Coventry City Council

Public report
Cabinet

Cabinet	19th November 2019
Audit and Procurement Committee	27th January 2020

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

Director Approving Submission of the report:
Director of Finance and Corporate Services

Ward(s) affected:
City wide

Title:
2019/20 Second Quarter Financial Monitoring Report (to September 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 September 2019. The headline revenue forecast for 2019/20 is for net balanced budget position. At the same point in 2018/19 there was a projected overspend of £0.5m. The headline capital position reports £4.8m of expenditure rescheduled into 2020/21.

The largest area of budget pressure and the biggest movement since Quarter 1 has emerged within services for housing and homelessness which are projecting an overspend of £2.8m for the year. There are other overspends in services relating to Looked After Children Placements and Special Education Needs (SEN) Transport with compensating below budgeted expenditure in corporate areas.

The Council's capital spending is projected to be £218.7m and includes major scheme expenditure including investment in the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure and the National Battery Plant.

Recommendations:

The Cabinet is requested to:

1) Approve the Council's revenue monitoring position.
2) Approve the revised capital estimated outturn position for the year of £218.7m incorporating: £5m net increase in spending relating to approved/technical changes, £4.8m net rescheduling of expenditure into 2020/21; and
3) Approve a contribution to reserves of £0.7m earmarked to fund future costs of managing the Council's major projects.

4) Approve the addition £0.5m to the capital programme in 2019/20 for Waste Containers to be funded by Prudential Borrowing.

The Audit and Procurement Committee is requested to:

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

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 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, 27th January 2020

Will this report go to Council?

No

Report title:
2019/20 First Quarter Financial Monitoring Report (to September 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 second quarterly monitoring report for 2019/20 to the end of September 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 balanced to budget after taking account of a recommended contribution to reserves of £0.7m to fund future costs of managing the Council's major projects. The reported forecast at the same point in 2018/19 was an overspend of £0.5m. Capital spend is projected to be £218.7m, a small fluctuation since quarter 1 forecast of £0.3m.

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	12.6	14.1	1.5
Children & Young People	73.9	75.1	1.2
Adult Social Care	77.5	77.5	0.0
Customer Services & Transformation	12.9	16.3	3.4
Human Resources	1.5	1.9	0.4
Place Directorate Management	2.5	2.6	0.1
Business Investment & Culture	7.1	7.3	0.2
Transportation & Highways	4.6	4.7	0.1
Streetscene and Regulatory	28.1	28.9	0.8
Project Management & Property	(7.9)	(8.0)	(0.1)
Finance & Corporate Services	7.3	7.0	(0.3)
Contingency & Central Budgets	7.3	0.3	(7.0)
Total Spend	**230.1**	**230.1**	**0.0**

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

People Directorate
The People Directorate continues to face significant financial challenges in 2019/20 and beyond. The largest forecast pressure is Housing & Homelessness (temporary accommodation), and work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation. The significant increase in forecast since quarter 1 is a result of: the level of activity transferring to the council from the previously outsourced contract; the additional and less costly Temporary Accommodation solutions not being available as early in the financial year as previously forecast and; an increase in activity in the second quarter particularly within the non-family cohort.

Other pressures are LAC Placements (temporary delays in delivery of Children's placement transformation and some high cost placements as a result of youth violence), and SEN transport (increasing demand and changes in provision). Children's Transformation Board continues to monitor the LAC placement transformation and associated budget reductions, and the Strategic Transport group is reviewing cost and considering any steps that can be taken to reduce cost.

Adult Social Care is showing a balanced position, although 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. A significant amount of work has been underway to resolve recruitment problems to contribute to reducing the pressure created by agency covering vacancies. The majority of agency is currently within Children's services where the number of posts covered by agency continues to fall (28 at the end of August, a reduction of 11 since the 2018/19 year end). The public health underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.

Place Directorate
The Place Directorate is projecting a £0.9m net deficit at quarter 2.

