Coventry City Council

**Public report**
Cabinet

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|---|---|
| Cabinet | 9th July 2019 |
| Audit and Procurement Committee | 15th July 2019 |
| Council | 3rd September 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: All**

**Title:**
Revenue and Capital Outturn 2018/19

**Is this a key decision?**
Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position.

**Executive Summary:**

This report outlines the final revenue and capital outturn position for 2018/19 and reviews treasury management activity and 2018/19 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- A final revenue underspend of £1.0m which is required to be contributed to the Council's General Fund reserve.
- Overspends of £2.7m within Waste and Fleet Services and £3.0m relating to to housing and homelessness issues, in large part from the cost of Housing Benefit payments for people and families who require housing in emergency accommodation.
- Offsetting underspends across a range of other services and in particular a £4m favourable position within central budgets including the Asset Management Revenue Account.
- Capital Programme expenditure of £147m which is £115m less than envisaged at the start of the year but nevertheless represents the largest programme in the modern era.
- Time-limited resources and some favourable budgetary movements in the final quarter which enable several recommended contributions to reserve balances as set out below. These are aimed at strengthening the Council's financial resilience and providing funding to take forward future commercial developments.
- An increase in the level of Council revenue reserves from £62m to £71m.

The underlying revenue position has improved significantly since Quarter 3 when an underspend of £1.8 was forecast. In particular this relates to improvements within Contingency and Central budgets which are set out in the report. This has enabled the Council to identify several actions which will strengthen its existing financial resilience and help to introduce other proposals designed to identify savings proposals in future budgets. These proposals, put forward through the Director of Finance and Corporate Services, the Council's Section 151 officer, are reflected in the recommendations below and explained in section 5.1.

**Recommendations:**

**Cabinet is recommended to approve:**

1. The final revenue outturn underspend of £1.0m (section 2.1 and Appendix 1) which will be added to the Council's General Fund reserve.
2. The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £146.7m against a final budget of £175.9m; £26.5m expenditure rescheduled into 2018/19 and a net underspend £2.7m.
3. The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

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

4. Approval of reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs.

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

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

**Council is recommended to:**

1. Approve reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs.

**List of Appendices included:**

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

**Other useful background papers:**

None

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

No

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

Yes - Audit and Procurement Committee 15th July 2019

**Will this report go to Council?**

Yes – 3rd September 2019

**Report title:** Revenue and Capital Outturn 2018/19

## 1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position in 2018/19 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £234.4m and a Capital Programme of £262.5m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

## 2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position, an underspend of £1.0m. Local Government accounting rules require this underspend to be contributed to the Council's General Fund Balance.

**Table 1 Summary Outturn Position**

| Quarter 3 Forecast Variation £m | Service Area | Net Budget £m | Outturn Position £m | Variation £m | Variation % |
|---|---|---|---|---|---|
| (1.1) | Public Health | 3.5 | 2.7 | **(0.8)** | (23%) |
| 0.1 | Directorate Management | 1.4 | 1.4 | **0.0** | 0% |
| 0.4 | Education & Skills | 12.9 | 13.3 | **0.4** | 3% |
| 0.3 | Children & Young People | 71.9 | 70.9 | **(1.0)** | (1%) |
| 0.0 | Adult Social Care | 74.4 | 74.4 | **0.0** | 0% |
| 2.8 | Customer Services & Transformation | 9.2 | 11.2 | **2.0** | 22% |
| 0.1 | Place Directorate Management | 1.4 | 1.3 | **(0.1)** | (7%) |
| 0.6 | Business, Investment & Culture | 7.5 | 8.0 | **0.5** | 7% |
| 0.0 | Transportation & Highways | 4.4 | 4.2 | **(0.2)** | (5%) |
| 2.0 | Streetscene and Regulatory | 26.8 | 29.8 | **3.0** | 11% |
| (0.2) | Project Management & Property | (7.5) | (7.6) | **(0.1)** | (1%) |
| 0.0 | Finance & Corporate Services | 7.0 | 6.3 | **(0.7)** | (10%) |
| (6.8) | Contingency & Central Budgets* | 21.5 | 17.5 | **(4.0)** | (19%) |
| **(1.8)** | **Total*** | **234.4** | **233.4** | **(1.0)** | (1%) |

*The position is shown after reserve contributions recommended in this report amounting to £10.4m

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

- Children and Young People - £1.3m favourable
- Customer Services & Transformation - £0.8m favourable
- Streetscene & Regulatory - £1.0m adverse
- Finance & Corporate Services - £0.7m favourable
- Contingency and Central Budgets - £2.8m adverse (after reserve contributions)

The reasons for these variations are explained at 2.1.3 below.

2.1.3 **Directorate Positions**

**Contingency and Central (£4m Underspend)**
The main areas of underspends have been the Council's budgets for redundancy and early retirement costs (£1.8m), projects related to Kickstart and sports development (£1.4m) and inflation contingencies (£0.8m). It is anticipated that the Council will be able to identify ongoing savings from several of these areas in the forthcoming 2020/21 budget process.

In addition, the Council has secured additional mostly time-limited resources amounting to around £8m made up of:

- additional dividends from its shareholdings in the Coventry and Warwickshire Waste Disposal Company and Coombe Abbey Park Limited (£2.5m);
- a surplus generated via the Coventry and Warwickshire Business Rates Pool (£1.3m);
- additional treasury management investment income (£1.5m);
- cost avoidance from the capitalisation of interest costs (£1.4m); and
- lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1.3m).

Information regarding much of the value of these amounts emerged in the final quarter such that this represented a significant favourable swing since the reported quarter 3 position. However the recommended contributions to reserves (£10.4m) partly enabled by these windfalls have absorbed any impact on the bottom line.

**People (£0.5m Overspend)**
Despite showing an improved position at year end the People Directorate continues to face significant financial challenges in 2018/19 and beyond. A significant amount of work is underway to resolve recruitment problems to contribute to reducing the pressure created by agency covering vacancies. (The majority of agency is currently within Childrens Services where in the region of 39 posts are currently covered - this has reduced throughout the year). 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 budget setting process. The Looked after Children (LAC) Population has risen significantly over the last year with average LAC numbers at 644 in 17/18 compared with 701 for 18/19. Despite this LAC Placements overall has underspent by £1m, which is a combination of additional budget resource, the transformation programme to deliver a lower average unit cost, and how the increase in LAC has impacted on placement type. 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 (£2.4m Overspend)**
The Place Directorate has had a number of significant financial issues in 2018/19, contributing to an overall deficit of £2.4m. A number of trading or income earning services have experienced difficulty in achieving their budgeted income levels totalling £2.4m. Most notably Commercial Waste, whose costs have increased due to increased disposal, staffing and vehicle costs, have been unable in 18/19 to cover those costs or income growth plans from increases in new work or market price increases. They have a net pressure of £1.2m.

Other services that have seen income pressures include the following:

- Repair & Maintenance team, which has under delivered due to reduced workloads (£0.2m),
- Bereavement Services which has experienced a reduction in normal activity levels (£0.3m),
- Parking Enforcement income collection (£0.3m),
- Coombe Park parking income due to equipment failure (£0.2m), Pest control due to slower growth than planned (£0.1m) ; and
- CCTV who are still unable to fully recover assumed income levels (£0.1m).

