Coventry City Council

Public report
Cabinet

Cabinet — 27th August 2019
Audit and Procurement Committee — 2nd 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:
City wide

Title:
2019/20 First Quarter Financial Monitoring Report (to June 2019)

Is this a key decision?
No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2019. The headline revenue forecast for 2019/20 is for net expenditure to be £0.6m below budget. At the same point in 2018/19 there was a projected overspend of £2.0m. The headline capital position reports £6.9m of expenditure rescheduled into 2020/21.

The revenue position reflects overspends in services relate to Looked After Children Placements and Special Education Needs (SEN) Transport with compensating below budgeted expenditure within in corporate areas.

The Council's capital spending is projected to be £218.9m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure and the National Battery Plant.

Recommendations:

The Audit and Procurement Committee is requested to:

1) Consider the proposals in the report and forward any recommendations to the Cabinet

The Cabinet is requested to:

1) Consider the recommendations from Audit and Procurement Committee.

2) Approve the Council's revenue monitoring position.

3) Approve the revised capital estimated outturn position for the year of £218.9m incorporating: £3.9m net increase in spending relating to approved/technical changes, £6.9m net rescheduling of expenditure into 2020/21 and a £0.1m net scheme overspend.

4) Approve £0.1m overspend on Salt Lane Car park to be funded from Prudential Borrowing.

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 2019/20
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Background papers:

None

Other useful documents

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?

Audit and Procurement Committee 2nd September 2019

Will this report go to Council?

No

Report title:
2019/20 First Quarter Financial Monitoring Report (to June 2019)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £231.5m on the 19th February 2019 and a Directorate Capital Programme of £195.4m. This is the first quarterly monitoring report for 2019/20 to the end of June 2019. 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 2019/20 revenue forecast is for expenditure to be £0.6m below budget. The reported forecast at the same point in 2018/19 was an overspend of £2.0m. Capital spend is projected to be £218.9m, an increase of £23.5m on the approved Capital Programme for the year.

2. Options considered and recommended proposal

2.1 This is a budget monitoring report and as such there are no options.

2.2 **Revenue Position** - The revenue forecast position is analysed by service area below.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Forecast Variation £m
Public Health	1.3	0.9	(0.4)
People Directorate Management	1.4	1.5	0.1
Education & Inclusion	12.3	14.0	1.7
Children & Young People	73.9	74.9	1.0
Adult Social Care	77.8	77.8	0.0
Customer Services & Transformation	14.5	15.8	1.3
Place Directorate Management	2.9	3.0	0.1
Business Investment & Culture	7.1	7.3	0.2
Transportation & Highways	4.6	4.9	0.3
Streetscene and Regulatory	28.1	28.4	0.3
Project Management & Property	(7.9)	(8.0)	(0.1)
Finance & Corporate Services	7.2	7.2	0.0
Contingency & Central Budgets	8.4	3.3	(5.1)
Total Spend	**231.5**	**230.9**	**(0.6)**

2.3 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1.

People Directorate
The largest forecast People Directorate pressure is due to high cost LAC Placements. This is due to the increasingly complex of needs of some young people. A further significant pressure is in SEN transport (increasing demand and changes in provision). Children's Transformation Board continues to monitor the LAC placement transformation and associated budget efficiencies, and the Strategic Transport group are reviewing cost and considering any steps that can be taken to reduce cost.

Housing & Homelessness is forecasting a £0.6m overspend due largely to the costs of temporary accommodation despite additional budgetary resource of £3.4m in 2019/20. Work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation.

Place Directorate
The majority of adverse variations relate to income shortfalls including within Commercial Waste whilst it continues to further grow its business to achieve the aspirational commercial income targets (£0.4m); bus gate and parking enforcement as a result of both temporary bus gate closures and a lower activity trend generally (£0.5m), St Marys Guildhall trading income (£0.14m) and the Parks Service related mostly to parking income (£0.15m).

These deficits are however offset by a £0.4m over recovery of fees by highways due to a one-off increase in their capital programme, one off recovery of planning costs of £0.12m, a forecast £0.3m below budget expenditure on waste disposal due to lower disposal tonnages and lower recycling gate fees than budgeted, and a one off saving of £0.3m in fleet from extending the life of some vehicles beyond the normal financing period.

