Coventry City Council

Public report
Cabinet Report

Cabinet — 28th August 2018
Audit and Procurement Committee — 10th September 2018

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

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

Ward(s) affected:
City Wide

Title:
2018/19 First Quarter Financial Monitoring Report (to June 2018)

Is this a key decision?
No

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2018.

The headline revenue forecast for 2018/19 is an over spend of £2.0m. At the same point in 2017/18 there was a projected overspend of £4.6m.

This position continues to reflect overspends in several service areas that have been subject to budgetary pressure in recent years, notwithstanding that 2018/19 Budget proposals increased budgets in these areas. Although the quarter 1 overspend position is not as large as this time last year, the Senior Management Board is aware of the need to address the range of budgetary issues facing the Council including continued challenges in relation to looked after children and housing & homelessness related costs.

The Council's capital spending is projected to be £249.4m for the year, a net decrease of £13.1m on the programme planned at the start of the year. However, Cabinet is alerted to the possibility of significant capital slippage later in the budgetary cycle.

Recommendations:

Cabinet is recommended to:

1) Note the forecast revenue overspend at Quarter 1.

2) Approve the revised capital estimated outturn position for the year of £249.4m incorporating: £5.7m net increase in spending relating to approved/technical changes and £0.3m overpend (Appendix 2), £14.7m of expenditure rescheduled from 2017/18 into 2018/19 and £33.8m net rescheduling of expenditure into 2019/20 (Appendix 4).

Audit and Procurement Committee is recommended to:

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

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2018/19
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Capital Programme: Analysis of Overspend
Appendix 6	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, 10th September 2018

Will this report go to Council?

No

Report Title:
2018/19 First Quarter Financial Monitoring Report (to June 2018)

1. **Context (or Background)**

1.1 Cabinet approved the City Council's revenue budget of £234.8m on the 20th February 2018 and a Directorate Capital Programme of £262.5m. This is the first quarterly monitoring report for 2018/19 to the end of June 2018. 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 2018/19 revenue forecast is an overspend of £2.0m. The reported forecast at the same point in 2017/18 was an overspend of £4.6m. Capital spend is projected to be £249.4m, an decrease of £13.1m on the original Capital Programme.

2. **Options considered and recommended proposal**

2.1 **Revenue Forecast -** The forecast revenue overspend of £2m is analysed by service area below.

Table 1 - Forecast Variations

Service Area	**Revised Net Budget £m**	**Forecast Spend £m**	**Forecast Variation £m**
Public Health	0.1	0.0	(0.1)
Place Directorate Management	1.4	1.4	0.0
Education & Inclusion	13.1	13.4	0.3
Children & Young People	73.9	75.4	1.5
Adult Social Care	75.6	75.6	0.0
Customer Services & Transformation	6.0	8.8	2.8
People Directorate Management	1.5	1.5	0.0
City Centre & Major Projects	7.8	8.2	0.4
Transportation & Highways	4.2	4.3	0.1
Streetscene and Regulatory	26.5	27.4	0.9
Project Management & Property	(7.4)	(7.8)	(0.4)
Finance & Corporate Services	9.7	8.7	(1.0)
Contingency & Central Budgets	22.4	19.9	(2.5)
Total Spend	**234.8**	**236.8**	**2.0**

2.2 **Explanation of Major Revenue Variations**

A summary of the major forecast variances is provided below. Further details are shown in Appendix 1 tot the report.

The largest pressure relates to the estimated costs of supporting families and individuals in temporary and supported accommodation (£2.5m), this is as a result of a continued rise in homelessness cases, and cases where insufficient Housing Benefit subsidy can be claimed from the government; this is in addition to the £2.7m budget approved for 2018/19. A recent SMB decision has consolidated operational management of homelessness services under the Director for Transformation and Customer Services which means that this area will now reflect the financial pressures associated with the most volatile, demand-led budgets against which there are clearly pressures being recognised at a national level. Although the specific financial pressure will present in this service area, both its causes and the necessary solutions to it, manifest themselves in multiple different service areas across the Council. As more detailed work is undertaken to design a programme of remedial actions and activities, it will be vital to create a series of metrics and performance management arrangements to properly measure the requirements and impacts of actions across this broader range of services on a corporate basis.

There continue to be significant recruitment problems, and some of the budget holder pressure relates to agency staffing covering vacancies. There are currently in the region of 50 agency staff in the People Directorate with the majority covering children's social worker posts as well as others to support increased demand in Housing and Homelessness and within the All Age Disability team whilst pressures in a number of Place Directorate service total c£0.9m. Agency staffing ensures service continuity whilst either staffing reviews take place, or in some cases where there has been an inability to recruit. The pressures are part funded from salary budget underspends and there are plans in place to fill as many of these vacancies as possible in year, which if successful will reduce the centralised salary underspend, and the budgetholder overspend; estimates in relation to this have been included in the forecast.

