Public report
Cabinet Report

Cabinet 12th February 2019
Audit and Procurement Committee 25th February 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 Third Quarter Financial Monitoring Report (to December 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 December 2018. The headline revenue forecast for 2018/19 is an under-spend of £1.8m. At the same point in 2017/18 there was a projected overspend of £1.8m. The headline capital position reports £58.6m of expenditure rescheduled into 2019/20 reflecting the reality that some of the Council's major schemes will fall significantly short of their planned progress this year. Notwithstanding the Council is still expected to deliver its largest capital programme in the modern era.

The revenue position continues to reflect overspends in several service areas that have been subject to recent budgetary pressure which continue to demand management attention. This is most pressing and significant in relation to challenges in housing & homelessness services, the financial position for which has further worsened. Notwithstanding a range of plans that are being implemented, these circumstances will be in place for some time. This is reflected in the financial proposals within the 2019/20 Pre-Budget Report which are likely to be updated in the Council's final 2019/20 Budget Report.

The beneficial change in the overall revenue bottom line is due to several positive unbudgeted movements which include expected Coventry and Solihull Waste Disposal Company dividends and improved investment returns. These are opportune movements at a time when the Council needs to assess its financial resilience in relation to current financial risks and potential future shocks. It is likely that recommendations will be brought within June's financial outturn report regarding the need to reinforce the level of reserves to address this. Ahead of this, this report

recommends contributing £1.2m of Business Rates levy surplus, announced as part of the Government's Provisional Settlement in December, to the Council's Business Rates reserve.

The Council's capital spending is projected to be £173.7m for the year, a net decrease of £48.7m on the programme planned at quarter 2. In previous quarterly reports Cabinet was alerted to the possibility of significant capital slippage later in the budgetary cycle and this risk is one that has materialised. Significant movements have occurred in a number of schemes including Whitley South, City Centre South and the the Friargate regeneration scheme. However, the Council has now finalised the legal agreement establishing the Friargate joint venture company with Cannon Kirk which should enable progress on the Friargate scheme.

Recommendations:
Cabinet is recommended to:

1. Note the forecast revenue underspend at Quarter 3.

2. Approve contribution of the Busines Rates levy surplus resources expected from Government (c£1.2m) to the Business Rates reserve.

3. Approve the revised capital estimated outturn position for the year of £173.7m incorporating: £10.0m net increase in spending relating to approved/technical changes, £58.6m net rescheduling of expenditure into 2019/20 and a 0.1m net scheme underspend.

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 Overspends/Underspends
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, 25th February 2019

Will this report go to Council?
No

Report Title:
2018/19 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2018/19 to the end of December 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 underspend of £1.8m an improvement of £2.3m on the Quarter 2 overspend of £0.5m. The reported forecast at the same point in 2017/18 was an overspend of £1.8m. Capital spend is projected to be £173.7m, a decrease of £48.4m on the quarter 2 position.

2. Options considered and recommended proposal

2.1 Revenue Forecast - The forecast revenue underspend of £1.8m is analysed by service area below.

Table 1 - Forecast Variations

Service Area	**Revised Net Budget £m**	**Forecast Spend £m**	**Forecast Variation £m**
Public Health	2.0	0.9	(1.1)
People Directorate Management	1.4	1.5	0.1
Education & Inclusion	12.6	13.0	0.4
Children & Young People	74.0	74.3	0.3
Adult Social Care	74.7	74.7	0.0
Customer Services & Transformation	6.0	8.8	2.8
Place Directorate Management	1.3	1.3	0.1
City Centre & Major Projects	7.5	8.1	0.6
Transportation & Highways	4.2	4.2	0.0
Streetscene and Regulatory	26.7	28.7	2.0
Project Management & Property	(7.5)	(7.7)	(0.2)
Finance & Corporate Services	9.7	9.7	0.0
Contingency & Central Budgets	22.2	15.4	(6.8)
Total Spend	**234.8**	**233.0**	**(1.8)**

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 individual pressure relates to the estimated cost of supporting families and individuals in temporary and supported accommodation (£3.0m) which is a result of high numbers of homelessness cases, and cases where insufficient Housing Benefit subsidy can be claimed from the government. This pressure is in addition to the £2.7m previously approved by members as part of the 2018/19 budget setting process. The management and financial pressures of homelessness services are reported under the Director for Transformation and Customer Services. However, both its causes and the necessary solutions to it, manifest themselves in multiple different service areas across the Council. Detailed work is being undertaken to implement a programme of remedial actions and these will be delivered across this broader range of services on a corporate basis.