Contingency and Central Budgets
Net expenditure is anticipated to be £2m below budget within the Asset Management Revenue Account because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1m), resources related to one-off funding for adults and children's social care (£1.15m) and projected additional savings from the Friargate Project (£0.75m) which will be built into 2020/21 Budget Setting.

2.4 **Capital Position -** The 2019/20 capital outturn position for quarter one reported a revised outturn position of £218.9m compared with the original programme reported to Cabinet in February 2019 of £195.4m. Table 2 below updates the budget at quarter 1 to take account of a £3.9m increase in the programme from approved/technical changes, £26.5m of expenditure has been brought forward from 2018/19 and £6.9m now planned to be carried forward into future years. This rescheduling and the £0.1 overspend is discussed further in section 5.1. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2019/20 is £218.9m**.** Appendix 3 provides an analysis by directorate of the movement since budget setting.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2019/20. It shows 73% of the programme is funded by external grant monies, whilst 23% is funded from borrowing. The programme also includes funding from capital receipts of £3.25m.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2019-20 MOVEMENT	Qtr 1 Reporting £m
February 2018 Approved Directorate Programme	195.4
Net rescheduling of expenditure from 2018/19 to 2019/20	26.5
Revised Quarter One Base	**221.8**
Approved / Technical Changes (see Appendix 2)	3.9
"Net" Overspend (see Appendix 5)	0.1
"Net" Rescheduling into future years (see Appendix 4)	(6.9)
Revised Estimated Outturn 2019-20	218.9

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	49.7
Grants and Contributions	160.5
Capital Receipts	3.2
Revenue Contributions	5.6
Total Resources Available	218.9

2.5 Treasury Management

Interest Rates
The current Bank of England Base Rate has been at 0.75% since August 2018. There is a great deal of uncertainty in both the global economy, as a result of US trade policy and the UK economy as there is even greater uncertainty surrounding EU exit.

All of this makes it very difficult to predict what will happen to interest rates, however, it is believed that it is unlikely that interest rates will rise unless there is some certainty with regards to the EU withdrawal agreement. Therefore, forecasts believe that interest rates will remain at 0.75% for the medium term, with risk to both the upside & downside of this forecast.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2019/20 Capital Programme is £40.8m, taking into account borrowing set out in Section 2.4 above (total £49.7m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£8.9m). 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 2019/20 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 2019/20 to P3	Maximum 2019/20 to P3	As at the End of P3
5 year	1.58%	1.93%	1.72%
50 year	2.31%	2.61%	2.44%

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 does not currently hold any short-term borrowing.

Returns provided by the Council's short-term investments yield an average interest rate of 1.23%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 30th June 2018 £m	As at 31st March 2019 £m	As at 30th June 2019 £m
Banks and Building Societies	22.3	0.0	6.0
Money Market Funds	8.0	0.4	4.2
Local Authorities	21.5	0.0	0.0
Corporate Bonds	4.0	6.9	9.0
Registered Providers	5.0	0.0	10.0
Total	**60.8**	**7.3**	**29.2**

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

As at 30th June 2019 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 30th June 2019 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2019/20. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30th June the value is -£28.1m (minus) compared to +£84.5m 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 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30th June the value is £221.7m compared to £422.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

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's overall financial position for the current year is sound. The projected position for net expenditure to be £0.6m less than budget is an improvement on the £2m overspend position at the same period in 2018/19 and there is a strong expectation of achieving a better than balanced position at year-end. However, this picture incorporates corporate below budget positions that cannot be relied upon beyond 2019/20. There are a range of services that are reporting overspends, mostly within demand led budget areas where it is more difficult for the Council to exercise control and these are adding pressure to what the Council expects to be a challenging 2020/21 budget process.

Given the uncertainty facing local government finances beyond 2019/20, the Director of Finance and Corporate Services is clear that the Council needs to take measures to protect its financial position in the short-term to provide some protection against any financial shocks over the next few years. The Council is facing significant financial budget shortfalls over the medium term and an unpredictable picture in relation to how the Government will implement the Spending Review, a new local government finance formula and a revised Business Rates retention scheme. Therefore, the Council will review any flexibility available in the current year ahead to prepare for the possibility of any potential future shocks. If the future financial position turns out to be better than anticipated any setting aside of one-off resources will remain available to invest in future projects and capital plans.