People Directorate

In addition to the pressures described above, the People Directorate continues to face significant financial challenges in the 2018/19 financial year. Whilst the overall position is a forecast £4.5m overspend an underspend of £5.6m on centralised salaries masks a significant overspend of £10.1m on other areas.

Overall Looked After Children (LAC) placements is forecasting a balanced position. The LAC population has risen significantly over the last year, with average LAC numbers at 644 in 2017/18 compared with 665 so far for 2018/19. This pressure was anticipated and additional budgetary resource was identified through the budget setting process for 2018/19, in conjunction with Children's Transformation programme targets to deliver an overall lower unit cost within LAC placements; at quarter 1 the service is on track to meet these targets, but have continued pressure within Supported Accommodation placements for careleavers.

There is also a small continuing pressure within SEN transport of £0.3m which is a combination of an undelivered savings target, and increase in activity and price; a Strategic Transport group chaired at Director level continues to meet to review options for reducing expenditure in this area. Finally, within Adult Social Care there is significant pressure relating to increasing demand in Deprivation of Liberty safeguards (DOLs), with iBCF protecting social care resources being used to manage this.

Place Directorate

In addition to the pressures described above, there are a number of material variations forecast for the Directorate in 18/19. The largest underspend of £1m relates to financial benefit from recovery of Housing Benefit subsidy grant relating to recovered overpayments. This broadly offsets to a number of pressures including a forecast £0.6m overspend in waste disposal which relate to a reduction in a recycling rebate from BIFFA of c£0.3m (after management action), and higher than expected increases in disposal tonnages as a result of the new collection arrangements of £0.3m. Also, following the decision to continue with the Godiva festival over a number of years, there is still insufficient budget for events. This together with the rising cost of securing music acts is resulting in an estimated pressure in excess of £0.25m

Contingency & Central

Underspends totalling £2.5m are anticipated relating to the Asset Management Revenue Account (£1.1m) and other corporate budgets including the Kickstart financial model, the sports contingency and the Council's WMCA contributions. The Council has received £1m of additional unbudgeted Adult Social Care Grant but is expecting £0.8m less resource to adjust for a Government error overstating the amount of 2018/19 compensation that it will receive for the Business Rates multiplier being capped.

2.4 **Capital Programme**

The 2018/19 Budget Setting report (Cabinet 20th February 2018) approved a total Directorate Capital programme for 2018/19 of £262.5m. Table 2 below updates the budget to take account of a £5.7m increase in the programme from approved/technical changes and an overspend of £0.3m. £14.7m of expenditure has been brought forward from 2017/18 and £33.9m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2018/19 of £249.4m**.** Appendix 3 to the report provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2018/19. It shows 54% of the programme is funded by external grant monies, whilst 38% is funded from borrowing. The programme also includes funding from capital receipts of £14.1m. Overall the Capital Programme and associated resourcing reflects a forecast balanced position in 2018/19.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2018-19 MOVEMENT	Qtr 1 Reporting £m
February 2018 Approved Directorate Programme	**262.5**
Net rescheduling of expenditure from 2017/18 into 2018/19	14.7
Estimated Outturn Quarter 1	**277.2**
Approved / Technical Changes (see Appendix 2)	5.7
"Net" Overspending (see Appendix 5)	0.3
"Net" Rescheduling into future years (see Appendix 4)	(33.9)
Revised Estimated Outturn 2018-19	**249.4**

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	96.2
Grants and Contributions	134.0

Capital Receipts	14.1
Revenue Contributions	4.7
Leasing	0.4
Total Resources Available	**249.4**

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend and the level of resources available. These decisions will pay due regard to the need to earmark resources to fund future spending commitments. In recent years the Council has delayed prudential borrowing as a means of funding capital spend. However, £31m of Prudential Borrowing was incorporated within the 2017/18 resourcing position and it is important to be aware that significant amounts of borrowing have been approved to fund the 2018/19 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 2018/19**

Interest Rates

Current interest rate forecasts indicate that interest rates will go up by 0.25% to 0.75% imminently. However, the Monetary Policy Committee (MPC) has tended to have a bias towards tighter monetary policy meaning a rate rise in the near future is not certain, especially when considering that the MPC's primary target when deciding on interest rates is to keep inflation close to 2%. The latest inflation figures came in lower than expected at 2.3%.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2018/19 capital programme is £87.7m, taking into account borrowing set out in Section 2.4 above (total £96.2m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£8.5). Although the Council's recent Capital Programmes have incorporated prudential borrowing as part of the overall resourcing package, no long term borrowing has been undertaken for several years, due in part to the level of investment balances available to the authority. However, the anticipated future high level of capital spend combined with the new lower level of investment balances available mean that the Council will need to keep this under review over the next few years. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow.