Continuing recruitment problems are creating budget pressure relating to agency staffing covering vacancies. A significant amount of work is underway to resolve these problems within the People Directorate. The majority of agency staffing is currently within Children's Services where in the region of 50 posts are currently covered. Within the Place Directorate, there are pressures of c£0.6m as a result of service areas that are needing to employ temporary staff. This is largely to ensure service continuity where there has been an inability to recruit or to address high levels of workload. However, these costs are entirely offset by salary budget underspends across the directorate of £0.6m.

People Directorate

In overall terms, the People Directorate continues to face significant financial challenges this year. Whilst the net position is an improvement on the quarter 2 position, the centralised salary underspend of £5.6m masks pressures of £8.2m across other areas of the services including those for Housing and Homelessness described above.

The Looked after Children (LAC) Population has risen significantly over the last year with average LAC numbers at 644 in 2017/18 compared with 699 so far this year. This pressure had been anticipated and budget resource was added as part of the last budget setting process as well as a transformation programme target to deliver a lower unit cost for LAC placements. Whilst on track to deliver the necessary changes, there are continued pressures within Supported Accommodation placements for careleavers and a small number of recent cases which are attracting significant cost. Alongside this, continuing pressures within SEN transport of £0.4m are contributing to the overall position.

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 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 disposal tonnages. Additionaly, 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 cost pressure on the events budget of £0.4m in the current year, although ways are being considered to reduce this. Others pressures relate to a predicted income shortfall of £0.35m in bereavement services as a result of reduced activity, the cost of external advocacy lawyers of £0.25m due to an inability to recruit, and operating cost pressures in car parking of £0.25m.

Some service areas are not fully achieving budgeted income levels including Commercial Waste £0.2m, CCTV £0.1m, St Marys Guildhall £0.1m, parking enforcement £0.2m and Coombe Country Park £0.15m. These are offset however by services which are outperforming expected income levels including planning, bus gate enforcement, car parking fees and commercial rent income.

Contingency and Central

Underspends totalling £4.4m are anticipated relating to the Asset Management Revenue Account up from £2.1m at quarter 2. In addition to the higher investment returns and lower capital financing costs reported at quarter 2, the Council is now anticipating significant additional dividends from the Coventry and Warwickshire Waste Disposal Company. Remaining corporate budgets have underspent by £2.3m including favourable variations across contingency budgets, WMCA contributions, the Coventry and Warwickshire Business Rates Pool and application of the Adult Social Care Grant.

2.3 Capital Programme

The 2018/19 capital outturn postion for quarter two reported a revised outturn postion of £222.4m compared with the original programme reported to Cabinet in February 2018 of £262.5m. Table 2 below updates the budget at quarter 3 to take account of a £10.0m increase in the programme from approved/technical changes and £58.6 now planned to be carried forward into future years. This rescheduling is discussed further in section 5.1. In total, the revised projected level of expenditure for 2018/19 is £173.7m**.** 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 50% of the programme is funded by external grant monies, whilst 39% is funded from borrowing. The programme also includes funding from capital receipts of £12.5m.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2018-19 MOVEMENT	Qtr 3 Reporting £m
Estimated Outturn Quarter 2	222.4
Approved / Technical Changes (see Appendix 2)	10.0
"Net" Underspending (see Appendix 5)	(0.1)
"Net" Rescheduling into future years (see Appendix 4)	(58.6)
Revised Estimated Outturn 2018-19	173.7

RESOURCES AVAILABLE:	Qtr 3 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	67.9
Grants and Contributions	87.7
Capital Receipts	12.5
Revenue Contributions	5.3
Leasing	0.3
Total Resources Available	173.7

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. The revenue funding of the Prudential Borrowing funding set out above 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 2018. Central case interest rate forecasts indicate that there will be two interest rates rises of 0.25% in 2019 with the first one potentially coming in June, meaning interest rates could be 1.25% by the end of 2019. However, the Monetary Policy Committee has shown a bias towards tighter monetary policy (lower interest rates) so there is no guarantee that this will happen. The current Brexit negotiations could have an impact on interest rates also although it is not possible to predict this in a reliable way.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2018/19 Capital Programme is £59.4m, taking into account borrowing set out in Section 2.4 above (total £67.9m), 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 P9	Maximum 2018/19 to P9	As at the End of P9
5 year	1.83%	2.27%	1.90%
50 year	2.45%	2.99%	2.70%