Ahead of this the Council needs to ensure that it continues to hold a strong focus on managing services within existing budgetary limits. This includes continuing to implement transformational change to deliver existing savings plans, ensuring that demand for services is managed within existing policy parameters and identifying new ways of responding to service pressures to control costs.

In summary, the relatively positive position reported at quarter 1 should not deflect from the expectation of a very challenging outlook for the Council's revenue position and officer attention both at a corporate level and in several service areas is focussed strongly on responding to these challenges.

Capital
The largest areas of rescheduling in the first quarter involve some of the strategic projects which will help to change the face of the city including the Coventry Station Masterplan, Whitley Depot and Friargate regeneration (building 2). The Whitley South projected is anticipating accelerated spend as works progress on the highways' agreement putting the contractor in place to undertake significant works. None of the rescheduled programme will result in any funding being lost to the Council.

A small overspend of £0.1m is being predicted against the Salt Lane Car Park construction nearing completion, this represents <1% of the overall budget approved in January 2017 and is the outcome of addional costs for power and water supply requested by the Contractor. These costs are currently under review by the Project Team and will endeavour to reduce the financial risk.

The success of the City of Culture Bid from WMCA £31.6m and Arts Council funding £1.8m bring positive progress for the remainder of 2019/20 and the delivery of the City of Culture aspirations. Wider changes to the programme will be developed as projects are formalised.

5.2 Legal implications

None

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

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?

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 at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

6.6 Implications for partner organisations?

No impact.

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

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	1.3	0.9	0.0	(0.4)	(0.4)
People Directorate Management	1.4	1.5	0.1	0.0	0.1
Education and Skills	12.3	14.0	0.1	1.6	1.7
Children and Young People's Services	73.9	74.9	(1.7)	2.7	1.0
Adult Social Care	77.8	77.8	(0.7)	0.7	0.0
Customer Services & Transformation	14.5	15.8	(0.3)	1.6	1.3
Total People Directorate	**181.2**	**184.9**	**(2.5)**	**6.2**	**3.7**
Place Directorate Management	2.9	3.0	0.1	0.0	0.1
City Centre & Major Projects Development	7.1	7.3	0.1	0.1	0.2
Transportation & Highways	4.6	4.9	0.0	0.3	0.3
Streetscene & Regulatory Services	28.1	28.4	(0.4)	0.7	0.3
Project Management and Property Services	(7.9)	(8.0)	0.1	(0.2)	(0.1)
Finance & Corporate Services	7.2	7.2	(0.1)	0.1	0.0
Total Place Directorate	**42.0**	**42.8**	**(0.2)**	**1.0**	**0.8**
Total Contingency & Central Budgets	**8.2**	**3.1**	**0.0**	**(5.1)**	**(5.1)**
Total Spend	**231.4**	**230.8**	**(2.7)**	**2.1**	**(0.6)**
Resourcing	**(231.4)**	**(231.4)**	**0.0**	**0.0**	**0.0**

Reporting Area	Explanation	£m
People Directorate	The Directorate underspend against its salary budgets and turnover target is mainly due to continuing vacancies in Adult and Children's Social Care which accounts for the majority of the £2.5m underspend. This is partially offset by a non-salary overspend in Adult and Children's Social Care (e.g. agency, overtime). This position is reduced from 18/19 outturn (£5.5M) as a number of vacancies have been filled. It is expected that vacancy levels and agency costs will continue to reduce, which will continue to reduce the centralised salary underspend and the budget holder overspend through the year.	(2.5)
Place Directorate	The Directorate as a whole has a 'centralised' surplus of £180k net. In reality at Q1 however, the underlying position is a deficit of £440k, as the Streetpride service is holding a number of vacancies valued at £0.6m following a review, which are now being recruited to. There is an equal variation above which represents the temporary and agency staff being used to fill the vacant posts. The underlying projected salary deficit assumes all currently filled posts remain so which is unlikely, so this deficit is likely to reduce during the course of the year.	(0.2)
Total Non-Controllable Variances		**(2.7)**