All underperforming trading services are under review to ensure that relevant managers have plans in place to reverse deficits to make sure services can be run on a financially sustainable basis.

Some income earning areas are however, performing well and have generated in excess of budgeted income levels totalling £1.4m. This includes Planning Development (£0.4m) due to increased activity, Regulatory Services (£0.3m) due to the introduction of mandatory licensing for landlords, Commercial Property (£0.2m) due to some temporary rental income being earned, Occupier Support due to increased project work (£0.1m), Car Parking (£0.1m), and Bus Gate Enforcement due to increased PCNs in year (£0.3m).

Some services have experienced cost variations, the material ones being as follows: Waste disposal tonnages and gate fees were higher than planned with a £0.7m pressure. Domestic Waste overspent by £0.4m largely due to casual staffing costs caused by unavoidable staff shortages, and the cost of maintaining collections over the Christmas period. Legal advocacy work required above current capacity levels resulted in increased external counsel costs of £0.3m. These were partially offset by lower repair and maintenance costs on corporate administration buildings of £0.3m, higher recovery of historic overpaid Housing Benefit payments of £0.5m, additional grant monies generated in the Employment Service of £0.3m, and Streetpride cost reduction savings of almost £0.2m

2.1.4 Although the Council has reduced its employee numbers markedly in recent years the trend for large numbers of redundancy and early retirement cases (and cost) has slowed significantly in 2018/19. In 2018/19 this has meant around 30 individuals at a net cost of just over £0.1m compared with 300 cases at a cost of £3m in 2017/18.

2.2 <u>Reserves</u>

2.2.1 The Council's revenue reserve balance at the end of 2018/19 is £81.8m, compared with £67.1m at the end of 2017/18. Balances generated from capital receipts and capital grants to fund future capital projects have reduced from £31.2m to £23.4m and reserve balances belonging to or earmarked to support schools have increased from £24.3m to £26.4m. The total reserve movement in 2018/19 is summarised in the table below.

2.2.2 The reserve balances include £10.2m set aside as part of the Council's three long-term Private Finance Initiative models, £10.1m set aside to fund costs arising from early retirement and redundancy decisions, £7.7m set aside to provide protection against the potential future loss of Business Rates income, £4.75m set aside for the Council's contribution to the UK City of Culture and £3.5m to support the Adult Social Care Better Care Fund model. The £5.4m Management of Capital reserve includes revenue reserves to fund future capital projects.

2.2.3 The Cabinet Member for Strategic Finance and Resources will consider an analysis of these balances and potential future spending commitments during 2019 and will bring recommendations forward as part of Budget Setting proposals or specific reports to Cabinet later in the year. It is also envisaged that Scrutiny Board 1 will undertake a detailed review of reserve balances this year in line with recent practice.

**Table 2 Summary of Reserve Movements in 2018/19**

| | **Balance at 31st March 2018** | **(Increase)/ Decrease** | **Balance at 31st March 2019** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Council Revenue Reserves | | | |
| General Fund Balance | (4,702) | (5,575) | (10,277) |
| Adult Social Care | (4,798) | 1,264 | (3,534) |
| Public Health | (606) | (182) | (788) |
| Troubled Families | (486) | (609) | (1,095) |
| Leisure Development | (1,599) | 265 | (1,334) |
| Kickstart Project | (5,068) | 3,790 | (1,278) |
| City of Culture | (4,750) | 0 | (4,750) |
| Potential Loss of Business Rates Income | (3,414) | (4,321) | (7,735) |
| Redundancy and Early Retirement | (8,261) | (1,809) | (10,070) |
| Commercial Developments | 0 | (4,000) | (4,000) |
| Insurance Fund | (1,595) | (103) | (1,698) |
| Management of Capital | (6,332) | 933 | (5,399) |
| Private Finance Initiatives | (10,781) | 612 | (10,169) |
| Other Directorate | (7,194) | (2,295) | (9,489) |
| Other Directorate funded by Grant | (2,193) | 629 | (1,564) |
| Other Corporate | (5,298) | (3,291) | (8,589) |
| **Total Council Revenue Reserves** | **(67,077)** | **(14,692)** | **(81,769)** |
| Council Capital Reserves | | | |
| Useable Capital Receipts Reserve | (23,978) | 2,511 | (21,467) |
| Capital Grant Unapplied Account | (7,179) | 5,285 | (1,894) |

| | | | |
|---|---|---|---|
| **Total Council Capital Reserves** | **(31,157)** | **7,796** | **(23,361)** |
| | | | |
| Schools Reserves | | | |
| Schools (specific to individual schools) | (19,590) | (718) | (20,308) |
| Schools (related to expenditure retained centrally) | (4,742) | (1,342) | (6,084) |
| **Total Schools Reserves** | **(24,332)** | **(2,060)** | **(26,392)** |
| | | 0 | |
| **Total Reserves** | **(122,566)** | **(8,956)** | **(131,522)** |

2.3 Capital Outturn

2.3.1 The capital outturn position for 2018/19 is shown in summary below and in greater detail in Appendix 2:

**Table 3: Capital Outturn Summary**

| Final Budget £m | Final Spend £m | Net Rescheduling Now Reported £m | Under-spends £m | Total Variance £m |
|---|---|---|---|---|
| 175.9 | 146.7 | (26.5) | (2.7) | (29.2) |

The quarter 3 monitoring report to Cabinet on 13th February 2019 approved a revised capital budget of £173.8m for 2018/19. Since then there has been a net programme increase of c£2m giving a final budget for the year of £175.9m. Since February, a total of £26.5m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

**Table 4: Summary of Rescheduling**

| Project | (Rescheduling) /Accelerated Spend £m | Explanations |
|---|---|---|
| UKBIC – Battery Plant and Equipment | (10.2) | Given the complexity of the technology and the international nature of suppliers, there were delays in procurement and placing orders |
| Coventry Station Masterplan | (3.6) | Due to the late withdrawal of the preferred bidder for the NUCKLE1.2 works, these works have had significant delays in the delivery. A full retender is required resulting in slippage of all associated costs on this project |
| Highways, Transport and Public Realm Programme | (3.5) | The two main areas of rescheduling are £1.2 For Highways investment (pothole funding received in the 4th quarter of 2018-19), and the Clean Bus Technology Fund of which £1.3m is grant for the purpose of retrofitting selective catalytic traps to buses operating in the city. |
| Sports, Leisure and Parks | (2.5) | The £1.1m rescheduling on Alan Higgs is due to some high cost items that were scheduled to be delivered in 2018/19 have been delayed, causing the programme to be 2 weeks behind. In addtion the City Centre Destination Leisure |

| | | |
|---|---|---|
| | | Facility (The Wave) £1.0m delay in programme and reduction in the loan facility for Alan Higgs. |
| People Capital Programme (Schools and ICT) | (1.8) | Secondary School expansion has taken longer than anticpated in the planning stage |
| UK Central and Connectivity | (1.2) | Engagement with external stakeholders, the majority of the works asscociated within these packages covering South and North sector, are delaying the programme of works (£0.9m). VLR has seen a small (£0.3m) slippage due to the dealy in track procurement |
| City Centre South and Friargate | (1.0) | Delays in planning application for City Centre South and reduction in costs for stamp duty from £1m to £0.6m has seen costs being pushed back into 2019/20 and or recycled back into their programmes. |
| Growth Grant Programme | (0.8) | This is a net movement on the Growth Progamme whch is being delivered by other organisations, covering a mixture of delays on construction and revised cashflow approvals. |
| Heatline | (0.7) | The change to the programme reflects that The Wave is funding its costs for the installation of Heatlline, as approved by Cabinet in October 2017. These costs appear against the Destination Leisure Facility. The rescheduling is due to contract works not being finished as expected. Part of the delay is that Engie are working to the commissioning programme of the Water Park. In addition we are still finalising commercial negotiations in relation to a series of variations. |
| Others | (1.3) | Net movement |
| TOTAL | (26.5) | |

