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Cabinet  
Audit and Procurement Committee

27<sup>th</sup> November 2018  
21<sup>st</sup> January 2019

**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 Second Quarter Financial Monitoring Report (to September 2018)

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**Is this a key decision?**

No

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**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 September 2018.

The headline revenue forecast for 2018/19 is an over spend of £0.5m. At the same point in 2017/18 there was a projected overspend of £3.1m.

This position continues to reflect overspends in several service areas that have been subject to recent budgetary pressure. Although the overall overspend position is relatively modest, the service and financial pressures in several areas continue to demand management attention. This is most pressing and significant in relation to challenges in housing & homelessness services. Notwithstanding a range of plans coming forward, it is now clear that these circumstances will be in place for some time and this is reflected in the financial proposals within the 2019/20 Pre-Budget Report also being considered by Cabinet on 27<sup>th</sup> November.

The Council's capital spending is projected to be £222m for the year, a net decrease of £40m on the programme planned at the start of the year. At quarter 1 Cabinet was alerted to the possibility of significant capital slippage later in the budgetary cycle and this risk is one that continues to be of relevance.

**Recommendations:**

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 2.
2. Approve the revised capital estimated outturn position for the year of £222.4m incorporating: £3.1m net reduction in spending relating to approved/technical changes and £23.9m 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	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, 21<sup>st</sup> January 2019

**Will this report go to Council?**

No

**Report Title:**

2018/19 Second Quarter Financial Monitoring Report (to September 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 second quarterly monitoring report for 2018/19 to the end of September 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 £0.5m a decrease of £1.5m on the Quarter 1 position of £2.0m. The reported forecast at the same point in 2018/19 was an overspend of £3.1m. Capital spend is projected to be £222.3m, a decrease of £27m on the quarter 1 position.

**2. Options considered and recommended proposal**

- 2.1 **Revenue Forecast** - The forecast revenue overspend of £0.5m is analysed by service area below.

**Table 1 - Forecast Variations**

<b>Service Area</b>	<b>Revised Net Budget £m</b>	<b>Forecast Spend £m</b>	<b>Forecast Variation £m</b>
Public Health	0.1	(0.5)	(0.6)
People Directorate Management	1.4	1.5	0.1
Education & Inclusion	13.1	13.1	0.0
Children & Young People	73.9	74.9	1.0
Adult Social Care	75.7	75.7	0.0
Customer Services & Transformation	6.0	8.4	2.4
Place Directorate Management	1.6	1.6	0.0
City Centre & Major Projects	7.6	8.3	0.7
Transportation & Highways	4.1	4.0	(0.1)
Streetscene and Regulatory	26.6	28.3	1.7
Project Management & Property	(7.5)	(7.6)	(0.1)
Finance & Corporate Services	9.7	9.6	(0.1)
Contingency & Central Budgets	22.5	18.0	(4.5)
<b>Total Spend</b>	<b>234.8</b>	<b>235.3</b>	<b>0.5</b>

**2.2 Explanation of Major Revenue Variations**

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

The largest pressure relates to the estimated costs of supporting families and individuals in temporary and supported accommodation (£2.4m), 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 over and above the £2.7m additional budget approved for 2018/19. The operational management of homelessness services is reported under the Director for Transformation and Customer Services which means that this area reflects 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 pressures are present in this service area, both its causes and the necessary solutions to it, manifest themselves in multiple different service areas across the Council. Detailed work is being undertaken, now informed in part by the feedback from the Council's recent Peer Review, to design a programme of remedial actions and activities, This activity includes the identification 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.

As reported at Quarter 1, continuing recruitment problems are creating budget pressure relating to agency staffing covering vacancies. The majority of agency is currently within Children's Services where in the region of 54 posts are currently covered. The forecast includes an estimate for an improvement in the balance between agency workers and employed staff later in the year. Pressures in a number of Place Directorate services relate to the employment of agency staff totalling c£1m. This is either as a result of the need to ensure service continuity whilst reviews take place, where there has been an inability to recruit, or in some cases to address high levels of workload. However, these costs are largely offset by salary budget underspends of £0.8m.