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 0.71%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 31st December 2017 £m	As at 30th September 2018 £m	As at 31st December 2018 £m
Banks and Building Societies	14.4	13.0	6.0
Money Market Funds	6.7	12.0	20.6
Local Authorities	0.0	6.0	15.0
Corporate Bonds	5.4	5.0	3.3
Registered Providers	8.0	6.0	0.0
Total	**34.5**	**42.0**	**44.9**

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 31st December 2018 the pooled funds were valued at £30m, spread across the following funds: CCLA, Schroders, 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 31st December 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 31st December the value is -£49.2m (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 31st December the value is £215.0m 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

The quarter 2 report referenced changes in the regulatory framework governing the Council's commercial investments. The Council's approach to this will be set out in full in a Commercial Investments Strategy that will be included within the forthcoming 2019/20 Budget Report.

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 financial position well. The £1.8m projected revenue underspend is an improvement on the overspend position reported at quarter 2 and that at the same period in 2017/18. There is a strong expectation of achieving a better than balanced position at year-end and potentially for the level of underspend to increase.

It is important for the Council's operational plans and services to be delivered and the Council is conscious that very large underspends are not desireable. Nevertheless, a budgetary underspend of the level being reported here is well within reasonable proportions and helps to demonstrate the Council's current financial resilience. The quarter 2 report included a warning that the Council might receive an adverse rating from the forthcoming CIPFA financial resilience index although this is still awaited. Therefore, the relatively strong financial position being reported at quarter 3 provides evidence that helps to refute potential indications of risk. Nevertheless the forthcoming period is one that contains several reasons for caution. These reasons include the medium term financial gaps facing the Council beyond 2019/20, the need to deliver existing savings plans, the coming changes to the local government finance system, the potential for an economic recession to develop over the next few years and the volatility being experienced within local Busines Rates listings. For these reasons, the Section 151 Officer (the Council's Director of Finance and Corporate Services) will seek to review the overall financial position at the end of the financial year and recommend proposals to strengthen the Council's balance sheet where these are considered to be necessary and appropriate.

Ahead of this, the Government's December Provisional Settlement announced a Business Rates levy surplus to be distributed to councils of which Coventry's allocation is expected to be £1.2m. This report recommends contributing the allocated sum to the Council's Business Rates reserve to help prepare the Council for the 2020/21 changes to local government finance and Business Rates.

This positive position reported should not deflect from some pockets of less encouraging financial performance. Cabinet will continue to be aware of the significant additional costs within homelessness and supported accommodation and the need for the Council to better align its services in this area. This has been reported through the Peer Review considered recently by Council which provided a range of conclusions and recommendations in this area which officers are considering alongside a range of actions that are 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 for these services. In the meantime, the pressures on this area continue to increase as reflected in this report. The Council's forthcoming Budget proposals will reflect increased costs in this area (above those reported in the Pre-Budget Report).

Notwithstanding the relatively sound overall financial position, it remains imperative that appropriate attention is given to managing the Council's future financial position. Senior management and members have been working in earnest on plans for 2019/20 Budget Setting and these will be reported to Cabinet and Council on 19th February. Attention is also being paid already to identifying and initiating a range of actions and strategies in order to move towards a balanced medium term position and these were set out in the quarter 2 report. It is appropriate to flag up at this point that although the Council has been able to avoid some of the less palatable service cuts experienced at other Councils in very recent years, there is a strong likelihood that some difficult decisions will need to be brought before members over the next 24 months. Work has already begun at an officer level to begin scoping out some of the areas where attention will be focussed.

Capital
Capital forecasts continue to project very high levels of spend for the year at £174m although this is significantly lower than the initial budgeted position of £263m. However, only £74m of actual payments have been made by the end of September (£40m more than the second quarter position and £11m more than the equivalent point in 2017/18 in which final spend for the year was just over £100m). This continues to suggest that a massive acceleration is needed in order to achieve the level of expenditure projected currently for the 2018/19 Programme. The inevitable shortfall in projected spend compared with the start year budget shows clearly that the level of programme predicted at the start of the year was very ambitious. However, there are no specific financial penalties for not delivering the original programme on time or any loss of grant resources on externally funded schemes. Also, if previous expenditure trends are experienced involving an acceleration of payments towards the end of the financial year there remains a very strong likelihood of the Council's capital programme spend for the year being the highest ever delivered in the modern era.