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

| Project | Over/ (Under)spend | Explanations |
|---|---|---|
| Early Years and Broad Spectrum School | (1.1) | Significant value engineering in the Broad Spectrum school construction and additional investment for Modular Building and provided resources to be reinvested back into the School Captial Programme in future years |
| Investing In Sports Facilities | (0.1) | The creation of the Wave and the decommissioning of the old “Baths” at Fairfax street, reduced ongoing repairs and maintenance costs |
| Coombe Shares | (1.5) | Underspend against maximum trigger payment amount set aside to purchase Coombe Abbey Park Limited in addition to the initial purchase price. |
| Total | (2.7) | |

2.3.2 The 2018/19 and future the Programme continue to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- In December 2017, Cabinet approved the £80m investment in the UK Battery Industrialisation Centre following a successful bid to Innovate UK by a consortium of Coventry City Council, Coventry and Warwickshire Local Enterprise Partnership and Warwick Manufacturing Group. This new research facility on the outskirts of Coventry will play a key national role in the emerging battery industry and is due to open spring 2020. The project is progressing well and currently £55m has been claimed from Innovate UK. This includes the full drawdown of the building costs and large down payments on machinery. Given the complexity of the technology and the international nature of suppliers, there were delays in procurement and placing orders. In addition, the project is now in the process of being awarded additional external funding which has led to changes in machinery specifications. Extensive forecasting and analysis has been undertaken for the new budget and the finances are being robustly monitored by Coventry City Council.

- In September 2014, Coventry City Council approved the addition of £36.7m to its capital programme for the development of the City Centre Destination Leisure Facility – The Wave - on the existing Christchurch House and Spire House site. The Wave is scheduled to open shortly. Plans are aslo progressing on the 50m Swimming Pool at the Alan Higgs Centre and new bowling facilities within the city.

- In July 2016 the Council approved the site at Whitley South to be used to develop the expansion plants of JLR by developing the public infrastructure to accommodate the proposed Research & Development campus, accommodate a number of small medium enterprises together with a hotel and car show room. The contract for the construction in in place and works are progressing, with completion due in 2020.

- The Council has completed its investment in the new Friargate Joint Venture Company which will enable development of the Friargate business district within the city starting with the construction of a second building. The Council has also invested in the Binley Court property adding to its commercial property portfolio in 2018/19.

  Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2018/19 £9.2m of spend has been incurred within the Programme including the A46 link road, Very Light Rail and Coventry Station Master Plan, currently funded from the Local Growth Deal. The primary source of funding going forward with be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment.

- Highways and Public Realm. The City Council has continued to make significant investment in specific Public Realm schemes, a further £2.57m of Local Growth Deal funding has been secured and schemes are being designed currently to commence delivery in 2019-20. In October 2018, the Chancellor announced in the Budget that the Government was allocating a further £420 million of new money for local highways maintenance. Coventry City Council was allocated £1.226m and this additional resource was added to the Highways Investment programme to repair roads (including potholes), bridges and local highways infrastructure generally.

- City Centre South (CCS) is a major regeneration project covering the southern part of Coventry city centre, which will transform the area by redeveloping approximately half (6.7 hectares) of the city centre retail core. WMCA funding is just under £100m, and the Council is investing in the form of properties and land worth £28m which are being transferred into a Special Purpose Vehicle for the development formed with a private developer. As part of this, the Coventry Point building will be demolished in 2019/20.

- On the 22nd December 2017 the City Council acquired 100% of the ordinary share capital of Coombe Abbey Park Limited (CAPL), the principal activity of which is the running of the Coombe Abbey Hotel. In 2018/19 the Council approved a loan to the company which has enabled investment in the Go Ape facility on the site.

2.3.3 The funding in respect of this capital expenditure of £146.7m is summarised in Table 6 below The Programme has been resourced c54% from capital grants and where possible the use of these grants has been maximised to defer the Council's requirement for prudential borrowing in year. In 2018/19 £9m Basic Need funding has been applied which need to be back-filled by capital reserves, capital receipts and prudential borrowing over the next few years.

**Table 6: Capital Funding**

| | Funding the Programme £m | Available Resources £m | Resources Carried Forward £m |
|---|---:|---:|---:|
| Prudential Borrowing | 51.9 | 51.9 | 0 |
| Grants and Other Contributions | 79.7 | 73.4 | (6.2) |
| Revenue Contributions | 2.8 | 2.8 | 0 |
| Capital Receipts | 10.6 | 32.1 | 21.5 |
| Capital of Management Reserve | 1.8 | 7.2 | 5.4 |
| **Total Resourcing** | **146.7** | **167.3** | **20.6** |

2.4 Treasury Management Activity

2.4.1 August 2018 saw only the second interest rate rise in over a decade as the interest rate was increased from 0.5% to 0.75%. This was against an economic backdrop where wage growth exceeded inflation resulting in real wage growth of 1.4% and the economy also grew by 1.4%. However, uncertainty surrounding EU exit means that this growth is below trend.

Interest Rate forecasts are dominated by the uncertainty surrounding EU exit but current forecasts indicate that there will be a very slow increase, with the next increase of 0.25% not being seen until March 2020

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

**Table 7: PWLB Interest Rates**

| PWLB Loan Duration (standard rates) | Minimum in 2018/19 | Maximum in 2018/19 | Average in 2018/19 |
|---|---|---|---|
| 5 year | 1.70% | 2.27% | 2.00% |

| | | | |
|---|---|---|---|
| 20 year | 2.49% | 3.10% | 2.82% |
| 50 year | 2.36% | 2.99% | 2.66% |

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

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has increased by £39.8m:-

**Table 8: 2018/19 Capital Financing Requirement (CFR)**

| | **£m** |
|---|---|
| Capital Financing Requirement at 1st April 2019 | 400.5 |
| Borrowing required to finance 2018/19 Capital Programme | 51.9 |
| PFI & Finance Leases liabilities | 0.2 |
| Donated Assets | (0.2) |
| Provision to Repay Debt (Minimum Revenue Provision) | (10.9) |
| Provision to Repay Debt (Capital Receipts Set Aside) | 0.0 |
| Repayment of Transferred Debt | (1.1) |
| Reduction of Provision and other restatements | (0.1) |
| Capital Financing Requirement at 1st April 2019 | **440.3** |

No new long term borrowing was actually taken out during 2018/19, however, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2019/20. Within 2018/19, the movements in long-term borrowing and other liabilities were:-