During 2018/19 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 2018/19 to P3	Maximum 2018/19 to P3	As at the End of P3
5 year	1.87%	2.18%	1.99%
50 year	2.45%	2.73%	2.56%

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.

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 £20m short term borrowing at an average interest rate of 0.92%.

Short term investments were made at an average interest rate of 0.66%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 30th June 2017 **£m**	**As at 31st March 2018** **£m**	**As at 30th June 2018** **£m**
Banks and Building Societies	23.4	4.4	22.3
Money Market Funds	26.9	2.5	8.0
Local Authorities	0.0	0.0	21.5
Corporate Bonds	10.4	5.4	4.0
Registered Providers	8.0	8.0	5.0
Total	**68.7**	**20.3**	**60.8**

External Investments

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

As at 30th June 2018 the pooled funds were valued at £28.9m, spread across the following funds: Payden & Rygel, CCLA, Royal London Asset Management and Deutsche Bank.

Prudential Indicators and the Prudential Code

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

The indicators, together with the relevant figures as at 30th June 2018 are included in Appendix 6 tot the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2018/19. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June the value is -£30.4m (minus) compared to +£89.1m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June the value is £231.3m compared to £445.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Councils investment balance is at a fixed interest rate.

2.6 **Investment Framework**

Local authorities are increasingly looking to invest in commercial ventures in order to secure a financial return, including property schemes, share purchase and the provision on loans to external organisations and some decisions made by the Council recently have reflected these changes. Within this context, and in particular the risk associated with such investments, changes have been made to some aspects of the regulatory framework in which authorities invest, including: the Treasury Management Code; Prudential Code for Capital Finance and the statutory Guidance on Minimum Revenue Provision. However, the greatest change is through the revised government Statutory Guidance on Local Government Investments. In the main these changes relate to commercial investments outside the treasury area; in commercial property, shares and loans. The thrust of the changes is to extend to non-treasury investments some of the arrangements that apply to treasury investments, such as the production of a formal strategy, setting investment parameters, monitoring and reporting on risk, and strengthening the processes in respect of commercial investments funded by borrowing. The precise details of how these requirements will be addressed is currently being assessed at both a national and local level, and will be reported on in due course, as part 2018/19 in year monitoring and also 2019/20 budget setting.

3. **Results of consultation undertaken**

3.1 None

4. **Timetable for implementing this decision**

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

5. **Comments from the Director of Finance and Corporate Resources**

5.1 **Financial Implications**

Revenue

Following the challenging budgetary control position faced by the Council in 2017/18 and further Government grant cuts for 2018/19 the Council continues to face significant revenue pressures. The quarter 1 position reflects a forecast revenue overspend for the year of £2.0m compared with a projected overspend of £4.6m at the same point in 2017/18. Most service areas are being delivered within budget but there are key areas of pressure relating to the costs of homelessness and supported accommodation, children's staffing and Streetscene.

The demand for and costs of Homelessness and Children's Services is a problem common to a number of local authorities across the country and the Council recognised these issues when it approved further 2018/19 budgetary allocations in these areas in February 2018. Although options are currently being explored and implemented to deliver services within budget, the areas of overspend represent continued pressure on the 2018/19 revenue position and a risk to the medium term position. It remains imperative that actions continue to be taken to tackle the budgetary issues in these areas.

At this stage of the financial year the overall bottom line position is challenging but manageable, subject to appropriate attention being given to managing the issues referenced in this report. However, concerns over the financial resilience of local authorities across the country is further sharpening the focus on the need to address financial positions over the medium term. As senior management and members begin to work in earnest on plans for 2019/20 Budget Setting, the Council is conscious of the need to work both across areas that are reporting overspends currently and other areas, to identify strategies to move towards a balanced medium term position.

Capital

Capital forecasts continue to project very high levels of spend for the year at £249m compared with the initial budgeted position of £263m. However, only £11m of actual payments have been made by the end of June, the same as the equivalent point in 2017/18 in which final spend for the year was just over £100m. This suggests that a massive acceleration is needed in order to achieve the level of expenditure projected currently for the 2017/18 Programme.

