefit overpayments (£1.1m) and uncommitted new burdens grant (£0.4m).	2.7
Finance & Corporate Services	Financial Mgt	Accelerated achievement of MTFs savings targets, temporarily offsetting other pressures within the division	(0.3)

Finance & Corporate Services	Legal Services - Place & Regulatory	Service cost reduction targets that are temporarily being achieved from the holding of vacancies within the division	0.2
Finance & Corporate Services	Other Variances Less than 100K		0.2
<b>Finance &amp; Corporate Services</b>			<b>2.8</b>
<b>Total Non-Controllable Variances - Place</b>			<b>3.8</b>
Contingency & Central Budgets	Contingency & Central Budgets	<p>Contingency and central budgets have experienced favourable variances in the year from inflation contingencies (£3.6m) in part relating to lower than expected costs of pensions auto-enrolment, the Asset Management Revenue Account (£1.7m) including an increased income recognised upon disinvestment from treasury investments and pensions (£1.8m) due largely to the £90m early payment of employer superannuation costs which has generated a discount for the Council from the West Midlands Pension Fund. Uncertainty around the impact of this mechanism has resulted in most of this underspend crystallising in the last quarter. A further underspend of £1.1m relates to the Council's windfall from the Coventry and Warwickshire Business Rates Pool. Given the overall Council bottom line, it is recommended that a contribution of £3.25m is made to fund a further tranche of the Council's contribution to UK City of Culture costs. The underspend shown here is after this contribution to reserves has occurred.</p> <p>This report includes a recommendation that higher than budgeted Business Rates compensation grants (£2.1m) be contributed to the Business Rates reserve to protect the Council from future fluctuations in the Council's resourcing position.</p>	(6.8)
<b>Total Non-Controllable Variances - Contingency &amp; Central Budgets</b>			<b>(6.8)</b>



## Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHE DULING) / ACCELE RATED SPEND £m	(UNDERSPEND) / OVERSPEND £m	EXPLANATION
<b>PEOPLE DIRECTORATE</b>				
Condition		(0.3)		Condition was underspent as some projects were not completed within the financial year, shifting to 18/19 and others came in under budget.
Early Years 2013-14 - Resource Swithed		(0.1)		Underspent as some projects were not completed within the financial year, shifting to 18/19 and others came in under budget.
Suitability/Access		(0.1)		Suitability/Access budget was underspent as less pupils required school adaptations.
Broad Spectrum School		(0.8)		The Broad Spectrum School was underspent as the programme shifted meaning high value works were moved to next financial year.
Pathways to Care (Support to Foster Carers)		(0.1)		During 2017/18 the Panel considered 11 New Pathways To Care applications. Of this, 5 applications were approved resulting in grants & loans totalling £138k being allocated. In addition to this, £78k that was approved at panel within 2016/17 is yet to be drawn down for the building works, however the requirement for these funds was confirmed at Court during April 2018 and are expected to be utilised within the early part of this financial year. Therefore this amount has been rescheduled.
ICT Infrastructure Operations		(0.6)		At quarter three we undertook a significant amount of rescheduling into future years for the ICT capital programme. At that time we forecast an amount that would still be required this financial year (during Qtr 4). Whilst there was significant spend during Qtr 4 it was not to the level anticipated. Moving forward and, to enable more accurate / fine grained forecasting, we will be looking at reorganising the ICT capital programme. At
Kickstart - ICT Systems		(0.2)		

Strategy Systems Development		0.4		present it is made up of 6 schemes across two cost centres. We will look to reduce this to a maximum of two schemes and manage to a granular level through works orders. This should provide more accuracy for the forecasting during financial year 2018/19.
Disabled Facilities Grants		(0.3)		Work has progressed well in year to maximise the additional funds allocation by DCLG to the extent we have exceeded their expectations by £169,000, this will be absorbed within the overall DFG funds. However, additional rescheduling is now being reported against our general demand on DFG funding. This is partly due to the demand for works being smaller. Work will progress in the new year to encourage the use of the funds within wider Adult Social Care adaptations programme.
Miscellaneous		(0.1)		Net Movement
<b>SUB TOTAL - People</b>	<b>0.0</b>	<b>(2.1)</b>	<b>0.0</b>	
<b>PLACE DIRECTORATE</b>				
Highways Maintenance Grant	0.1			Changes in the scope of Montalt Road surfacing scheme resulted in an increased project value and duration, and the bulk of new cost (160k) is being delivered in the 2018/19 FY and hence rescheduling required.
Challenge Fund - Swanswell Viaduct	(0.4)			Engineering difficulties encountered with the site and unavailability of third party contractors, e.g. BT, combined with late start on site, due to WHG subcontractor issues, meant the CCC works did not get started in earnest until Q2.
Coombe Abbey	0.1			Additional costs for Legal/stamp duty etc. which was not part of the original budget set aside for the Acquisition of Shares