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

| **Source of Borrowing** | **Balance at 31st March 2018 £m** | **Repaid in Year £m** | **Raised in Year £m** | **Balance at 31st March 2019 £m** |
|---|---|---|---|---|
| PWLB | 203.9 | (7.3) | 0 | 196.6 |
| Money Market | 38.0 | 0 | 0 | 38.0 |
| Stock Issue | 12.0 | 0 | 0 | 12.0 |
| Other | 0.4 | 0 | 0 | 0.4 |
| **sub total ~ long term borrowing** | **254.3** | **(7.3)** | **0** | **247.0** |
| Other Local Authority Debt | 14.3 | (1.2) | 0 | 13.1 |
| PFI & Finance Leasing Liabilities | 71.7 | (2.7) | 0.2 | 69.2 |
| **Total** | **340.3** | **(11.2)** | **0.2** | **329.3** |

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

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

| **Period** | **Long Term Borrowing £m** |
|---|---|
| Under 12 Months | 16.6 |
| 1 – 2 years | 28.0 |
| 2 – 5 years | 9.7 |
| 5 – 10 years | 12.0 |
| Over 10 years | 180.7 |
| **Total** | **247.0** |

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

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £87.4m of short term borrowing was taken out during the year, with £42.4m still outstanding at 31st March 2019. This borrowing was all taken out with other local authorities & public sector bodies and was required to manage short term cash flow shortages towards the end of the financial year. During the year the Council held significant short term investments, as set out in Table 11. The average short term investment rate in 2018/19 was 0.73%.

**Table 11: In House Investments at 31st March 2019**

| | **At 30th June 2018 £m** | **At 30th Sept 2018 £m** | **At 31st Dec 2018 £m** | **At 31st Mar 2019 £m** |
|---|---|---|---|---|
| Banks and Building Societies | 22.3 | 13.0 | 6.0 | 0.0 |
| Local Authorities | 21.5 | 6.0 | 15.0 | 0.0 |
| Money Market Funds | 8.0 | 12.0 | 20.6 | 0.4 |
| Corporate Bonds | 4.0 | 5.0 | 3.3 | 6.9 |
| Registered Providers | 5.0 | 6.0 | 0.0 | 0.0 |
| **Total** | **60.8** | **42.0** | **44.9** | **7.3** |

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

**Table 12: External, Pooled Investments as at 31st March 2019**

| | Date Invested | Cost £m | Value £m | Annualised Return % |
|---|---|---|---|---|
| CCLA | Nov 2013 | 12.0 | 12.58 | 4.77% |
| Schroder Income Maximiser | Aug 2018 | 4.5 | 4.16 | 6.28% |
| Threadneedle Strategic Bond Fund | Aug 2018 | 1.5 | 1.50 | 2.99% |
| Investec Diversified Income Fund | Aug 2018 | 4.5 | 4.48 | 3.99% |
| M&G Optimal Income Fund | Aug 2018 | 1.5 | 1.47 | 3.27% |
| M&G Strategic Corporate Bond Fund | Aug 2018 | 3.0 | 2.94 | 3.62% |
| M&G UK Income Distribution Fund | Aug 2018 | 3.0 | 2.90 | 3.29% |
| **Total** | | **30.0** | **30.03** | **4.30%** |

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

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

**Revenue Related Prudential Indicators**

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 12.45%, as against 13.83% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

**Capital and Treasury Management Related Prudential Indicators**
These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £372.0m was within the limit of £513.2m.

- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing plus PFI and finance lease liabilities at £372.0m was within the boundary of £493.2m.

- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2020/21 CFR limit of £486.5m.

- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 22.2% of total debt that needs to be refinanced in 2019/20, compared to the PI limit of 40% in the 2019/20 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

## 3. Results of consultation undertaken

3.1 None.

## 4. Timetable for implementing this decision

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

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

5.1 Financial implications

The final revenue outturn picture for 2018/19 is underspend of £1m. This is calculated after taking account of recommended reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs. These proposals are designed to increase the Council's financial resilience ahead of the uncertainty that surrounds forthcoming changes to local government finance; respond to CIPFA's initial Financial Resilience Index results showing that the Council has comparatively low General Fund reserves; bolster the resources set aside to fund potential future restructuring costs; and provide a modest sum to pump prime potential future income earning investments or projects. Accounting regulations demand that the final £1m underspend is contributed to the Council's General Fund Balance, topping this particular reserve up to £10.3m (from £4.7m) which represents c4.5% of net revenue budget in line with the Council's Medium Term Financial Strategy. This will still leave the General Fund reserve below the median % level compared with other metropolitan authorities (based on 2017/18 results) but nevertheless places the Council on a firm financial footing.

The Council continues to face some volatility in several service areas. Although both its Adults and Children's services have been delivered within budget in the year, overspends have occurred within individual services relating to housing and homelessness (temporary accommodation) and Waste Services. These are described in section 2 above.

The Council has already made budget decisions to fund housing and homelessness issues and to initiate a range of solutions designed to bring down these costs in futue years. This will be a key focus on monitoring through 2019/20. Whilst some additional Waste Disposal costs have also been budgeted from 2019/20 onwards the level of the overspend in this area was unexpected and work is under way to understand and address the issues that have arisen. The first quarterly monitoring report in 2019/20 will provide an opportunity to provide an update on these areas.

Several service areas have reported modest budgetary underspends and in particular, Contingency and Central budgets has reported a £4m underspend in addition to identifying and delivering a range of one-off resources that have enabled the reserve contributions set out above. Work has begun to identify the level of budget provision that can be incorporated as savings within 2020/21 budget preparations. A large proportion of this improvement came from sources that were difficult to predict or impossible to rely upon when the Council last reported its financial position. These are set out in section 2. A number of them have come about as a result of background work to improve and support the Council's financial position over recent years and the view of the Directr of finance and Corporate Services is that the Council should continue to keep a sharp focus on and set resources aside for, medium term decisions that strengthens its ability to generate income and make appropriate commercial investments to enhance its service offer.

The country is clearly facing some unpredictable political circumstances at present which have only added to what was an uncertain local government funding environment. It remains prudent to continue to plan for further reductions in government funding although how significant they will be (or whether they happen at all) is impossible to predict. Management attention will continue to focus on appropriate approaches to balancing the Council's budget beyond 2019/20.

On balance, although some areas of the budget are overspent, the Council remains in a robust financial position due to a range of ongoing measures. The Council continues to give a high priority to financial management at a senior level and strong corporate control continues to be applied allowing the Council to take advantage of tactical opportunities to protect its budget such as: central control of salaries, management of reserve balances and capital receipts for corporate use, implementation of staff reduction programmes and continued attraction of significant external funding. These actions have helped to contribute to continued achievement of underspends and demonstrates the continued strength of the Council's budget management approach.

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

Significant application of grant funding has been undertaken within the Capital Programme although some previously approved prudential borrowing has been applied within 2018/19. The level of Prudential Borrowing applied is likely to increase over the next couple of years as the relevant capital spending is incurred and as other sources of funding are exhausted. Although there has once again been a large amount of the programme pushed back to later years it is noteworthy that the council has achieved its highest amount of capital expenditure in the modern era. The Council is part-way through a programme of ambitious and innovative projects affecting the city centre skyline, transport infrastructure and local economic circumstances. It is important to recognise the complexity, size and dependencies of these projects when judging the degree of progress that has been achieved in the year.

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

**6. Other implications**

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

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

**6.2 How is risk being managed?**

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

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

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

**6.4 Equalities / EIA**

No specific impact.