As part of this picture, there are a number of initial project steps that have not been completed yet which will hamper progress on individual schemes until they are delivered. These include, but are not limited to, the completion of the Friargate JV deal, establishment of an anchor tenant for City Centre South, procurement in relation to the Battery Plant and the future of the former Woodlands School site. Unless progress is made on some of these areas in the near future, the collective positions outlined will make it very difficult to deliver the spend levels and project progress that is implied within the current forecast for 2018/19.

Members will be aware of the enormous challenge posed within the Council's plans, both within the Capital programme but extending to other areas, not least the UK City of Culture. Steps have been taken to increase the level of project planning and officer monitoring in these areas but it will be essential that realistic assessments are made of what is deliverable at each stage. The financial position provides some early indications that in-year delivery of a sizeable part of the Capital Programme could be at risk and Cabinet is alerted to the possibility of significant capital slippage later in the budgetary cycle.

5.2 **Legal implications**

None

6. **Other implications**

6.1 **How will this contribute to achievement of the Council's Plan?**

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 **How is risk being managed?**

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

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

In quarter 1 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend. Any use of one-off resources to balance the final position means that these resources would not be available to use fund future spending priorities.

6.4 Equalities / EIA

No impact

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

No impact

Report author(s):

Name and job title:
Paul Jennings
Finance Manager Corporate Finance

Directorate:
Resources

Tel and email contact:
Tel: 024 7683 3753
Email: paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Michael Rennie	Lead Accountant	Place	23/7/18	26/7/18
Paul Hammond	Accountant	Place	23/7/18	26/7/18
Helen Williamson	Lead Accountant	Place	23/7/18	26/7/18
Michelle Salmon	Governance Services Officer	Place	26//7/18	26/7/18
Names of approvers: (Officers and Members)				
Barry Hastie	Director of Finance and Corporate Services	Place	27/7/18	6/8/18
Carol Bradford	Lawyer, Legal Services	Place	26/7/18	27/7/18
Martin Yardley	Deputy Chief Executive (Place)	Place	06/8/18	06/8/18
Councillor J Mutton	Cabinet Member Strategic Finance and Resources	-	07/8/18	13/8/18

This report is published on the Council's website: www.coventry.gov.uk/cmis

Appendix 1

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position
Appendix 1 details directorates forecasted variances.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed "Budget Holder Forecasts" for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Directorate	**Revised Budget**	**Forecast Spend After Action/ Use of Reserves**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Net Forecast Variation**
	£m	**£m**	**£m**	**£m**	**£m**
Public Health	0.1	0.0	(0.2)	0.1	(0.1)
People Directorate Management	1.4	1.4	0.0	0.0	0.0
Education and Inclusion	13.1	13.4	(0.1)	0.4	0.3
Children and Young People's Services	73.9	75.3	(4.8)	6.3	1.5
Adult Social Care	75.6	75.6	(0.6)	(0.6)	0.0
Customer Services & Transformation	6.0	8.8	0.0	2.8	2.8
Total People Directorate	**170.1**	**174.5**	**(5.7)**	**10.2**	**4.5**
Place Directorate Management	1.5	1.5	0.0	0.0	0.0
City Centre & Major Projects Development	7.8	8.2	0.0	0.4	0.4
Transportation & Highways	4.2	4.3	(0.3)	0.4	0.1
Streetscene & Regulatory Services	26.5	27.4	(0.7)	1.6	0.9
Project Management and Property Services	(7.4)	(7.8)	(0.2)	(0.2)	(0.4)
Finance & Corporate Services	9.7	8.7	(0.2)	(0.8)	(1.0)
Total Place Directorate	**42.3**	**42.3**	**(1.4)**	**1.4**	**0.0**
Contingency & Central Budgets	22.4	19.9	0.0	(2.3)	(2.3)
Total Spend	**234.8**	**236.7**	**(7.1)**	**9.3**	**2.2**
Resourcing	**(234.8)**	**(235.0)**	**0.0**	**(0.2)**	**(0.2)**
Total	**0.0**	**1.7**	**(7.1)**	**9.1**	**2.0**

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 £4.8m of the underspend. This is partially offset by a non salary overspend as a result of agency staff in Childrens Social Care. It is expected that vacancy levels and agency costs will reduce in year, which will reduce the centralised salary underspend, and the budgetholder overspend; estimates in relation to this have been included in the budgetholder forecast to ensure the total position is not understated at quarter 1.	(5.7)
Place Directorate	A number of vacancies exist due to a combination of the inability to recruit to some posts and the holding of recruitment whilst reviews take place. Most reviews are now being implemented which will reduce this variation, and managers are working to recruit to the key posts where recruitment difficulties have been encountered	(1.4)
Total Non-Controllable Variances		**(7.1)**