The largest areas of rescheduling in the third quarter involve some of the strategic projects which will help to change the face of the city; the Friargate regeneration area, Whitley South, City Centre South and transport schemes under the UK Central and Connectivity programme. The Council will want to see these shemes and a range of other large projects make good progress for the remainder of 2018/19 and through 2019/20 to ensure that momentum is maintained on the Council's wider aspirations.

5.2 Legal implications
None

6. Other implications

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

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

In quarter 3 there is a forecast underspend but it remains important for the Council to ensure that strict budget management continues to the year-end. Any resources available at year-end will be managed to ensure the Council's financial resilience or used to fund future spending priorities.

6.4 Equalities / EIA

No impact.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

No impact.

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

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

Directorate	**Revised Budget**	**Forecast Spend After Action/ Use of Reserves**	**Centralised Forecast Variance**	**Budget Holder Forecast Variance**	**Net Forecast Variation**
	£m	**£m**	**£m**	**£m**	**£m**
Public Health	2.0	0.9	(0.1)	(1.0)	(1.1)
People Directorate Management	1.4	1.5	0.1	0.0	0.1
Education and Inclusion	12.6	13.0	0.0	0.4	0.4
Children and Young People's Services	74.0	74.3	(4.4)	4.7	0.3
Adult Social Care	74.7	74.7	(0.9)	0.9	0.0
Customer Services & Transformation	6.0	8.8	(0.3)	3.1	2.8
Total People Directorate	**170.7**	**173.2**	**(5.6)**	**8.1**	**2.5**
Place Directorate Management	1.3	1.4	0.1	0.0	0.1
City Centre & Major Projects Development	7.5	8.1	0.0	0.6	0.6
Transportation & Highways	4.2	4.2	(0.2)	0.2	0.0
Streetscene & Regulatory Services	26.7	28.7	(0.1)	2.1	2.0
Project Management and Property Services	(7.5)	(7.7)	(0.1)	(0.1)	(0.2)
Finance & Corporate Services	9.7	9.7	(0.3)	0.3	0.0
Total Place Directorate	**41.9**	**44.4**	**(0.6)**	**3.1**	**2.5**
Contingency & Central Budgets	22.8	15.4	0.0	(6.8)	(6.8)
Total Spend	**234.8**	**233.0**	**(6.2)**	**4.4**	**(1.8)**
Resourcing	**(234.8)**	**(234.8)**	**0.0**	**0.0**	**0.0**
Total	**0.0**	**(1.8)**	**(6.2)**	**4.4**	**(1.8)**

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 continue to reduce, which will reduce the centralised salary underspend and the budgetholder overspend.	(5.6)
Place Directorate	A number of vacancies exist primarily due to an inability to recruit and retain some staff together plus the holding back on recruitment to others whilst reviews take place. Managers continue to work to recruit to the key posts where recruitment difficulties have been encountered	(0.6)
Total Non-Controllable Variances		**(6.2)**

People Directorate			
Service Area	**Reporting Area**	**Explanation**	**£M**
Public Health	Public Health - Lifestyles	Overspend relates to one off project funding, resourced from underspends across other elements of the Public Health Grant	0.1
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council	(0.5)
Public Health	CPH Inequalities	Underspend linked to reduction in expected in year contract costs through payment by results	(0.3)
Public Health	Public Health - Protection	Underspend linked to reduction in expected in year contract costs through payment by results	(0.1)
Public Health	Public Health Staffing & Overheads	The underspend relates to the early delivery of the future years grant saving	(0.1)
Public Health	Other Variances Less that 100K		(0.1)
Public Health			**(1.0)**
Education and Inclusion	SEND & Specialist Services	SEN Transport is forecasting a £0.4M overspend. This is based on current activity levels and the current cost of provision. Demand was re-based in September 2018 and there has been a 10% increase in the number of children and young people receiving travel assistance compared to September 2017. The immediate impact of the release of the e-auction contracts has been included in the forecast. The £0.4M pressure was originally £0.6M, however in year savings of £0.2M made against Adult Social Care Transport have been applied here. Work is underway to clarify whether this increase in cost is one-off or an on-going financial pressure.Educational Psychologists is forecasting a £0.1M 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	0.5