CSP - A46 Link Road Phase 2		(0.2)		Expenditure was less than anticipated as a decision was taken to retender the consultant services required to progress this project, including the Outline Business Case and design. This will now be tendered during Q1 18/19.
CSP - Binley & Walsgrave Junctions		(0.1)		No funding has been secured against this project to date by CCC, as it's being led by Highways England. A review is being undertaken regarding whether a funding contribution is required as the HE are fully funding the Binley Junction, and work is progressing to identify how Walsgrave should progress.
CSP - Tile Hill Station Car Park Expansion		(0.2)		TfWM have been leading on the development of this project and incurring all charges to date. Delivery and funding arrangements to be reviewed for 18/19.
Coventry North Package		(0.1)		Funding for this scheme was approved by WMCA in Q4, work is underway to commission a consultant to progress scheme development, therefore expenditure has slipped into 18/19.
City Centre South		(2.1)		It is difficult to predict the number of acquisition opportunities that will arise in any given financial year as they are outside of CCC's control. The opportunities that arose were taken. This slippage reflects the fact that there were not as many acquisition opportunities as
Friargate (WMCA)		(0.4)		More efficient use of internal resources, reducing the need to procure external advisors
Highways Investment		(0.1)		Changes in the scope of Montalt Road surfacing scheme resulted in an increased project value and duration, and the bulk of new cost (160k) is being delivered in the 2018/19 FY and hence rescheduling required.
Whitefriars Housing Estates - MANOR FARM		(0.9)		Engineering difficulties encountered with the site and unavailability of third party contractors, e.g. BT, combined with late start on site, due to WHG subcontractor issues, meant the CCC works did not get started in earnest until Q2.
Skipworth Road S106		(0.1)		The scheme commenced later in Q4 than initially anticipated, predominantly due to adverse weather conditions. The scheme will be complete in early 2018-19.

Transport Programme S106 Schemes		(0.4)		Reliant on third party involvement in providing either match funding or cost estimates for the works which were not forthcoming. We are still working with these third parties, for example Canals and River Trust, to bring the schemes forward in this financial year. Also the S106 schemes were dependant on the development to which the monies are associated with being completed such that the schemes could be delivered and unfortunately this did not happen.
GD19 - NSR - Nuckle 1.2		(0.3)		The majority of the rescheduling relates to work in the change in design for the track layout and additional timetabling , as well as a pause in works while NR agree the designs submitted for approval. Balfour Beatty have been instructed to carry out the Early Contractor Involvement work and are progressing with the task, this is not yet completed. All works resheduled will be finished within the first quarter of 18/19. The funding allocated to London Midland was not spent due to the change in Train Operating Company, to West Midlands Rail, we are however expecting that we will need to spend some monies with WMR in this financial year.
GD11 - Coton Arches		(0.1)		Project has faced delays in start of construction, resulting in reduced claim in year. Project expects to catch up in full in 18/19
GD18 (ULS04) - Unlocking Sites - A45-Leam Road		0.1		Scheme costs came in over original estimate due to requirement for some additional works to be undertaken following engagement with stakeholders.
GD18 (ULS09) - Getting West Nuneaton Moving: Bermuda Connection		0.5		Claim received included accelerated spend that at Qtr 3 was assumed to be spent in 2018-19 Qtr 1. Project has now completed grant spend.
GD33 - Rugby HE Construction & Techno Park		0.3		Contracting for this project was completed earlier expected enabling a late Q4 Claim.

Whitley South Infrastructure - ROXHILL	0.8	(4.6)		The anticipated project start was delayed due to detailed tender requirements. The spend profile on a project of this scale and nature is estimated at an early stage based on an industry standard s curve approach. Due to the delayed start and less activity on site during the months of February and March due to inclement weather we have incurred a slippage of £4.6m. The approved change £0.8m are additional funds for costs funded directly by the JLR but not part of the £35m grant award
Broadgate Nationwide		(0.4)		Demolition commenced in Q4, however works halted due to contractual issues and now a new contract is to be let to progress works. All works are due to be completed by end of Q2 2018-19
Vehicle & Plant Replacement		(0.2)	(0.7)	The underspend is due to the rebasing of the 5 year programme from 2018/19 which means that the budget for several of the vehicles which were originally in the programme is no longer needed. The £0.2m relates to several vehicles which were delayed but are due to be purchased in 2018/19
Kickstart Office		(1.2)		The underspend in 2017/18 has arisen due to lower than expected decommissioning costs in relation to the existing buildings and a slight delay in the completion of the Heatline contract for Friargate which has meant the first milestone payment is pushed back into 2018/19
Investment in Sporting Facilities		(0.1)		Underutilisation of funds earmarked for Repairs and Maintenance of the 'CSLC', funds will be maintained until the formal closure of Coventry Sports and Leisure Centre.
ESIF - Business Support		(0.4)		The spend is based on individual businesses carrying out their project expenditure, and then submitting claims. The forecasts provided are based on the best estimates of the Grantees' planned expenditure. The underspend is caused by Grantee's projects being delayed and therefore less claims were received. Low Carbon, the opposite is true, where the Grantees projects have been able to accelerate and claim earlier than forecast.
ESIF - Low Carbon		0.2		
ESIF - Innovation		(0.1)		