### **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 of a forecast £2.9m overspend is an improvement on the quarter 1 position, the underspend of £5.6m on centralised salaries masks pressures of £8.5m on other areas.

The Looked After Children (LAC) population has risen significantly over the last year, with average LAC numbers at 644 in 2017/18 compared with 682 so far for 2018/19. This pressure had been anticipated and budget resource was added as part of the budget setting process for 2018/19 as well as a transformation programme target to deliver a lower unit cost within LAC placements. Whilst on track to deliver the necessary changes, there are continued pressures within supported accommodation placements for care leavers.

Alongside this, continuing pressures within SEN transport of £0.3m are balanced out by other underspends across the service. Finally, whilst Adult Social Care is showing a balanced position, there is increasing pressure surrounding packages of care alongside increasing demand in Deprivation of Liberty safeguards (DOLs) which are managed in year using iBCF protecting social care resources.

### **Place Directorate**

There are a number of material variations forecast for the Directorate in 2018/19. The most significant is a forecast £0.5m waste disposal pressure relating to a reduction in a recycling rebate from BIFFA together with higher than expected increases in disposal tonnages. Also, following the decision to continue with the Godiva Festival annually, the increasing size of the event and the increasing cost of staging it, there is a pressure on the events budget of £0.46m in 2018/19. Additionally, some service areas are not fully achieving budgeted income levels, Commercial Waste £0.25m, CCTV £0.1m, St Marys Guildhall

£0.1m, parking enforcement £0.2m and Coombe Country Park £0.16m, however these are offset by higher planning and bus lane enforcement income.

### **Contingency and Central**

Underspends totalling £4.5m are anticipated relating to the Asset Management Revenue Account (£2.1m) and other corporate budgets including the Kickstart financial model, the sports contingency, the Council's WMCA contributions and surpluses expected from the Coventry and Warwickshire Business Rates Pool. An unbudgeted £1m of Adult Social Care Grant has been received although the Council will also have £0.8m less resource relating to the amount of 2018/19 compensation that it will receive for the Business Rates multiplier being capped.

## **2.3 Capital Programme**

The 2018/19 capital outturn position for quarter one reported a revised outturn position of £249.4m compared with the original programme reported to Cabinet in February 2018 of £262.5m. Table 2 below updates the budget at quarter 2 to take account of a £3.1m decrease in the programme from approved/technical changes and £23.9m it is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2018/19 of £222.4m. Appendix 3 provides an analysis by directorate of the movement since quarter one.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2018/19. It shows 55% of the programme is funded by external grant monies, whilst 40% is funded from borrowing. The programme also includes funding from capital receipts of £6.1m. 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 2 Reporting £m
Estimated Outturn Quarter 1	249.4
Approved / Technical Changes (see Appendix 2)	(3.1)
"Net" Rescheduling into future years (see Appendix 4)	(23.9)
<b>Revised Estimated Outturn 2018-19</b>	<b>222.4</b>

  

RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	88.3
Grants and Contributions	122.5
Capital Receipts	6.1
Revenue Contributions	5.0
Leasing	0.3
<b>Total Resources Available</b>	<b>222.4</b>

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.

## 2.4 Treasury Management Activity in 2018/19

### Interest Rates

The current Bank of England Base Rate was increased by 0.25% to 0.75% in August. Central case interest rate forecasts indicate that there will be two further interest rates rises of 0.25% in 2019 with the first one potentially coming in March, meaning interest rates could be 1.25% by the end of 2019. However, the Monetary Policy Committee have shown a bias towards tighter monetary policy (lower interest rates) so there is no guarantee that this will happen. The current Brexit negotiations will have an impact on interest rates also.

### Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2018/19 Capital Programme is £79.8m, taking into account borrowing set out in Section 2.4 above (total £88.3m), 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:

<b>PWLB Loan Duration (maturity loan)</b>	<b>Minimum 2018/19 to P6</b>	<b>Maximum 2018/19 to P6</b>	<b>As at the End of P6</b>
5 year	1.87%	2.19%	2.13%
50 year	2.45%	2.84%	2.76%

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 £10m short term borrowing at an average interest rate of 1%.

Returns provided by the Council's short term investments yield an average interest rate of 0.69%. 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: -

	<b>As at 30th September 2017</b>	<b>As at 30<sup>th</sup> June 2018</b>	<b>As at 30th September 2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Banks and Building Societies	24.4	22.3	13.0
Money Market Funds	9.9	8.0	12.0
Local Authorities	0.0	21.5	6.0
Corporate Bonds	11.4	4.0	5.0
Registered Providers	8.0	5.0	6.0
<b>Total</b>	<b>53.7</b>	<b>60.8</b>	<b>42.0</b>

### **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, Call Account Deposits and Equities. These pooled funds are designed to be held for longer durations, allowing any short term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 30th September 2018 the pooled funds were valued at £38.9m, spread across the following funds: Payden & Rygel, CCLA, Royal London Asset Management, Deutsche Bank, Schrodgers, Investec, Columbia Threadneedle and M&G Investments

### **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 30<sup>th</sup> September 2018 are included in Appendix 6. 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 30<sup>th</sup> September the value is -£73.2m (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 30<sup>th</sup> September the value is £225.7m 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.

## **2.5 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**

None.

### **4. Timetable for implementing this decision**

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

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

#### **5.1 Financial Implications**

##### **Revenue**

In overall terms, this report indicates that the Council is managing its difficult financial position relatively successfully. The £0.5m projected revenue overspend has reduced from quarter 1 and is lower than the same reporting period in 2017/18. There continues to be a good expectation of reaching a balanced position by year-end. However, this should not deflect from some pockets of less encouraging financial performance.

Previous reports have brought to the attention of Cabinet and Council, the significant additional costs within homelessness and supported accommodation and the need for the Council to better align its services in this area. The recent Peer Review has provided a range of conclusions and recommendations in this area which officers are currently considering alongside a range of actions that were already in process. The speed and success with which these are implemented will dictate how quickly and robustly the Council is able to re-establish a sustainable budgetary position going forward. The Council's revised draft Housing and Homelessness Strategy was considered by Cabinet on 30<sup>th</sup> October and

it is anticipated that Cabinet will be presented with further reports designed to tackle housing and homelessness related issues over the coming months. In the meantime, this has been reflected as an area of significant budget pressure in the 2019/20 Pre-Budget Report.

At this stage of the financial year the overall bottom line position is a manageable one, 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 medium term financial issues. 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 identify and initiate a range of actions and strategies in order to move towards a balanced medium term position. These include but are not restricted to:

- Achieving existing savings targets.
- Aligning activity to budget in services that are currently reporting an over-spend.
- Identifying savings proposals or additional income earning opportunities within forthcoming Budget proposals.
- Identifying other medium-term proposals for achieving savings which require a longer lead-in time and/or specific public consultation.
- Identifying wider transformational proposals which will seek to provide budget balancing opportunities for the period towards the end of the current three year horizon and beyond.

CIPFA (the Chartered Institute of Public Finance and Accountancy) has consulted on the introduction of a financial resilience index in recent months. The stated intention of the index is to provide an assessment of the relative financial health of councils. Although the results of index are not yet known, it is possible that the Council will appear to be comparatively less resilient than others on the basis of some measures such as reserve levels and its proportionate spend levels on social care and debt interest payments. If and when the index is available, the Council will want to provide a reasonable and evidence-based response. However, it is clear that continued strong performance in setting robust budgets and delivering strong performance against these budgets is one of the best measures of the Council's continued robust financial resilience

## **Capital**

Capital forecasts continue to project very high levels of spend for the year at £222m compared with the initial budgeted position of £263m. However, only £34m of actual payments have been made by the end of September, 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 2018/19 Programme.