		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. The Coventry Interpretation and Translations Unit (CITU) is forecasting a £40k overpend due to lower than anticipated activity levels.	0.2
Education and Inclusion	Education Entitlement	Governor Services are forecasting a £0.1M overspend due to a number of factors. This includes loss of income from schools moving to other providers and subsequently a review of the operating model is underway including the pricing structure and work allocation methodology. This overspend has not increased throughout the year as staffing has reduced and 5 new schools have come on board. It is highly unlikely that the service will be in a position to deliver a balanced budget in 2019/20 as it will take time to implement robust and effective new ways of working.	0.1
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.	(0.3)
Other Variances Less than 100K			(0.1)
Education and Inclusion			**0.4**
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 £0.2M. 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 balanced budget at quarter 3. This includes the Children's Transformation trajectory of increases in internal fostering and residential placements, alongside corresponding decreases in external fostering and residential placements.	2.5
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. There is also a small overspend forecast as a result of supporting families with no recourse to public funds.	2.3
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	(0.2)

		Transformation programme, and offset against the overspend in other areas of the service.	
Other Variances Less than 100K			0.1
Children and Young People's Services			**4.7**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to the continued increases in demand for complex social care support for eligible service users. 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. Progammes are in place to review some of the higher cost services and develop our approach to Promoting Independance which will further support the financial position. A review of internal processes and procedures is being undertaken to support management to maintain effective monitoring of costs and pressures.	0.8
Adult Social Care	Older People Community Purchasing	Underlying budget pressures have increased this quarter in part due to continuing increases in residential and nursing placements. The underlying reasons for these increases are due to the volumes of referrals into bedded facilities following discharge from hospital. Work is underway with health colleagues to reverse this trend. 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 our Promoting Independance approaches will further support management of financial pressures.	0.7
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in DOLs demand leading to addtional 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.	0.6

Adult Social Care	Older People Operational	Overall underspend with budget holder overspend pending recruitment to posts later in the year.	0.3
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies .	0.2
Adult Social Care	Adult Social Care Director	Use of iBCF Protecting Social Care resources to manage Adult Social Care pressures.	(1.7)
Adult Social Care			**0.9**
Customer Services & Transformation	Customer and Business Services	The overspend relates to significant pressures across housing and homelessness services, with the majority linked to temporary accommodation costs net of housing benefit subsidy	3.6
Customer Services & Transformation	HR and Workforce Development Management	The overspend relates to a reduction in expected income with regard to DBS & Schools. Funding arrangements for both areas are being reviewed during the next few months.	0.2
Customer Services & Transformation	ICT & Digital	The majority of this underspend relates to one off savings within the Data & Voice team through contract consolidation and zero base budget work which has been completed as part of the restructuring of ICT services. Additional cost/overspend on mobile phones has been mitigated as a result of the mobile phone switch out and ongoing replacement of all handsets.	(0.7)
Customer Services & Transformation			**3.1**
Total Budget Holder Variances - People			**8.1**

Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	£379k Godiva festival cost pressure and £134k St. Mary's trading deficit, banquetting and undercroft sales down on Q2 forecast.	0.5
Other Variances Less than 100K			0.1
City Centre & Major Projects Development			**0.6**
Transportation & Highways	Other Variances Less that 100K		0.2
Transportation & Highways			**0.2**

Streetscene & Regulatory Services	Planning & Regulatory Services	Primarily fee income higher than expected on both Development Management and Planning Enforcement	(0.3)
Streetscene & Regulatory Services	Streetpride & Parks	Primarily the use of agency staff covering vacancies which are currently being recruited to, and are offset salary underspend. The main pressures include £350k Bereavement Services (reduced activity), £160k on car parking income at Coombe and £60k on the Urban Forestry Maintenance Contract.	1.2
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. (£465k) There are pressures in commercial waste (£186k) due to under recovery of skip income offset by an increase in bulk bin income, and cost pressures in domestic refuse relating to fuel usage and higher cost of covering sickness absence. There are also pressures in PTS (net £123k) which has arisen as a result of a combination of pay award pressures (£49k), and increased costs (£172k), offset by income relating to additional routes (-£98k) .	1.1
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
Other Variances Less than 100K			(0.1)
Streetscene & Regulatory Services			**2.1**
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			**(0.1)**
Finance & Corporate Services	Legal Services	Primarily the cost of external Counsel spend. The team has been restructured which will allow more in-house advocacy and will reduce expenditure in the future. This is to be monitorted closely.	0.3
Finance & Corporate Services	Revenues and Benefits	The use of temporary resource to cover vacancies and fluctuating workloads together with additional expenditure required to enable the Council's Community Support Grant Scheme to continue supporting vulnerable residents	0.2
Finance & Corporate Services	Insurance	Loss of schools income (£205k) from 10 Catholic VA schools who have been instructed by the Diocese to place their insurance programme with an alternative provider.	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	Democratic Services	One-off savings within Internal Audit (new structure being implemented), and additional income from an increased number of school appeals services being requested from Governance Services	(0.1)
Finance & Corporate Services			**0.3**