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	Other Variances Less that 100K		0.1
Public Health			**0.1**
Education and Inclusion	Education Improvement & Standards	This underspend relates to historic pension liabilities. Other than inflationery increase, there are no new commitments to be incurred against this area,	(0.2)
Education and Inclusion	Libraries, Advice, Health & Information Services	The position includes an overspend as a result of non-delivery of outstanding Connecting Communities Library Savings. Further work continues on identifying in year savings to mitigate this. This is offset by an underspend on Migration which will contribute towards the council's net position, and temporarily offset any undelivered savings in 2018/19.	(0.2)
Education and Inclusion	SEND & Specialist Services	SEN Transport is forecasting a £0.3M overspend. This is based on current activity levels and the current cost of provision. Demand will be re-based in September and the release of the e-auction contracts will impact on the forecast. Educational Psychologists is forecasting a £0.2M overspend. The EP service offers both a statutory and traded service. At this point as a consequence of recruitment challenges, the traded element has been re-prioritised towards the delivery of the Council’s statutory responsibilities. The budget is in balance when the centralised salary budget is offset. The service has been successful in recruiting additional capacity from September, and this is included in the forecast.	0.5

Education and Inclusion	Adult Education	To date it has only been possible to deliver £10k of a £200k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes	0.2
Education and Inclusion	Education Entitlement	Governor Services are forecasting a £0.1M overspend due to loss of income from schools moving to other providers. This overspend has not increased as staffing has reduced and 5 new schools have come on board. However, there is a gap in terms of the loss of 12 schools. This is being monitored and other income streams such as training and audits are now being offered. It is too early to say if this will have enough impact to bring this in line for the end of quarter 4.	0.1
Education and Inclusion	Other Variances Less that 100K		
Education and Inclusion			**0.4**
Children and Young People's Services	Children's Services Management Team	The service has delivered savings as a result of service changes (e.g. Youth Offending Service review). These contribute towards the delivery of the Children's Services Transformation programme, and offset against the overspend in other areas of the service.	(0.2)
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 posts that are currently being recruited to, to respond to concerns raised by OFSTED in relation to volume and quality of the work in the Safeguarding Service. Vacancies are being held across the service to fund the 4 posts, within the centralised salary forecast which offset the overspend.	0.2
Children and Young People's Services	Help & Protection	The overspend largely relates to the costs of Agency staff covering posts across the service. This is partly offset by underspends across salary budgets, and includes the trajectory of a reduction in agency posts from September to align with an additional intake of newly qualified social workers. There is also a small overspend forecast as a result of supporting families with no recourse to public funds.	3.5
Children and Young People's Services	LAC & Care Leavers	This overspend partly also relates to the costs of Agency staff as above. There is also an overspend predicted on supported accommodation of £0.8M which as a result of a higher number of former LAC in supported accommodation than budgeted for. Work is underway as part of Children's Transformation to reduce this. Permanence allowance are forecasting a pressure of £0.3M. There is also a forecast pressure on the unaccompanied asylum seeker budget of £0.3M - this relates to costs of former LAC who continue to receive support, where there is not grant funding to cover costs. LAC Placements overall is forecasting a £0.6M overspend on the budgetholder forecast, but this offsets to a corresponding underspend on the centralised forecast, which means it is forecasting a balanced budget overall at quarter 1. This includes the Children's Transformation trajectory of increases in internal fostering and residential placements, alongside corresponding decreases in external fostering and residential placements.	2.7
Children and Young People's Services	Other Variances Less that 100K		0.1

Children and Young People's Services			**6.3**
Adult Social Care	Adult Social Care Director	Use of iBCF Protecting Social Care resources to manage Adult Social Care pressures	(0.4)
Adult Social Care	Older People Community Purchasing	Underlying budget pressures have reduced this year in part due to increased investment from Better Care Fund to cover cost pressures resulting from external influences such as sleep in rates, although pressures on budgets are still high. These mainly arise from social care market costs rather than increased demand. Management actions continue to ensure demand on social care is managed in the most cost effective way to reduce overall costs. Focused efforts to manage approved packages through the panel process have ensured packages of care are robustly scrutinised before being approved. Increasing our capacity for Promoting Independance approaches will further support management of financial pressures.	(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 (total £340k overspend). The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs (total £238k overspend) which is expected to reduce as substantive posts are appointed to.	0.6
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. 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. Progammes in place to review some of the higher cost services and develop our approach to Promoting Independance which will further support the financial position.	0.4
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies .	0.3
Adult Social Care	Older People Operational	Overall underspend with budget holder overspend pending recruitment to posts later in the year.	0.1
Adult Social Care			**0.6**
Customer Services & Transformation	Customer and Business Services	The Budget Holder Variance mainly comprises a £2.5M pressure in relation to the cost of supported accommodation and temporary accommodation for homeless families and individuals. There is also a circa £220K overspend in support of the Housing and Homelessness agenda (particularly the introduction of the Homelessness Reduction Act) - a combination of furniture storage costs and agency staffing. A revised staffing structure has been agreed - agency staff will continue to be needed during imlementation. Other overspends across the service are offset by early achievement of the Business Services savings target.	2.7
Customer Services & Transformation	Other Variances Less that 100K		0.1
Customer Services & Transformation			**2.8**
Total Non-Controllable			**10.2**