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.	(0.5)
Public Health	Other Variances Less than 100K		0.1
Public Health			**(0.4)**
Education and Skills	SEND & Specialist Services	The overspend relates to SEN Transport as a result of an increase in demand for SEN Transport, proportional to the increase in EHC Plans and special school placements. The overall number of pupils being transported has increased by 20% since 2017, and there has been a more than 50% increase in the use of external taxis	1.3

		linked to demand, provision changes, and the needs of pupils. Strategic Transport Group is in the process of reviewing this and considering ways in which costs can be reduced.	
Education and Skills	Employment & 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 Skills	Education Improvement & Standards	Schools trade union support is funded from maintained schools pooled resource, and individual buyback from non-maintained schools. There is a funding pressure as a result of maintained schools reducing the pooled budget from last September, and not all non-maintained schools buying into the service. The LA have been unable to reduce the expenditure level to match the income reduction. In addition, the governor supports traded service's buyback income is not covering expenditure levels. The service is exploring a number of options to reduce expenditure. This is offset by a small projected underspend in relation to the historic pension liabilities budget.	0.1
Education and Skills	Other Variances Less than 100K		
Education and Skills			**1.6**
Children and Young People's Services	LAC & Care Leavers	The variance is as a result of the placement pressures (£1.2m overspend). Children in external children's homes are above projected numbers and there have been some high cost placements. In addition, the numbers of looked after children continue to be over those originally projected. The supported accommodation continues to show an overspend as a result of high cost placements due to the needs of some young people (£0.5m). Finally, there is additional use of agency workers due to social work need within the permanence service. Care leaver allowances is forecasting a £0.2m overspend due to an increase in activity levels and equally, the Through Care budget is also forecasting an overspend (£0.3m) as a result of increase in activity.	2.7
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. We continue to recruit permanent social workers and reduce agency staff levels.	0.9

Children and Young People's Services	Commissioning, QA and Performance	The budget holder forecast is an overspend of £109k. It is offset by a £152k underspend on the centralised side, making a net underspend of £42k. The reason for the projected overspend of £109K is agency spend on staff and this is reflected in the £152K underspend on the centralised side which covers permanent salaries. The staff posts being covered by agency spend are Independent Reviewing Officers which perform a statutory function on behalf of the LA, these posts are currently being recruited to permanently.	0.1
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.	(1.0)
Children and Young People's Services	Other Variances Less than 100K		
Children and Young People's Services			**2.7**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Costs of placements continue to be high with residential numbers higher than this time last year. Work is continuing to control spend and seek more cost-effective placement options.	0.8
Adult Social Care	All Age Disability and Mental Health Operational	There remain significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. With DOLs being replaced by Liberty Protection Safeguards next year this remains an area of uncertainty. 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.	0.4
Adult Social Care	Internally Provided Services	Budget holder overspends on other pay, overtime and variable allowances due to the need to maintain staffing cover. This is partly offset by underspends on centralised salary costs due to a number of vacancies. Also overspends on Housing with Care client fee income of £100k.	0.3
Adult Social Care	Enablement & Therapy Services	Equipment service overspend of £68k results from increased demand for community equipment to help people live independently. Spending in this area reduces the overall spend in community purchasing as without equipment it is likely that a care service would be required.	0.1
Adult Social Care	Adult Social Care Director	Use of Improved Better Care Fund Protecting Social Care resources to manage Adult Social Care pressures.	(0.4)

Adult Social Care	Older People Community Purchasing	Whilst Placement costs for Older People remain challenging they are being managed within identified resource levels.	(0.5)
Adult Social Care			**0.7**
Customer Services & Transformation	Customer and Business Services	Housing and Homelessness is forecasting an overspend of £600K, which is in addition to the extra £3.4M allocated to the service in 2019/20. Significant work is underway focusing on reducing the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. Business Services is in the process of being devolved and the savings target pressure of £172K will be delivered in full as part of these structural changes.	1.2
Customer Services & Transformation	HR and Workforce Development Management	The HR Service continues to face challenges linked to reducing trading income particularly from schools. In addition, there is a £33K pressure due to the number of DBS requests.	0.2
Customer Services & Transformation	ICT & Digital	The majority of the overspend relates to the need to accelerate the refresh of part of the PC estate to avoid potential significant ICT service problems within the service and possibly across the wider organisation. Action being taken to reduce the overspend includes reviewing sources of funding and reducing spend temporarily in other ICT areas e.g. mobile phones. There is also a net £40K under-recovery of traded income.	0.2
Customer Services & Transformation			**1.6**
Total Non-Controllable Variances - People			**6.2**
Place Directorate	Place		
Service Area	Reporting Area	Explanation	£M
Place Directorate Management			**0.0**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	St. Mary's trading deficit.	0.1
City Centre & Major Projects Development			**0.1**
Transportation & Highways	Traffic	Bus gate and parking enforcement are projected to be c£0.5m lower than both budget and previous years as a result of both temporary bus gate closures and a lower activity trend generally.	0.6