As reported at quarter 1, the key components of some individual schemes need to be completed in order for significant elements of the Capital Programme to be delivered. 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 indication that in-year delivery of a

sizeable part of the Capital Programme could be at risk and this report continues to alert Cabinet to the likelihood 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 2 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend. Any use of one-off resources to balance the final position means that these resources would not be available to use fund future spending priorities.

**6.4 Equalities / EIA**

No impact.

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

No impact

**6.6 Implications for partner organisations?**

No impact.

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## **Appendix 1 Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position**

Appendix 1 details directorates forecasted variances.

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

<b>Directorate</b>	<b>Revised Budget</b>	<b>Forecast Spend After Action/ Use of Reserves</b>	<b>Centralised Forecast Variance</b>	<b>Budget Holder Forecast Variance</b>	<b>Net Forecast Variation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Public Health	0.1	(0.6)	0.0	(0.5)	(0.5)
People Directorate Management	1.4	1.5	0.1	0.0	0.1
Education and Inclusion	13.1	13.1	(0.1)	0.1	0.0
Children and Young People's Services	73.9	74.9	(4.6)	5.6	1.0
Adult Social Care	75.7	75.7	(0.7)	0.7	0.0
Customer Services & Transformation	6.0	8.4	(0.3)	2.7	2.4
<b>Total People Directorate</b>	<b>170.2</b>	<b>174.2</b>	<b>(5.6)</b>	<b>8.6</b>	<b>3.0</b>
Place Directorate Management	1.6	1.6	0.0	0.0	0.0
City Centre & Major Projects Development	7.6	8.2	0.0	0.6	0.6
Transportation & Highways	4.1	4.0	(0.2)	0.1	(0.1)
Streetscene & Regulatory Services	26.6	28.3	(0.3)	2.0	1.7
Project Management and Property Services	(7.5)	(7.6)	(0.1)	0.0	(0.1)
Finance & Corporate Services	9.7	9.6	(0.2)	0.1	(0.1)
<b>Total Place Directorate</b>	<b>42.1</b>	<b>44.1</b>	<b>(0.8)</b>	<b>2.8</b>	<b>2.0</b>
Contingency & Central Budgets	22.5	18.2	0.0	(4.3)	(4.3)
<b>Total Spend</b>	<b>234.8</b>	<b>235.5</b>	<b>(6.4)</b>	<b>7.1</b>	<b>0.7</b>
<b>Resourcing</b>	<b>(234.8)</b>	<b>(235.0)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(0.2)</b>
<b>Total</b>	<b>0.0</b>	<b>0.5</b>	<b>(6.4)</b>	<b>6.9</b>	<b>0.5</b>

Reporting Area	Explanation	£m
People Directorate	The Directorate underspend against its salary budgets and turnover target is mainly due to continuing high levels of vacancies in Childrens Social Care which accounts for the majority of the £5.6m 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.	(5.6)
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	(0.8)
<b>Total Non-Controllable Variances</b>		<b>(6.4)</b>

People Directorate			
Service Area	Reporting Area	Explanation	£M
Public Health	Public Health Staffing & Overheads	The underspend relates to the early delivery of the future years grant saving	(0.1)
Public Health	CPH Disparities	Underspend linked to one off reduction in expected in year contract costs	(0.3)
Public Health	Other Variances Less that 100K		(0.1)
<b>Public Health</b>			<b>(0.5)</b>
Education and Inclusion	Education Improvement & Standards	This underspend relates to historic pension liabilities, and redundancy budget for maintained schools. We are not expecting any further 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.	(0.4)
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 has re-based in September and the release of the e-auction contracts, the impact on the forecast is not yet calculated, and will be updated for qtr 3. Educational Psychologists is forecasting a £0.1m overspend. The EP service offers both a statutory and traded services. 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	0.4