Total Budget Holder Variances - Place			**3.1**

Contingency & Central Budgets			
Service Area	**Reporting Area**	**Explanation**	**£M**
Contingency & Central Budgets	Contingency & Central Budgets	Underspends totalling £4.4m are anticipated relating to the Asset Management Revenue Account up from £2.1m at quarter 2. In addition to the higher investment returns and lower capital financing costs reported at quarter 2, the Council is now anticipating significant additional dividends fromt the Coventry and Warwickshire Waste Disposal Company. Remaining corporate budgets have underspent by £2.3m which is broadly the same as quarter 2. This includes favourable variations across contingency budgets, WMCA contributions, the Adult Social Care Grant and the Coventry and Warwickshire Business Rates Pool.	(6.7)
Total Budget Holder Variances - Contingency & Central Budgets			**(6.7)**

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Early years 30 hrs Places	Match funding for Modular Buildings	0.3
SUB TOTAL - People		**0.3**
PLACE DIRECTORATE		
Public Realm	Element of the £2.57m Growth Deal grant that has been awarded by CWLEP to deliver public realm works around the Waterpark, Salt Lane car park and Greyfriars Lane.	0.1
Highways Investment	£1.2m announced in Budget 2018 for Local Highways Maintenance.	0.9
Disabled Facilities Grant	Additional grant award 2018/19	0.4
Vehicle & Plant Replacement	Additional purchase of vehicles to assist in the Commercial Waste and to reduce the costs of leasing or borrowing. 2 hook loaders and 4 refuse vehicles	0.3
Binley Court Acquistions	Council report on 4th December 2018 this is the cost of acquisition completed in December 2018	6.3
UK City of Culture 2021	Cabinet 28th August 2018 initial cashflow of 18/19 spend	0.3
ESIF Capital Programme	Update programme to reflect increase in ERDF Funding	0.2
Heatline and Kickstart	Net movement in budget as approved by Cabinet 4th Octoer £1.2m in additional provision for additional costs	0.4
Indoor Bowls at Alan Higgs Loan	Uplifting programme to reflext full drawn down of loan facily	0.8
SUB TOTAL - Place		9.7
TOTAL APPROVED / TECHNICAL CHANGES		**10.0**

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 18-19 £m
PEOPLE	17.4	0.7	(0.2)	(1.8)	16.1
PLACE	205.0	9.3	0.1	(56.8)	157.6
TOTAL	**222.4**	**10.0**	**(0.1)**	**(58.6)**	**173.7**

Appendix 4

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. In December 2018, Government awarded an additional £419,000 to the City Council on top of the existing increased DFG resources. Officers have been reviewing the use of the allocation in order to maximise existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. Officers are looking at ways to streamline procurement processes to accelerate the programme.	-1.2
CLYP - Education	Rescheduling of SEND capital is due to work being undertaken on the revenue SEND budget. A SEND strategy is in progress and the SEND Commissioning Manager is reviewing the funding model for Specialist provision. This has to done before capital projects can proceed.	-0.7
Other Changes less than £100k		0.1
SUB TOTAL - People Directorate		**-1.8**