	Highways	A predicted over recovery of fees by highways due to one off increase in their capital programme.	(0.3)
Transportation & Highways			**0.3**
Streetscene & Regulatory Services	Streetpride & Parks	This is mainly related to issues with Car Parking at Coombe. New pay machines and barriers are currently being installed.	0.8
Streetscene & Regulatory Services	Planning & Regulatory Services	This relates primarily to the one-off recovery of legal fees, together with vacancies in building control	(0.2)
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			**0.7**
Project Management and Property Services	Other Variances Less than 100K		(0.2)
Project Management and Property Services			**(0.2)**
Finance & Corporate Services	Other Variances Less than 100K		0.1
Finance & Corporate Services			**0.1**
Total Non-Controllable Variances - Place			**1.0**
Contingency & Central Budgets	Corporate Finance	Net Asset Management Revenue Account expenditure is anticipated to be £2m within budget because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1m), resources related to one-off funding for adults and children's social care (£1.15m) and projected additional savings from the Friargate Project (£0.75m) which will be built into 2020/21 Budget Setting.	(5.1)
Total Non-Controllable Variances - Contingency & Central Budgets			**(5.1)**

Appendix 2

Approved / Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Woodlands Feasibility	This is due to a Feasibility Study to be undertaken in 19/20 before works commence in 2020/21	**0.3**
Disabled Facilities Grant	Additional Grant received from DFG	0.3
SUB TOTAL - People Directorate		**0.6**
PLACE DIRECTORATE		
Highways Investment	The West Midlands Combined Authority communicated on the 25th April 2019, that formal notification from the Department for Transport has been received resulting in a further £0.2m funding for Pot Hole Action Fund. In addition, £0.6m has been reduced from the programme to meet revenue patching works and a further £0.2m contribution received from Keepmoat Homes.	(0.2)
Ultra Low Emissions Bus Scheme (ULEB)	The City Council has been successful in obtaining the following funding to deliver the Ultra-Low Emission Bus Schemes, £2.255m from DfT and £0.237m from WMCA (Transforming Cities Fund). It is anticipated that £0.5m will be spent this financial year. Cabinet on the 12th February as part of the Coventry Local Air Quality Action Plan report noted the submission of these bids.	0.5
The Arches Spon End Pinchpoint - Transforming Cities Fund	West Midlands Combined Authority Board on the 9th November 2018 approved the allocation of £5.8m of Transforming Cities Fund for the delivery of the Spon End Pinch Point Scheme. It is anticipated that £2.3m will be spent this financial year.	2.3
Indoor Pitch Facility at Alan Higgs Centre (Loan)	Loan facility approval for £1.5m is not fully required, only £1.2m of the loan facility required therefore £0.3m removed from programme	(0.3)
Coombe Loan	Technical adjustment - to correct the draw-down of loan in 2018/19	(0.7)
Culture Capital Investment Fund	This is addional funding awarded from Arts Council as their contribution to the wider Programme	1.8
SUB TOTAL - Place Directorate		**3.3**