Variances - People			

Place Directorate	Place		
Service Area	**Reporting Area**	**Explanation**	**£M**
City Centre & Major Projects Development			**0.4**
Transportation & Highways	Traffic	Anticipated expenditure on agency cover within Urban Traffic Control (offset by salary underspend) and pressures due to unrecoverable road traffic accident damages to assets, together with pressures on car park expenditure budgets offset by additional enforcement income overall for the service.	0.3
Transportation & Highways	Other Variances Less that 100K		0.1
Transportation & Highways			**0.4**
Streetscene & Regulatory Services	Planning & Regulatory Services	Building Control vacancies causing an £87k underspend, together with additional Planning Enforcement income of £50k is being forecast	(0.1)
Streetscene & Regulatory Services	Streetpride & Parks	A number of vacancies are being covered by Agency staff, which together with a pressure relating to an under recovery of income from the car park at Coombe, are causing this forecast variation	0.8
Streetscene & Regulatory Services	Other Variances Less that 100K		
Streetscene & Regulatory Services			**1.6**
Project Management and Property Services	Other Variances Less that 100K		
Project Management and Property Services			**(0.2)**
Finance & Corporate Services	Revenues and Benefits	Financial benefit from recovery of Housing benefit subsidy grant relating to recovered overpayments. Partly offset by use of temporary resource to cover vacancies and fluctuating workloads (£250k)	(0.7)
Finance & Corporate Services	Financial Mgt	The majority of the underspend relates to the full year impact of a staffing restructure delivered in 2017/18. Further savings have been delivered following a review of non-staffing expenditure across the cost centre.	(0.2)
Finance & Corporate Services	Legal Services	Relates primarily to the cost of external barrister expenditure for advocacy work, together with the cost of agency cover for vacant posts & maternity cover	0.1
Finance & Corporate Services	Insurance	Income pressure due to the net effect of the loss of 10 school customers	0.1
Finance & Corporate Services	Other Variances Less that 100K		(0.1)
Finance & Corporate Services			**(0.8)**
Total Non-Controllable Variances - Place			**1.4**

Contingency & Central Budgets			
Service Area	**Reporting Area**	**Explanation**	**£M**
Contingency & Central Budgets	Contingency & Central Budgets	An underspend of £1.1m is forecast for the Asset Management Revenue Account as a result of higher than anticipated investment income (£0.5m) and lower than budgeted Minimum Revenue Provision (capital financing) charges (£0.6m) following lower than expected borrowing in 2017/18. Other underspends totalling £1m are anticipated from an overachievement on the Kickstart financial model, savings within sports contingency budgets and a lower than budgeted contribution to the WMCA. In addition the Council has received £1m of additional unbudgeted Adult Social Care Grant. Set against this the Council will receive £0.8m less resources than it had budgeted for following Coventry (and a large number of other councils) being informed of a Government error that led to an overstatement of the amount of 2018/19 compensation that it will receive for the Business Rates multiplier being capped. The Government is insisting that the adjusted amount will apply in 2018/19 and this is resulting in a financial detriment to Councils.	**(2.3)**
Total Non-Controllable Variances - Contingency & Central Budgets			**(2.3)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	When the budgets were set for 18/19, the anticipated Basic Need Grant was £7.3m. The actual allocation is £7m so the programme has been adjusted accordingly.	-0.3
SEND	New Grant confirmed by DFE for 18/19 programme	0.8
Healthy Pupils Funding	New Grant confirmed by DFE for 18/19 Programme	0.2
Early Years 30hr Places	The funding was received in 17/18, but due to the short timescale to deliver the schemes a report was sent to DFE asking for an extension, the schemes are now in the process of starting	0.6
SUB TOTAL - People		**1.3**
PLACE DIRECTORATE		
Highways Investment	The 2017/18 Winter period saw prolonged spells of cold weather conditions not experienced for several years, followed by a period of exceptionally wet weather in March. This in turn had an adverse effect on the road network, significantly increasing the number of localised defects which required repair, in order to keep the Highway in a safe condition and meet the Councils Statutory requirements.The increase in defects has led to a backlog in both numbers of defects and an impact on repair response times. This potentially increases the risk of claims for both vehicle damage repair costs, and more significantly, for personal injury claims against the Council. Given the critical nature of this service, the Cabinet Member for City Services requested that extra resource be engaged and targeted to reduce both the number of aged defects and improve repair response time. Extra resource have been in place from April 2018 and it is anticipated that this will continue until end of September 2018. Costs currently sit with revenue, so in order to minimise and manage down the impact on revenue, a virement of 360k has been made from the grant funded capital maintenance area. This pressure will be managed through value engineering opportunities and possible curtailment of delivery of part of the capital programme. Any curtailment and non-delivery of schemes will be deferred and delivered via the 2019/20 programme. There is also further opportunity to reduce the impact on Capital currently forecast, by way of fees generated from third party works which are delivered by the Highways Operations team.	-0.4
Air Quality	The City Council has been successful in obtaining funding to help reduce NO2 levels, this includes £2.021m Early Measures and £1.5m Clean Bus Technology funding as reported in the Coventry Local Air Quality Action plan that went to cabinet on 17th July 2018.	2.9