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

None.

**6.6 Implications for partner organisations?**

None.

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| Contributor/approver name | Title | Directorate or organisation | Date doc sent out | Date response received or approved |
|---|---|---|---|---|
| Michelle Salmon | Governance Services Officer | Place | 17/6/19 | 17/6/19 |
| Helen Williamson | Lead Accountant | Place | 13/6/19 | 13/6/19 |
| Paul Hammond | Accountant | Place | 13/6/19 | 13/6/19 |
| Ewan Dewar | Finance Manager | Place | 13/6/19 | 14/6/19 |
| **Names of approvers for submission:** (officers and Members) | | | | |
| Barry Hastie | Director of Finance and Corporate Services | Place | 13/6/19 | 17/6/19 |
| Carol Bradford | Corporate Governance Lawyer | Place | 13/6/19 | 14/6/19 |
| Councillor J  Mutton | Cabinet Member for Strategic Finance and Resources | - | 14/6/19 | 17/6/19 |

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**Appendix 1 Revenue Variations**

Appendix 1 details directorate forecast variances.

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

| Directorate | Revised Budget | Forecast Spend After Action/ Use of Reserves | Centralised Forecast Variance | Budget Holder Forecast Variance | Net Forecast Variation |
|---|---|---|---|---|---|
| | | | | | |
| | £m | £m | £m | £m | £m |
| | | | | | |
| Public Health | 3.5 | 2.6 | (0.1) | (0.7) | (0.8) |
| People Directorate Management | 1.4 | 1.5 | 0.1 | (0.1) | 0.0 |
| Education and Inclusion | 12.9 | 13.3 | 0.0 | 0.4 | 0.4 |
| Children and Young People's Services | 71.9 | 70.9 | (4.4) | 3.4 | (1.0) |
| Adult Social Care | 74.4 | 74.4 | (0.7) | 0.7 | 0.0 |
| Customer Services & Transformation | 9.2 | 11.2 | (0.4) | 2.4 | 2.0 |
| **Total People Directorate** | **173.3** | **173.9** | **(5.5)** | **6.1** | **0.6** |
| | | | | | |
| Place Directorate Management | 1.4 | 1.5 | 0.1 | (0.2) | (0.1) |
| City Centre & Major Projects Development | 7.5 | 8.0 | 0.0 | 0.5 | 0.5 |
| Transportation & Highways | 4.4 | 4.2 | (0.2) | 0.0 | (0.2) |
| Streetscene & Regulatory Services | 26.8 | 29.8 | 0.0 | 3.0 | 3.0 |
| Project Management and Property Services | (7.5) | (7.6) | 0.0 | (0.1) | (0.1) |
| Finance & Corporate Services | 7.0 | 6.3 | (0.2) | (0.5) | (0.7) |
| **Total Place Directorate** | **39.6** | **42.2** | **(0.3)** | **2.7** | **2.4** |
| Total Contingency & Central Budgets | 21.5 | 17.5 | 0.0 | (4.0) | (4.0) |
| **Total Spend** | **234.4** | **233.6** | **(5.8)** | **4.8** | **(1.0)** |
| Resourcing | (234.4) | (234.4) | 0.0 | 0.0 | 0.0 |
| **Total** | **0.0** | **(0.8)** | **(5.8)** | **4.8** | **(1.0)** |

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

| Reporting Area | Explanation | £m |
|---|---|---|
| People Directorate | The Directorate underspend against its salary budgets and turnover target is mainly due to continuing high levels of vacancies in Children's Social Care which accounts for the majority of the £5.5m underspend. This is partially offset by a non salary overspend as a result of agency staff in Children's 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. | (5.5) |
| Place Directorate | The vast majority of centralised variations are a direct result of vacancies held, either due to the inability to recruit, or whilst reviews are taking place. The gross surplus as a result of this is c£2.5m, however budgeted turnover targets of £2.2m mean that the net surplus is a lower c£0.3m | (0.3) |
| **Total Non-Controllable Variances** | | **(5.8)** |

| **People Directorate** | | | |
|---|---|---|---|
| **Service Area** | **Reporting Area** | **Explanation** | **£M** |
| 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. | (0.7) |
| Public Health | Public Health Staffing & Overheads | The underspend relates to the early delivery of the future years grant saving. | (0.3) |
| Public Health | Public Health - Lifestyles | Overspend relates to one off project funding, resourced from underspend across other elements of the Public Health Grant. | 0.1 |
| Public Health | Other Variances Less that 100K | | 0.2 |
| **Public Health** | | | **(0.7)** |
| People Directorate Management | Other Variances Less that 100K | | (0.1) |
| **People Directorate Management** | | | **(0.1)** |
| Education and Skills | SEND & Specialist Services | The outturn for 'SEN' Transport includes a mid-year £0.2M budget transfer from Adults' Social Care. Demand was re-based in September 2018 identifying a 10% increase in volume compared to September 2017 (914 travellers compared to 830). In-year demand continued to rise between September and March 2019 to 970, which equates to a further 6% increase. Further cost pressures relate to mode of transport as the availability of in-house fleet minibuses has been exhausted, resulting in temporary commissioning of taxis. In addition individual taxis have been commissioned to reflect individual children's needs, specifically in relation to behaviour. The immediate impact of the release of the e-auction contracts has been included. It is noted that 82 additional special school places have been commissioned from September 2019 to reflect growth in demand which will add additional pressure to transport costs. Urgent work will now take place to examine the procurement system to secure best value solutions. | 0.6 |

| | | | |
|---|---|---|---|
| Education and Skills | Education Improvement & Standards | This under spend 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) |
| Education and Skills | Adult Education | To date it has not been possible to deliver 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 | Other Variances Less that 100K | | (0.1) |
| **Education and Inclusion** | | | **0.4** |
| Children and Young People's Services | Children's Services Management Team | The service has delivered savings as a result of service changes and review. These support the delivery of the Children's Services Transformation programme in the current and future years. | (0.3) |
| Children and Young People's Services | Help & Protection | The budget holder variance largely relates to the costs of agency staff covering vacancies across the service.This is more than offset by underspends across centralised salary budgets. There is also a small overspend forecast as a result of supporting families with no recourse to public funds. The overspend has reduced since Q3 due to available use of grant funding and a reduction in agency staffing levels. | 1.7 |
| Children and Young People's Services | LAC & Care Leavers | This budget holder variance partly relates to the costs of agency staff partly offset by underspends across centralised salary budgets. There is also an overspend on supported accommodation for LAC and care leavers of £1M, which is as a result of a higher number of former LAC being supported, and some high costs placement. 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 and the rise of children involved in gang related activity. There is also a pressure on the unaccompanied asylum seeker budget of £0.2M, where the grant is not sufficient to cover the full cost of supporting care leavers with unresolved immigration status. LAC Placements overall has underspent by £1M; this is linked to the Children's Transformation work to reshape LAC Placements, and despite increased LAC numbers, an overall lower placement unit cost. | 2.0 |
| **Children and Young People's Services** | | | **3.4** |
| 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 in place to review some of the higher cost services and develop our approach to Promoting Independance which will further | 1.6 |