		centralised salary budget is offset. The service has been successful in recruiting additional capacity from September, and this is included in the forecast.	
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. Work is underway to see if this will have enough impact to bring in line by the end of the financial year.	0.1
<b>Education and Inclusion</b>			<b>0.1</b>
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	Help & Protection	The overspend largely relates to the costs of Agency staff covering posts across the service. This is more than 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.	2.8
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 £1.2m 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, but this area is bearing some of the pressure of additional LAC numbers. Permanence allowance are forecasting a pressure of £0.1m. There is also a forecast pressure on the unaccompanied asylum seeker budget of £0.2m - 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 £0.5m 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 2. This includes the Children's Transformation trajectory of increases in internal fostering and residential placements, alongside corresponding decreases in external fostering and residential placements.	2.9
Children and Young People's Services	Other Variances Less than 100K		0.1
<b>Children and Young People's Services</b>			<b>5.6</b>
Adult Social Care	Adult Social Care Director	Use of iBCF Protecting Social Care resources to manage Adult Social Care pressures	(1.0)

Adult Social Care	Older People Community Purchasing	Underlying budget pressures have increased this quarter in part due to increased residential and nursing placements. The underlying reasons for these increases are under investigation and trends are being monitored. In addition a contributing factor to increased cost pressure is associated with social care market costs. 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 continue. Utilising Promoting Independence approaches will further support management of financial pressures. A review of internal processes and procedures is being undertaken to support management maintain effective monitoring of costs and pressures.	0.2
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in DOLs demand leading to additional assessment costs. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs which is expected to reduce as substantive posts are appointed to.	0.5
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 scrutinised at panel meetings with social workers required to explain their panel submission before approval is gained. Programmes in place to review some of the higher cost services and develop our approach to Promoting Independence which will further support the financial position. A review of internal processes and procedures is being undertaken to support management maintain effective monitoring of costs and pressures.	0.5
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies	0.2
Adult Social Care	Older People Operational	Overall underspend with budget holder overspend pending recruitment to posts later in the year.	0.3
<b>Adult Social Care</b>			<b>0.7</b>
Customer Services & Transformation	Customer and Business Services	The majority of the overspend relates to the costs of temporary accommodation net of housing benefit subsidy for homeless families and individuals. £218k relates to Housing and Homelessness services linked to the introduction of the Homelessness Reduction Act. The costs relate to a combination of furniture storage costs and agency staffing.	2.6
Customer Services & Transformation	HR and Workforce Development Management	The majority of the budget holder overspend relates to a reduction in expected income from traded services	0.2
Customer Services & Transformation	ICT & Digital	The majority of the underspend relates to a combination of a £279k underspend on software and infrastructure costs, £107k underspend relating to restructure costs which are offset by a £218k overspend on telephony costs	(0.2)
<b>Customer Services &amp; Transformation</b>			<b>2.7</b>

<b>Total Budget Holder Variances - People</b>			<b>8.6</b>
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<b>Place Directorate</b>	<b>Place</b>		
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	Godiva festival overspend of £460k and trading deficit for St. Mary's of £108k.	0.6
<b>City Centre &amp; Major Projects Development</b>			<b>0.6</b>
Transportation & Highways	Traffic	Additional enforcement income overall for the service offset by car park expenditure pressures, anticipated cost of agency cover within Urban Traffic Control, and the irrecoverable cost of road traffic accident damages to assets.	(0.1)
Transportation & Highways	Other Variances Less than 100K		0.2
<b>Transportation &amp; Highways</b>			<b>0.1</b>
Streetscene & Regulatory Services	Planning & Regulatory Services	Primarily fee income higher than expected on both Development Management and Planning Enforcement	(0.4)
Streetscene & Regulatory Services	Waste & Fleet Services	Waste disposal pressures account for the largest element of this overspend due to increased tonnages and gate fees, together with a reduction in the rebate from the MRF contract operator. In addition, pressures in commercial waste relating to under recovery of skip income, and cost pressures in domestic refuse relating to fuel usage and higher cost of covering sickness absence are contributing to the overall pressure.	1.3
Streetscene & Regulatory Services	Environmental Services	Under achievement of trading income within the CCTV service area is causing the largest element of this pressure, however agency and overtime staffing costs are also contributing	0.2
Streetscene & Regulatory Services	Streetpride & Parks	Primarily the use of agency staff covering vacancies which are currently being recruited to, and are funded by a salary underspend. However there is a £160k pressure on car parking income at Coombe and £90k on the Urban Forestry Maintenance Contract	0.9
<b>Streetscene &amp; Regulatory Services</b>			<b>2.0</b>
Project Management and Property Services	Facilities & Property Services	Income above target for project support on small building projects and compliance work.	(0.1)
Project Management and Property Services	Other Variances Less than 100K		<b>0.1</b>
<b>Project Management and Property Services</b>			<b>(0.0)</b>
Finance & Corporate Services	Revenues and Benefits	Primarily the use of temporary resource to cover vacancies and fluctuating workloads	0.1