OLEV Taxi Infrastructure	As per the ULEV Taxi Infrastructure Scheme report that went to Cabinet on 13th february 2018, this represents the estimated spending this financial year of the total £2m funding.	1.0
ESIF - Low Carbon	De-commissioned some of the Capital grant, therefore the total budget has been reduced from the original profile/budget	-0.4
ESIF - Innovation	On the Innovation programme, the existing capital forecasts are based on a Change Request that was approved by MHCLG in January 2018 and entailed the reduction of the overall capital grants fund and proportional increase in the revenue grants fund. The capital grants fund will be claimed in full by the end of Q3 2018/2019.	0.6
Wheler Road	As approved at Cabinet on 12th June 2018, this addition is for the acquistion of Wheler Road Seven Stars Industrial Estate	0.9
Children's Residential Care Provision/refurb/	At Cabinet in March 2017, it was agreed to sell The Grange and use the proceeds towards the cost of purchase and refurbishment. The increase in programme represents the forecast costs for the final purchse and refurbishment of the 3 new sites.	0.7
National Battery Manufacturing Development Facility - Faraday Challenge	Technical adjustmnet to updated programme for the reduction in grant awarded from the orginal bid	-0.9
SUB TOTAL - Place		4.4
TOTAL APPROVED / TECHNICAL CHANGES		**5.7**

Appendix 3

Capital Programme: Estimated Outturn 2018/19

The table below presents the revised estimated outturn for 2018/19.

DIRECTORATE	ESTIMATED OUTTURN BUDGET SETTING £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 17-18 £m
PEOPLE	27.4	1.6	0.0	(0.7)	28.4
PLACE	249.8	4.0	0.3	(33.2)	220.6
TOTAL	**277.2**	**5.7**	**0.3**	**(33.9)**	**249.4**

Appendix 4

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Planned Condition	Final Condition Maintenance Programme submitted by Schools was £100k over original forecast. We have excelerated spend to reflect this from the 19/20 contingency funds	0.1
Dol-y-Moch	In March 2016 Cabinet approved £500,000 prudential Borrowing for the investment in expansion of works at Plas Doly Moch for completion 2017/18. Costing of these works and additional funds are still being sought, and unlikely that progress will be made this financial year	-0.6
Suitability /Access	The budget was set each year at £250,000, in 2017/18 the project only spent £20,000 and the remaining budget was excelerated into 18/19. Projects submitted for 18/19 have been submitted for approx £100,000 so the budget has been amended accordingly.	-0.2
SUB TOTAL - People Directorate		**-0.7**
PLACE DIRECTORATE		
UK Central & Connectivity - Coventry South Package - A46 Link Road	The scheme construction for A46 Link Road Phase 1 has been delayed to commence early 2019, this is due to confirmation of funding, completion of statutory process that include submission of Full Business Case to DfT. Also due to prioritisation of resources focusing on phase 1, this has had an impact on development work for Phase 2 falling behind than originally programmed. Phase 3 work has now been deferred until 2019. These combing factor have resulted in £13m rescheduling. Highways England has secured funding from RIS1 for the Binley scheme, hence this funding has not been required - potential reallocation to other projects is being investigated with the WMCA. Tile Hill Station Car Park expansion is a TfWM led project, planning submission has taken longer to prepare than planned, with scheme delivery planned for 2019-20, resulting in £3m rescheduling.	-18.1
UK Central & Connectivity - City Centre First - City Centre Place Plus	Due to project management resources not being in place the commissioning of the feasibility study has been delayed and is only currently commencing.	-1.8
UK Central & Connectivity - Very Light Rapid Transit - Coventry Shuttle	The contract for Vehicle development was awarded to TDI in March 2018. However, Intellectual Property Rights proved difficult to agree and therefore the contract was signed in June 2018 once an agreement between all parties was reached. Consequently, this delayed the start of the R&D phase of vehicle development, which is now due to commence in early July 2018. In addition, the route design work has not commenced yet due to a slippage in the conclusion of the BCR work. This is expected to be complete in July 2018 and outline design of the first route will commence in Q3. This means that the Q1 forecast of £475k spend has not been achieved. As there has been no activity in terms of vehicle development or route design, only £88k expenditure is anticipated this quarter. The project has been reprofiled to reflect the delay to programme.	-2.0