| | | | |
|---|---|---|---|
| | | support the financial position. A review of internal processes and procedures is being undertaken to support management maintain effective monitoring of costs and pressures. | |
| Adult Social Care | Older People Community Purchasing | Underlying budget pressures increased in the final quarter of the year in part due to increased usage of planned home support placements. In addition market cost pressures continue to impact linked to National Living Wage increases. Management actions continue to ensure demand on social care is managed in the most cost effective way to reduce overall financial impact. Focused efforts to manage approved packages through the panel process continue. Utilising our Promoting Independence approaches will further support management of financial pressures. A review of internal processes and procedures is being undertaken to support management to maintain effective monitoring of costs and pressures. | 1.2 |
| Adult Social Care | All Age Disability and Mental Health Operational | Significant pressures in Deprivation of Liberty Assessments (DOLs) conitinues resulting in addtional assessment costs. Both the Adult Disability Teams and Mental Health Teams have experienced staff turnover and incurred agency costs to cover statutory functions and meet the additional demands. | 0.7 |
| Adult Social Care | Internally Provided Services | The overspends on other pay, overtime and variable allowances are partly offset by underspends on centralised salary costs due to a number of vacancies. An overall overspend was due to additional costs relating to changes to holiday pay for casual staff | 0.3 |
| Adult Social Care | Older People Operational | Overall underspend with centralised salary underspends offseting overspends on agency staff and other costs. | 0.2 |
| Adult Social Care | Adult Social Care Director | Use of government grant ( IBCF Protecting Social Care) resources to manage Adult Social Care pressures | (3.1) |
| Adult Social Care | Other Variances Less that 100K | | (0.2) |
| **Adult Social Care** | | | **0.7** |
| 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 | 3.0 |
| 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. | (0.5) |
| Customer Services & Transformation | Transformation Programme Office | This underspend relates to a reduced requirement for external transformation support during this financial year | (0.1) |
| Customer Services & Transformation | Customer Services & | This underspend relates to early delivery of ICT restructure savings | 0.1 |

| | | | |
|---|---|---|---|
| | Transformation Management | | |
| Customer Services & Transformation | Other Variances Less that 100K | | (0.1) |
| **Customer Services & Transformation** | | | **2.4** |
| **Total Budget Holder Forecast Variances - People** | | | **6.1** |

| **Place Directorate** | **Place** | | |
|---|---|---|---|
| **Service Area** | **Reporting Area** | **Explanation** | **£M** |
| Place Directorate Management | Other Variances Less that 100K | | (0.2) |
| **Place Directorate Management** | | | **(0.2)** |
| City Centre & Major Projects Development | Sports, Culture, Destination & Bus Relationships | The largest pressure relates to the overspend in events of £460k in respect of the Godiva festival and the cancelled Ricoh music events. In addition, St Mary's Guildhall and Godiva café has a trading deficit of £160k | 0.7 |
| City Centre & Major Projects Development | Employment & Adult Education | This underspend relates to in year Grant project surpluses made including ESF projects Connect me, Routes, Ambition and Exceed. | (0.3) |
| City Centre & Major Projects Development | Other Variances Less that 100K | | 0.1 |
| **City Centre & Major Projects Development** | | | **0.5** |
| Transportation & Highways | Traffic | This is primarily related to higher than budgeted income from car parking and bus gate enforcement, and a small underspend on street lighting. This has been offset by pressures in the Network Management Team relating to the use of agency cover and the cost of unrecoverable RTA damage to assets and the unfunded costs of growth to the asset estate | (0.2) |
| Transportation & Highways | Other Variances Less that 100K | | 0.2 |
| Transportation & Highways | | | |
| **Transportation & Highways** | | | **0.0** |
| Streetscene & Regulatory Services | Planning & Regulatory Services | There have been changes in leglislation in Mandatory Licensing, which together with increased Planning application activity has resulted in a significant increase in income received. This has been partly offset by | (0.8) |

| | | | |
|---|---|---|---|
| | | overspends on salaries, agency and consultancy fees & barrister costs | |
| Streetscene & Regulatory Services | Streetpride & Parks | There have been a number of pressures across this division. Bereavement income is £346k lower than budget due to a fall in normal activity levels. The Arboriculture contractor failed meaning the contract had to be reprocured, costing £123k more. In addition, Coombe Park car parking resulted in a pressure of £189k due to equipment failure (this has now been resolved). Fleet pressures across the service of c£220k were also experienced due to the need to spot hire to cover maintenance issues. Finally, agency staff required to cover frontline posts pending a review amounted to £231k, however this was more than offset by vacancy savings of £577k. | 1.1 |
| Streetscene & Regulatory Services | Waste & Fleet Services | There have been a number of large variations in this area, most significantly a deficit of £1.2m in Commercial Waste which is as a result of a combination of increased costs of Waste Disposal, market related pay for HGV drivers, and other inflationary staff pay rises. The service has not been in a position to either increase its prices or gain sufficient additional business growth yet to cover the cost increases in 18/19. A review is underway to ensure costs can be reduced an income grown to achieve a balanced budget<br><br>Other pressures include the costs associated with using casual staff to cover long term sickness, holidays and suspensions, Christmas collections and Fleet Charges in Domestic Waste (£382k),<br><br>Increased cost of fuel, spot hires, vehicle parts and avoidable damage has also created pressure across the division.<br><br>Other significant spend has been incurred on uncontrollable increases in both disposal gate fees and waste tonnages in excess of those budgeted for and have resulted in an overspend on Waste Disposal costs of £0.7m | 2.5 |
| Streetscene & Regulatory Services | Environmental Services | The main pressure in this area continues to be CCTV and Community Safety with unfunded pay award pressures and an under-recovery of income totalling £165k. In addition, Pest Control and Animal Welfare has not yet grown its income sufficiently to reflect the additional capacity and investment in staff and vehicles but is expected to do so in 19/20. | 0.3 |
| Streetscene & Regulatory Services | Other Variances Less that 100K | | (0.1) |
| **Streetscene & Regulatory Services** | | | **3.0** |
| Project Management and Property Services | PAM Management & Support | The service were allocated a £300k target in 18/19 for improved property rental streams. This has been achieved in full on an ongoing basis through | 0.1 |

| | | | |
|---|---|---|---|
| | | acquisitions and lease regearing, but with a part year effect in 18/19. | |
| Project Management and Property Services | Commercial Property | Commercial property rents received over the year are slightly above budget, primarily due to the temporary additional rent being received for properties acquired to support the City Centre South development. | (0.2) |
| Project Management and Property Services | Facilities & Property Services | This primarily relates to reduced cost on corporate property repair and maintence due to completion of fewer jobs in year and surlus made in the occupier support team. This has however been offset by an underperformance of the R&M teams trading position. The R&M trading service is being reviewed to prevent a repeat in future years. | (0.1) |
| Project Management and Property Services | Other Variances Less that 100K | | 0.1 |
| **Project Management and Property Services** | | | **(0.1)** |
| Finance & Corporate Services | Legal Services | Primarily due to external Counsel expenditure in respect of advocacy work. The team has now been restructed which will allow more in-house advocacy and reduce external costs in future. | 0.3 |
| Finance & Corporate Services | Revenues and Benefits | Primarily due to improved recovery of overpaid housing benefit. | (0.4) |
| Finance & Corporate Services | Financial Mgt | This largely relates to the full year impact of a staffing restructure delivered in 2017/18, together with other savings delivered through a review of non-staffing expenditure. The service has a new savings target of £250k which this savng will help deliver | (0.2) |
| Finance & Corporate Services | Democratic Services | This relates to vacancy savings within Internal Audit in the lead up to a new structure being implemented, plus additional income from an increased number of school appeals services being requested from Governance Services. | (0.1) |
| Finance & Corporate Services | Other Variances Less that 100K | | (0.1) |
| **Finance & Corporate Services** | | | **(0.5)** |
| **Total Budget Holder Forecast Variances - Place** | | | **2.7** |
| Contingency & Central Budgets | Corporate Finance | | (4.0) |
| **Total Budget Holder Forecast Variances - Contingency & Central Budgets** | | | **(4.0)** |