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Highways Investment: Whitefriars	The latest programme reflects that we are making good progress and ahead of programme, therefore accelerated spend that was initially scheduled for 2019-20.	0.4
Kickstart	Updated profile to reflect final costs of works at Broadgate and small element of for contingency	-0.1
Cemeteries	Appointment of Architects and surveyors has been delayed until March 19, unlikely to spend this financial year as planned	-0.3
Growing Places	Growing Places - Bermuda Connection. The project was expecting to defray the GP funding in Q3 of 18/19 and now slipping into Q2 of 19/20 as a result of delays to land acquisition. The revised profile takes into account the expectation that all transactions in regard to land acquisition and technical approval of detailed design will be completed by the start of the 19/20 financial year.	-0.3
Growth Deal - GD39	Although the program is scheduled to be completed on time, the project has experienced delays and complications during its early phase. This has resulted in a slower than forecast spend profile for Qtr2 & Qtr3, however considerable progress has been made on the build and project is on track to deliver as expected.	-0.3
Multi Storey Car Parks	Cash flow forecast amended to allow for the extension of time due to archaeology works.	-1.0
Growth Deal - GD14	Delays to the project caused by issues with awarding the contract for works.	-1.5
Coventry Station Masterplan (Inc NUCKLE 1.2)	The tenders for NUCKLE 1.2 and phase 2 (the station building, MSCP and bus interchange) were delayed due to design delays, the tenders have been	-1.5

	returned and evaluated. The contract award of phase 2 is imminent with an award letter due to be issued by mid Jan 2019	
Alan Higgs Centre - 50m Swimming Pool	The rescheduling is due to an agreed 3 month delay in the commencement of construction to allow community access to the indoor football through to 31st March 2018. Galliford Try have now been appointed as the preferred contractor for the scheme and have provided an actual cash flow rather than the estimate that provided by the project management team previously.	-1.6
Vehicle & Plant Replacement	BSD are currently reviewing their service and the decision has not been finalised on specification and required number of vehicles Streetpride - Decisions on specifications not finalised so order has been delayed Waste vehicles not yet on order so will not be delivered in time for year end. Leasing - some leases have been extended into next year so decisions on replacements has been delayed	-1.8
UK Central & Connectivity: Very Light Rail	Due to the complexities of the track work stream, the procurement of the partners to develop the novel track form has been delayed and therefore track spend will occur in 2019/2020. The delivery of the retaining wall at DMBC has also been delayed due to issues with the appointed contractor. Spend will now occur in 19/20 financial year.	-2.7
UK Central & Connectivity: City Centre First	A change request is required to enable the initial £11.6m grant funding that was earmarked for Ring Road Junction improvements to be utilised on Public Realm improvements as part of the City of Culture 2021 programme. The change request is to be presented at West Midlands Combined Authority Investment Board in mid-January 2019.	-3.4
UK Central & Connectivity: Coventry South Package	This is predominantly due to rescheduling on the A46 Link Road Phase 1 scheme. Initially it was programmed to issue the Full Business Case application to DfT at the end of November 2018, with an expected response during February 2019, however having received objections to the Side Roads and Slip Roads order we have been notified by the DfT of the need to hold a Public Inquiry. This significantly impacts the programme for submission of the FBC application and therefore the expected start on site. .	-6.8
City Centre South	Acquisitions are dependent on definite opportunities coming forward within the financial year and there has been little opportunity this year	-7.3
Whitley South	The construction programme has slipped significantly from that envisaged due to continuing delays to the discharge of planning conditions. This factor has meant that the main contract has not yet been signed and no works can commence on the highway. Work continues to work with Highways England to resolve all issues. Contract documentation has been drafted in readiness	-12.7
Friargate	We are in the final stages of finalising the Joint Venture between CCC and Friargate, therefore we have assumed that there will be some spend in quarter four, however we don't expect significant spend until next financial year. Full cashflow profile will be address in budget setting process	-15.7
Other Changes less than £100k		-0.1
SUB TOTAL - Place Directorate		**-56.8**

TOTAL RESCHEDULING	**-58.6**

Appendix 5

Capital Programme: Analysis of Overspends/Underspends

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Pathways to Care	Reduced level of take up	-0.2
SUB TOTAL - People		**-0.2**
PLACE DIRECTORATE		
Kickstart	Kick-start is under budget due to project costs coming in under budget and management contingency not being required. It is planned to vire some of this towards the Heatline project below	-0.6
Heatline	Heat line is over budget to variations required through the project such as the insistence of highways that works must be undertaken overnight, project overruns and additional works required	0.6
SUB TOTAL - Place Directorate		**0.1**
TOTAL Overspend		**-0.1**

Appendix 6

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st December 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%	12.63%
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	£344.3m 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	£344.3m 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	£344.3m 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	£215.0m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10), as above highlighting interest rate exposure risk.	£89.1m	-£49.2m
Maturity Structure Limits (Indicator 11), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 12% 10% 6% 6% 66%
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