TOTAL APPROVED / TECHNICAL CHANGES		**3.9**

Appendix 3

DIRECTORATE	**ESTIMATED OUTTURN QTR 1 £m**	**APPROVED / TECHNICAL CHANGES £m**	**OVER / UNDER SPEND NOW REPORTED £m**	**RESCHEDULED EXPENDITURE NOW REPORTED £m**	**REVISED ESTIMATED OUTTURN 19-20 £m**
PEOPLE	17.3	0.6	0.0	(3.5)	14.3
PLACE	204.5	3.3	0.1	(3.4)	204.6
TOTAL	**221.8**	**3.9**	**0.1**	**(6.9)**	**219.0**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	£2.6m works underway to expand secondary schools – planning applications due in September which means much of the expenditure will be seen in 20/21.	-2.7
Condition	When budgets were set in 18/19 for the 19/20 works, the programme was based on 18/19 forecasts Since then Schools have submitted their requirement for works to be undertaken in 19/20 and they have been estimated less than anticipated.	-0.6
SEND	Grant was received in 18/19 but due to procurement issues the work is not due to start until 19/20	-0.3
SUB TOTAL - People Directorate		**-3.5**
PLACE DIRECTORATE		
City Centre Regeneration	It has been assumed that the only market-based acquisitions will be those incurred to date. Previously, we assumed there would be further opportunities to acquire properties on the market in the current financial year. When opportunities arise to acquire land in the market (rather than by CPO), forecasts will be revised to reflect.	-0.6
Friargate	Revised assumption, slipping the start date of Two Friargate from January 2020 to April 2020 having the impact of moving forecast spend into the next financial year.	-1.3
Coventry Station Masterplan	Since budget setting in February 2019, the programme has slipped as the preferred contractor for NUCKLE 1.2 turned down the contract offer and we are now out to tender again, along with design delays for phase 2 which has also delayed the formal contract award	-5.9
Housing Venture	Whitefriars Housing are claiming an alternative external grant towards the Garage/infill project, and as they can't drawdown 2 Grants at the same time, they are using the external grant first before using the S106 and receipts money that the Council is holding.	-0.8

Whitley Depot Redevelopment	The reason for the change in the cashflow prediction is that the project is running 9 months behind the original forecasts given in the Cabinet Report. Construction works are not now forecast to commence until Q4.	-2.1
Culture Capital Investment Fund	Increase from the estimated programme set in February 2019, in addional to the £1.8m Arts Council funding added to the programme in this Quarter, the accelerated spend is the additional match funding previous earmarked in 20/21 from the LEP Growth and CCC funding required to lever in funds and deliver the projects to the Estimated £5m this year. The five projects currently secured through CWLEP include the Cathedral, The Box at Fargo, Belgrade Theatre, Daimler Powerhouse and Drapers Hall.	0.4
Whitley South Infrastructure	Progress has been made with the technical and legal highway agreements meaning that the main contractor should be able to undertake significant works from August resulting in an acceleration of spend versus previous forecast.	5.1
Growing Places	Growing Places forecast increase due to potential accelerated spend on Commonwealth Games.	0.2
Duplex Fund	This scheme is the first of its kind in the UK and as such, a significant level of process has been necessary to ensure all required principles are in place and agreed by all parties. This has taken longer than anticipated. Consequently, the forecast has been amended to reflect the revised scheme timings and subsequent draw down of expenditure.	-0.2
Battery Plant	Given the complexity of the technology and the international nature of suppliers, there have been delays in procurement and placing orders. However, with such long lead times on delivery there is now an urgency to the orders. In addition, the project is now in the process of being awarded additional external funding which has led to changes in machinery specifications and changes in expenditure. Extensive forecasting and analysis have been undertaken for the new budget and the finances are being robustly monitored by Coventry City Council.	2.7
Vehicle & Plant Replacement	After having reviewed all the plant replacement, it was agreed that a lot of these are still in good condition and will not need to be replaced this year.	-1.1
Domestic Recycling with Nuneaton and Bedworth	The Nuneaton and Bedworth vehicles were more expensive when the tender submissions were received back. Typically, a refuse vehicle is about £165k each currently but these vehicles have a split body and collect different waste in 2 separate compartments, so that’s why they are that much more expensive. As this is our first purchase of this vehicle type, having an accurate figure on the actual costs was difficult until we had been out to tender and received the submissions back.	0.2

SUB TOTAL - Place Directorate		**-3.4**
TOTAL RESCHEDULING		**-6.9**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2019
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).	13.40%	13.44%
Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 2), 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 £472.7m	£327.4m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5), 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.	£487.6m	£327.4m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6), 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.	£467.6m	£327.4m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9), 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.	£422.4m	£221.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£84.5m	-£28.1m
Maturity Structure Limits (Indicator 10), highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years	 0% to 40% 0% to 20% 0% to 30%	 18% 1% 6%

5 years – 10 years 10 years +	0% to 30% 40% to 100%	6% 70%
Investments Longer than 364 Days (Indicator 11), highlighting the risk that the authority faces from having investments tied up for this duration.	£30m	£0.0m