## Appendix 2 Capital Programme Change and Analysis of Rescheduling

| SCHEME | APPROVED CHANGES £m | (RESCHEDULING) / ACCELERATED SPEND £m | (UNDERSPEND) / OVERSPEND £m | EXPLANATION |
|---|---|---|---|---|
| **PEOPLE DIRECTORATE** | | | | |
| Condition | (0.3) | | | Reduced allocation from Grant Body |
| Devolved Formula Capital | 0.9 | | | Increase in Grant Allocation from DFE |
| Early Years 30hr Places | | | (0.1) | Contribution made from 2 Schools for the work carried out on the Modular Buildings Programme |
| Broad Spectrum School | | | (1.0) | value engineering during the construction phase |
| Basic Need - Secondary Expansion Programme | | (1.8) | | The projects to expand secondary schools have taken longer than anticipated in the planning stage and therefore, the spend is likely to be seen in Q1 and Q2 of 19/20. |
| ICT Programme | | (0.2) | | Variance relates to expected spend on two large projects that are currently in dispute. The payments for these were included in forecasts on the basis that we would be required to pay. However, the dispute/negotiations are still ongoing and therefore the payment was not required last financial year. |
| SEND | | (0.3) | | SEN Team are reviewing their strategy to meet the growing demand for places, therefore the SEN expansions programme has been delayed. Much of the planned expansions will be required to take place in the school holidays therefore, the spend has been rescheduled to Q1 and Q2 of 19/20. |

| | | | | |
|---|---|---|---|---|
| Superfast Broadband | | 0.5 | | We have been negotiating on the Superfast Broadband project with a review to withdrawing any further investment due to other private investment streams covering the same infrastructure build. These negotiations took place and were finalised towards the end of FY 2018/19. This has resulted in an acceleration of funding to cover the total and final settlement amount for this project. |
| Miscellaneous | 0.1 | | | |
| **SUB TOTAL - People** | **0.7** | **(1.8)** | **(1.1)** | |
| | | | | |
| **PLACE DIRECTORATE** | | | | |
| Vehicle & Plant Replacement Leasing | (0.3) | | | Leasing of vehicles is removed from the programme as prudential borrowing is better value for money. |
| Heatline | (0.5) | (0.7) | | The change to the programme reflects that the Water Park is picking up their costs for the instalation of Heatlline, as approved by Cabinet in October 2017. These costs appear against the Destination Leisure Facility. The rescheduling is due to contract works not being finished as expected. Part of the delay is that Engie are working to the commissioning programme of the Water Park. In addition we are still finalising commercial negotiations in relation to a series of variations. |
| Alan Higgs Centre - 50m Swimming Pool | | (1.1) | | The £1.1m rescheduling on Higgs is due to some high cost items (movable floor, retractable boom) that are not yet in the country, the project cash flow allowed for an early delivery of these high cost items (in financial year 2018/19) but due to storage and security issues the delivery of the items has been moved to the back end of the programme. The project is also two weeks behind programme. |
| Coombe Loan - Go Ape | 0.7 | | | Approved at Cabinet in October 2018, this is the first drawn down from the loan facility. |

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| Capitalisation of Interest | 1.4 | | | This is in respect of the accounting policy referring to the prudential borrowing costs associated with schemes: City Centre Destination Facility, Whitley South and Salt Lane Car Park. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing. |
| Investment in Sporting Facilities | | | (0.1) | Removal of investment in Fairfax Street Sports Centre as the new Wave Opens. |
| Coombe (Purchase of Shares) | | | (1.5) | As part of the CAPL share purchase in Dec 2017 CCC was required to pay an amount of up to £1.5m in addition to the initial purchase price of the shares. However this was dependent on the level of CAPL's earnings in the year after the purchase. Earnings did not reach the required level and as a consequence no further payment was required. |
| UKC&C - Coventry South Package | | (0.7) | | Work on the future phases of the A46 Link Road have been delayed due to a need to focus resources on progressing the Phase 1 scheme. Additional resource has been recruited by WCC to progress work on Phase 2 without impacting on the delivery of Phase 1. Work on the Park and Ride aspect of the package has been deferred pending the outcome of a study being undertaken by Midlands Connect on the Coventry to Leamington railway line, which could influence the scope of the park and ride study. TfWM work on the Tile Hill Station CP has also been delayed due to a need to liaise with other third parties regarding the land use options for the site identified as the preferred option for the car park. |
| UKC&C - Coventry North Package | | (0.2) | | The study brief for this work has taken longer than anticipated to prepare due to a need to liaise with |

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| | | | | WCC and the two District Councils to agree the scope, and to reflect ongoing discussions regarding the Nuneaton and Bedworth Local Plan. The brief is now ready for issue and this study will be commissioned soon. |
| UKC&C - Very Light Rail | | (0.3) | | Rescheduling due to the delay on the track procurement programme which means we are not in contract yet with an innovation partner and have therefore not been able to spend any of the allocated track budget. Furthermore, Dudley Metropolitan Borough Council (DMBC) did not reach their forecasted spend for the allocation towards Dudley Innovation Centre, consequently DMBC spend has been reprofiled for 2019/20. |
| Coventry Centre Regeneration - City Centre South | | (0.4) | | The majority of the rescheduling relates to consultants fees for the planning application. This expenditure was slipped into 2019/20 as a result of the Development Agreement negotiations continuing into late March 2019 |
| Coventry Centre Regeneration - Friargate | | (0.6) | | Quarter three included an estimate for the cost of stamp duty (c£1m) prior to the Council entering into the Joint Venture. In reality, this was a cost funded by the Joint Venture as a result of acquiring the site. The Council picked up 50% of this cost as part of its agreed contribution towards the costs of running the Joint Venture. |
| Highways Investment | | (1.2) | | Of the £1.226m pothole funding received in the 4th quarter of 2018-19, £0.5m of resurfacing and footway improvement schemes are committed but will not be completed until early 2019-20. £0.4m of flood alleviation scheme support monies for Brookstray and Allesley schemes unable to be expended due to project formulation and delivery which is relient on the EA process and management |