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	0.2
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 than 100K		(0.1)
<b>Finance &amp; Corporate Services</b>			<b>0.1</b>
<b>Total Budget Holder Variances - Place</b>			<b>2.8</b>

<b>Contingency &amp; Central Budgets</b>			
<b>Service Area</b>	<b>Reporting Area</b>	<b>Explanation</b>	<b>£M</b>
<b>Contingency &amp; Central Budgets</b>	Contingency & Central Budgets	Underspends totalling £2.1m are anticipated relating to the Asset Management Revenue Account up from £1.1m at quarter 1. This includes £0.5m of investment return that has been received as one of the Council's pooled investments has matured, additional higher investment returns as a result of larger than previously estimated cash balances and lower capital financing costs than previously assumed. Other corporate budgets have underspent by £2.4m . This results from previously reported underspends from the Kickstart financial model, the sports contingency model, WMCA contributions and Adult Social Care Grant. The improved position includes new projected underspends on returns from the Coventry and Warwickshire Business Rates Pool.	(4.5)
<b>Total Budget Holder Variances -Contingency &amp; Central Budgets</b>			<b>(4.5)</b>

**Capital Programme: Analysis of Budget/Technical Changes**

SCHEME	EXPLANATION	£m
<b>PEOPLE DIRECTORATE</b>		
<b>SUB TOTAL - People</b>		
<b>PLACE DIRECTORATE</b>		
Friargate	Technical Adjustment to capital budget, as this is a revenue loan and will be funded through Treasury Management	(5.0)
Integrated Transport Programme - Urban Traffic Management and Control (UTMC)	A £250k Transport for West Midlands bid has been approved from the Congestion and Road Safety Programme. This will be aimed at improving road safety and resilience on the Key Road Network. £250k from the Integrated Transport Programme will be the supporting match funding.	0.3
Vehicle & Plant Replacement	Approved at Cabinet on 17th July 2018 this is year one for the Commercial Waste Expansion Plan, creating a commercial waste services with Nuneaton and Bedworth Borough Council	1.0
Lenton Lane Cemetery - Phase 2	Approved at Cabinet on 2th August 2018 this is year one of the cashflow for the extension programme for Lenton Lane Cemetery	0.3
Loop Line (Loan)	Transformation of the former Coventry Freight Railway Loop loan to HCT	0.2
West Orchards Car Park	New Car park Lightning scheme, approved under delegated authority	0.1
Indoor Pitch Facility at Alan Higgs Centre (Loan)	Approved at Cabinet on 28th November 2017 this is the cashflow for the loan facility to CAWAT	(0.6)
ESIF Innovation	The total size of the capital grants pot has been reduced and the total size of the revenue grants pot increased to better reflect demand from SMEs. In terms of Capital spend profile, the amount claimed in 17/18 was lower than originally expected so some funds moved to 18/19, however, all capital grants need to be paid out by end of December whereby the scheme will be finished.	0.7
Miscellaneous		(0.1)
<b>SUB TOTAL - Place</b>		
<b>TOTAL APPROVED / TECHNICAL CHANGES</b>		<b>(3.1)</b>