City Centre Destination Leisure Facility		(1.6)		The contractor has re-sequenced the installation of the slides and roofing works until after 31 <sup>st</sup> March 2018 and therefore those works will now commence in the new year. This has resulted in a significant slippage of spend from 2017/18 into 2018/19. The overall project is still on programme.
Alan Higgs Centre - 50m Swimming Pool		(0.2)		There has been a slight delay to the commencement of the construction stage, as such some of the professional fees have been pushed back into the 2 <sup>nd</sup> stage and into 2018/19.
Multi Storey Car Parks		0.1		The £100k over the predicted Q3 value is due to the additional works required for consultants and works to address planning conditions and the BT diversion works.
Coventry on the Move in Parks Project Phase 1		(0.1)		The underspend is due to the delay in completion of the works to Caludon Castle under the Pathways contract. The poor weather experienced throughout December to March has delayed the scheme by 4-5 months. As part of the signage contract 5% of the contract value is withheld until the 12 months defects are finalised.
National Manufacturing Battery Development		0.1		Legal and technical support for the initial setup costs for the scheme
Miscellaneous	(0.1)	(0.1)		Net Movement
<b>SUB TOTAL - Place Directorate</b>	<b>0.5</b>	<b>(12.7)</b>	<b>(0.7)</b>	
<b>TOTAL CHANGES</b>	<b>0.5</b>	<b>(14.7)</b>	<b>(0.7)</b>	

## Appendix 3

### Summary Prudential Indicators

	Per Treasury Management Strategy 17/18 £000's	Actual 17/18 £000's
<b>1 Ratio of financing costs to net revenue stream:</b>		
(a) General Fund financing costs	31,501	28,770
(b) General Fund net revenue stream	232,482	232,482
General Fund Percentage	13.55%	12.38%
<b>2 Gross Debt &amp; Forecast Capital Financing Requirement</b>		
Gross debt including PFI liabilities	411,779	360,925
Capital Financing Requirement (forecast end of 19/20)	430,383	511,856
<b>Gross Debt to Net Debt:</b>		
Gross debt including PFI liabilities	411,479	360,925
less investments	-30,000	-61,281
less transferred debt reimbursed by others	-14,300	-14,300
Net Debt	367,479	285,343
<b>3 Capital Expenditure (Note this excludes leasing)</b>		
General Fund	122,989	94,333
<b>4 Capital Financing Requirement (CFR)</b>		
Capital Financing Requirement	430,383	400,518
Capital Financing Requirement excluding transferred debt	416,083	386,218
<b>5 Authorised limit for external debt</b>		
Authorised limit for borrowing	399,968	399,968
+ authorised limit for other long term liabilities	70,415	70,415
= authorised limit for debt	470,383	470,383
<b>6 Operational boundary for external debt</b>		
Operational boundary for borrowing	359,968	359,968
+ Operational boundary for other long term liabilities	70,415	70,415
= Operational boundary for external debt	430,383	430,383
<b>7 Actual external debt</b>		
actual borrowing at 31 March 2018		290,443
+ PFI & Finance Leasing liabilities at 31 March 2018		70,407
+ transferred debt liabilities at 31 March 2018		14,300
= actual gross external debt at 31 March 2018		375,150
<b>8 Interest rate exposures</b>		
Upper Limit for Fixed Rate Exposures	399,968	271,449

#### **Variable Rate**

Upper Limit for Variable Rate Exposures

79,994	-42,288
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**9 Maturity structure of borrowing - limits**

under 12 months  
12 months to within 24 months  
24 months to within 5 years  
5 years to within 10 years  
10 years & above

<b>upper limit</b>	<b>actual</b>
40%	21.6%
20%	2.1%
30%	8.4%
30%	5.6%
100%	62.2%

**10 Investments longer than 364 days: upper limit**

24,000	0
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