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| Clean Bus Technology Fund | | (1.5) | | The Clean Bus Technology Fund grant is money received from central government for the purpose of retrofitting selective catalytic traps to buses operating in the city. This technology will lead to an improvement in air quality. The scheme is being delivered by the private company National Express Coventry. Coventry City Council will passport the grant to National Express upon application when they have installed the technology. National Express have suffered programme slippage through the need to retender for the work following their original supplier entering administration. The slippage from 2018/19 to 2019/20 is at no risk to Coventry City Council as the Government department that issued to the grant have accepted the slippage. |
| Early Measures Fund | | (0.6) | | Whilst the majority of the Early Measures programme is progressing to timetable, notably the engagement with schools, major employers and local communities in the Walsgrave corridor, the implementation of the proposed junction improvement at Ball Hill has been delayed, and the revised scheme is to be delivered in 2019/20. This delay has resulted from a need to review and revise the design, and the scope, of the original scheme in response to feedback received from the consultation with the local community. Consultation on the revised scheme has recently been held. |
| GD19 - Coventry Station Access | | (3.6) | | Due to the late withdrawal of the preferred bidder for the NUCKLE1.2 works, these works have had significant delays in the delivery. A full retender is required resulting in slippage of all associated costs on this project. |
| GD14 - A46 N-S Corridor (Stanks) | | (0.4) | | This project's construction start day has been delayed following issues with the procurement of the scheme delivery partner. The partner will provide a further updated schedule which is being presented at CWLEP Programme Delivery Board on 9th May. |

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| GD32 - Warwick Arts Centre 20:20 | | 0.2 | | The project has been able to accelerate Local Growth Fund expenditure, works have progressed well against programme. |
| GD36 - A452 Europa Way Corridor | | (0.3) | | The forecast for this programme of works was based on a preliminary estimate. The schedule of works has now been agreed, with an updated financial profile. The project is presenting to CWLEP Programme Delivery Board on the 9th May. |
| GD37 - Nuneaton Town Centre Transformation | | (0.3) | | The project revised its LGF grant profile to take into account the latest schedule of works, this was reported to CWLEP Programme Delivery Board January 2019 post Qtr 3 reporting. The project remains on track against its revised schedule. |
| Whitley South Infrastructure - Facilty A and B (DLCG) | | 0.6 | | The accelerated spend is due to the need to order long lead-in items such as the steel for the bridge and to pay Severn Trent for diversion works which would otherwise hold up the scheme. |
| Public Realm Phase 5 - City of Culture | | (0.3) | | The Upper Precinct programme is slightly behind where anticipated due to delay in final design finalisation. The scheme is now on site and the programme will catch itself up in 2019-20. |
| Domestic Recyling With Nuneaton and Bedworth | | (1.1) | | Although the intention was to have ordered these vehicles and have received them last financial year, decisions on the required vehicle specifications hadn't been finalised in time to order them. As Nuneaton and Bedworth Recycling was a new contract, the vehicle specification was a new concept to us, so more time was needed ensuring the right specification had been identified before we procured them. |
| Kickstart Office | | (0.2) | | This is primarily due to hold up with the move by CITU to Southfields, the refurb work at Southfields and the subsequent refurb work at the council house. |

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| Growing Places | | (0.2) | | These funds relate to a lapsed Business Grant programme that ended in 18/19. The rescheduling is due to some businesses not claiming their full allocations. The funds will be reallocated in 19/20. |
| City Centre Destination Leisure Facility | | (1.0) | | The programme for the delivery of the Wave has been delayed, with an extension of time agreed with the contractor Buckingham. |
| Indoor Pitch Facility at Alan Higgs Centre (Loan) | | (0.3) | | The loan in relation to the construction of the indoor barn at the Alan Higgs Centre was approved on the basis of a maximum draw down of £1.5m , the total project was delivered for £1.2m. |
| Salt Lane | | 0.6 | | Payment of agreed additional costs associated with Archaeology works and progress on site to meet 3 August completion date. |
| Housing Venture | | (0.2) | | The slippage is due to Whitefriars not drawing down the monies set aside for the Housing Venture for the garage/infill plots. |
| Duplex Fund (loan) | | (0.3) | | The underspend is due to the delay in the scheme opening for business. This will happen shortly and these funds will be spent in 19/20 |
| Battery Plant and Equipment | | (10.2) | | Delays in ordering machinery equipment and plans to change the overall total of the project cost. |
| Binley Court Acquistions | | (0.3) | | The balance of these funds will be used to make repairs to known problems when acquiring the buidling (roof, lift and drainage), these works are currently being assessed and will be built into a future maintenace plan over the next 5 years |
| Loop Line (Loan) | | (0.2) | | Loan facility not ultiised in 18/19. |
| **SUB TOTAL - Place Directorate** | **1.3** | **(24.7)** | **(1.6)** | |
| | | | | |
| **TOTAL CHANGES** | **2.0** | **(26.5)** | **(2.7)** | |

## Summary Prudential Indicators

| | | Per Treasury Management Strategy 18/19 £000's | Actual 18/19 £000's |
|---|---|---|---|
| 1 | **Ratio of financing costs to net revenue stream:** | | |
| | (a) General Fund financing costs | 32,423 | 29,184 |
| | (b) General Fund net revenue stream | 234,452 | 234,452 |
| | General Fund Percentage | 13.83% | 12.45% |
| 2 | **Gross Debt & Forecast Capital Financing Requirement** | | |
| | Gross debt including PFI liabilities | 460,277 | 371,991 |
| | Capital Financing Requirement (forecast end of 20/21) | 506,203 | 486,455 |
| | **Gross Debt to Net Debt:** | | |
| | Gross debt including PFI liabilities | 460,277 | 371,991 |
| | less investments | -30,000 | -63,876 |
| | less transferred debt reimbursed by others | -13,050 | -13,050 |
| | Net Debt | 417,227 | 295,065 |
| 3 | **Capital Expenditure (Note this excludes leasing)** | | |
| | General Fund | 262,004 | 146,697 |
| 4 | **Capital Financing Requirement (CFR)** | | |
| | Capital Financing Requirement | 506,203 | 440,275 |
| | Capital Financing Requirement excluding transferred debt | 493,153 | 427,225 |
| 5 | **Authorised limit for external debt** | | |
| | Authorised limit for borrowing | 445,408 | 445,408 |
| | + authorised limit for other long term liabilities | 67,745 | 67,745 |
| | = authorised limit for debt | 513,153 | 513,153 |
| 6 | **Operational boundary for external debt** | | |
| | Operational boundary for borrowing | 425,408 | 425,408 |
| | + Operational boundary for other long term liabilities | 67,745 | 67,745 |
| | = Operational boundary for external debt | 493,153 | 493,153 |
| 7 | **Actual external debt** | | |
| | actual borrowing at 31 March 2019 | | 298,488 |
| | + PFI & Finance Leasing liabilities at 31 March 2019 | | 67,737 |
| | + transferred debt liabilities at 31 March 2019 | | 13,050 |
| | = actual gross external debt at 31 March 2019 | | 379,275 |
| 8 | **Interest rate exposures** | | |
| | Upper Limit for Fixed Rate Exposures | 445,408 | 298,060 |
| | **Variable Rate** | | |
| | Upper Limit for Variable Rate Exposures | 89,082 | -57,758 |

| | | upper limit | actual |
|---|---|---|---|
| **9** | **Maturity structure of borrowing - limits** | | |
| | under 12 months | 40% | 22.2% |
| | 12 months to within 24 months | 20% | 9.5% |
| | 24 months to within 5 years | 30% | 4.9% |
| | 5 years to within 10 years | 30% | 5.4% |
| | 10 years & above | 100% | 58.1% |
| | | | |
| **10** | **Investments longer than 364 days: upper limit** | 18,000 | 0 |