## Appendix 3

### Capital Programme: Estimated Outturn 2018/19

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

<b>DIRECTORATE</b>	<b>ESTIMATED OUTTURN BUDGET SETTING £m</b>	<b>APPROVED / TECHNICAL CHANGES £m</b>	<b>OVER / UNDER SPEND NOW REPORTED £m</b>	<b>RESCHEDULED EXPENDITURE NOW REPORTED £m</b>	<b>REVISED ESTIMATED OUTTURN 18- 19 £m</b>
PEOPLE	28.4	0.2	0.0	(11.3)	17.2
PLACE	220.6	(3.3)	0.0	(12.5)	204.8
<b>TOTAL</b>	<b>249.0</b>	<b>(3.1)</b>	<b>0.0</b>	<b>(23.9)</b>	<b>222.0</b>

**Capital Programme: Analysis of Rescheduling**

SCHEME	EXPLANATION	£m
<b>PEOPLE DIRECTORATE</b>		
Basic Need	The rescheduling of basic need funding is due to additional time being required to approve the one strategic plan and agree the strategy for expansion of secondary school places. Plans have now been agreed and work is underway, therefore the majority of this spend will be seen in 2019/20 financial year	-11.8
<b>SUB TOTAL - People Directorate</b>		<b>-11.8</b>
<b>PLACE DIRECTORATE</b>		
Coventry Station Masterplan	While the FB&C contractors are due on site in October 2018, there has been 3 month delay in contract award. In addition design delays for phase 2 have pushed the cashflow into 19/20.	-5.1
Salt Lane Car Park	The cash flow for Salt lane multi storey car park has been rescheduled to allow for the additional archaeological works to be undertaken. This has resulted in a change to the build programme meaning that the expected expenditure on the piles and steel has been delayed.	-1.0
Growth Deal - Business Innovation Fund (Duplex Fund)	Delays to the programme, to be raised and discussed at November CWLEP Programme Delivery Board. Project is in the final initiation stages.	-0.3
Growth Deal - A46 N-S Corridor (Stanks)	Delays to the programme, to be raised and discussed at November CWLEP Programme Delivery Board.	-1.5
Growth Deal - Warwick Arts Centre 20:20	The contract was awarded later than initially programmed, this has resulted in minimal spend in quarter 2, spend will materialise in Quarter 3.	0.6
Growth Deal - Rugby HE Construction & Techno Park	On hold pending the results of the 2018 Call and CWLEP Board on the 15th Oct 18.	-0.8
Housing Venture	A number of key Whitefriars personnel have left which has delayed development.	-0.2
Whitley Depot Redevelopment	Initial feasibility works are now being reworked and the project has slipped into 2019/20	-4.1

ICT	Due to the issues with Mitel the Council has had to procure Skype licenses out of this year's programme. Alongside this we have the opportunity, through our new mobile phone contract to introduce greater controls and asset management, this has required the procurement of new handsets as part of the contract which again has come out of this year's programme. with the pre-existing commitments and actuals we will need an acceleration of £500k this year	0.5
Miscellaneous		-0.2
<b>SUB TOTAL - Place Directorate</b>		<b>-12.1</b>
<b>TOTAL RESCHEDULING</b>		<b>-23.9</b>

**Prudential Indicators**

Indicator	per Treasury Management Strategy	As at 30th September 2018
<b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b> , 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%	12.95%
<b>Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 3)</b> , 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	£344.3m Gross borrowing within the limit.
<b>Authorised Limit for External Debt (Indicator 6)</b> , 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	£344.3m is less than the authorised limit.
<b>Operational Boundary for External Debt (Indicator 7)</b> , 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	£344.3m is less than the operational boundary.
<b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10)</b> , 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	£225.7m
<b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10)</b> , as above highlighting interest rate exposure risk.	£89.1m	-£73.2m
<b>Maturity Structure Limits (Indicator 11)</b> , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	12% 0% 16% 6% 66%
<b>Investments Longer than 364 Days (Indicator 12)</b> , highlighting the risk that the authority faces from having investments tied up for this duration.	£18m	£0.0m