City Centre Regeneration	The increased forecast at q1 is due to an anticipated acceleration of the demolition of Coventry point following the Council's early acquisition of Aviva's interests in the city centre	0.2
Transportation S106 Schemes	All section 106 schemes have been reviewed along with resources required to deliver the programme and a new delivery profile has agreed to ensure we deliver the schemes within the S106 conditions and timescales.	-0.3
Public Realm Phase	The slippage on the spend and works for the PR5 scheme is mainly due to the delays associated with the requirement to undertake a List Building Consent application along with formalising the scope and extent of works. Working closely with Shearer Property Group the proposals have been refined to suit the forthcoming application and provide assurances to the planning dept. Furthermore following additional investigation it has been established that additional drainage design has been required.	-3.2
Growing Places	These Business Grant programms have come to end, with the businesses not expending all the forecast spend resulting in some unallocated funding. These unallocated funds have been reassigned to new projects by the CWLEP, to be spent in future Financial years	-0.2
Coventry Station Masterplan	The overall project is slipping by 3 months due to delays in the completion of contact award for the footbridge and canopy.	0.7
Vehicle & Plant Replacement	Due to the age, condition, and operational requirements, the purchase of a number of refuse vehicles has been moved forward into the current financial year. This expenditure has been partly offset by a re-evaluation of a number of other vehicles including minibuses, and mowers, and as a result of this, their purchase has been re-scheduled for future years.	0.4
Alan Higgs Centre - 50m Swimming Pool	The £1.9m rescheduling on the Alan Higgs project is due to a 5 month delay in the commencement of construction that was originally intended to commence in December 2017, to allow continued usage of the existing indoor football barn	-1.9
Multi Storey Car Parks	With the movement of the site commencement date by 3 month the anticipated cashflow for the main contract works will now further overlap the financial years 18/19 & 19/20	-0.6
Housing Venture	Whitefriars have been slow progressing matters as a number of key personal have left which has delayed development.	-0.4
Miscelleaneous	Schemes with slippage under £100k	-0.2
Whitley South Infrastructure	As reported at the end of 17/18 the project start was delayed due to detailed tender requirements, majority of the reschuduling will not be required until next financial year, this change bring the programme inline with predicted cashflows.	-4.4

SUB TOTAL - Place Directorate		**-33.2**
TOTAL RESCHEDULING		**-33.9**

Appendix 5

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Challenge Fund - Swanswell Viaduct	The current forecast outturn position for the Swanswell Viaduct programme is £6,997k. This is an increase of £347k since the last report. Further to the reasons outlined within the last report additional costs have been incurred due to:- • Target price increase of £230k as a result of site conditions such as severe weather in March (£83k) and discrepancies in surveys resulting in delays and re-work. • The Contractors construction contract costs have increased £770k, although the city council's exposure is not the full amount due to the pain/gain mechanism in the contract. It should be noted that even with above changes the construction only costs (£5.3m) is still below independent valuations (£5.7m) for the scheme presenting value to the city council. The additional overspend, over and above that reported previously, will require further resourcing from Highways Investment over the next 2 years.	0.3
SUB TOTAL - Place Directorate		**0.3**
TOTAL Overspend		**0.3**

Appendix 6

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2018
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).	13.83%	13.36%
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 £551.9m	£357.3m 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.	£513.2m	£357.3m 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.	£493.2m	£357.3m 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.	£445.4m	£231.3m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£89.1m	-£30.4m
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 13% 3% 13% 8% 63%
Investments Longer than 364 Days (Indicator 12), highlighting the risk that the authority faces from having investments tied up for this duration.	£18m	£0.0m