There is a residual c£1.6m deficit, the majority of which is income related. Commercial waste is forecasting a deficit of £0.4m whilst it continues to grow its income to achieve the aspirational commercial income targets required of it. Bus gate and parking enforcement are also projected to be £0.7m lower than both budget and previous years as a result of temporary gate closures and a lower activity trend generally, however this is offset by higher parking income expected of £0.3m. Car parking income at parks is also £0.1m lower this year due to the new equipment at Coombe Park being delayed, and St Mary's Guildhall catering and events continues to trade £0.1m below budgeted income levels. In addition to this, there is a large overspend expected in relation to domestic refuse and recycling of £0.4m which is largely due to the cost of maintaining cover for a number of operational issues, primarily unofficial industrial action, sickness and the requirement to maintain collections over the Christmas period.

There are a variety of compensating variations with approximately £1.2m of additional income expected to be generated from a combination of higher building control activity (£0.19m) , recovery of enforcement costs (£0.13m), higher than budgeted highways DLO cost recovery (£0.2m) and significant income from recovery of overpaid housing benefit overpayments (£0.7m). There are also one-off underspends expected resulting from a planned management action to underspend on operational property of £0.4m, and £0.3m lower fleet debt repayment costs in this financial year.

A £0.6m of the variation relates to agency spend in Streetpride which is fully offset by a salary underspend in that service.

Contingency and Central Budgets
Net Asset Management Revenue Account expenditure is anticipated to be £1.9m less than 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 (£2m), uncommitted resources related to one-off social care funding (£1m), Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.1m), projected additional savings from the Friargate Project (£0.75m) and lower than budgeted levy costs (£0.6m). The recommended contribution to reserves for managing the costs of major projects is reflected in this area.

2.4 **Capital Position** - The 2019/20 capital outturn position for quarter one reported a revised outturn position of £218.6m compared with the original programme reported to Cabinet in February 2019 of £195.4m. Table 2 below updates the budget at quarter 2 to take account of a £5m increase in the programme from approved/technical changes, £4.8m of net rescheduling now planned to be carried forward into future years. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2019/20 is £218.7m**.** 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 £3.5m.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2019-20 MOVEMENT	Qtr 2 Reporting £m
Estimated Outturn Quarter 1	218.5
Approved / Technical Changes (see Appendix 2)	5.0
“Net” Rescheduling into future years (see Appendix 4)	(4.8)
Revised Estimated Outturn 2019-20	218.7

RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	50.2
Grants and Contributions	158.7
Capital Receipts	3.5
Revenue Contributions	6.3
Total Resources Available	218.7

The position above assumes an addition of £0.5m to the Capital Programme in 2019/20 for Waste Containers. Approval is sought via this report due to the need to fund the expenditure from Prudential Borrowing. This borrowing will be funded from additional income generated from the containers.

2.5 Treasury Management

Interest Rates
The current Bank of England Base Rate has been at 0.75% since August 2018. The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked downturn in growth due to both Brexit uncertainty and the aforementioned global uncertainties.

The probability of a no-deal EU exit in the immediate term has decreased, although this cannot be entirely ruled out for 2019. However, the weaker global economy severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to lower interest rates.

All of this means that the central forecast for the Bank Rate is to remain at 0.75% until at least the end of 2022. There are significant risks on both sides of this forecast due to Brexit outcomes & the weak global economy however these risks mean it is more likely rates will be cut rather than increased.

Long Term (Capital) Borrowing
The net long term borrowing requirement for the 2019/20 Capital Programme is £41.3m, taking into account borrowing set out in Section 2.4 above (total £50.2m), 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. 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 although current advice remains for any borrowing to be of a short-term duration.

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 P6	Maximum 2019/20 to P6	As at the End of P6
5 year	1.21%	1.93%	1.27%
50 year	1.77%	2.61%	1.87%

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.

On 9th October the Treasury increased the interest rate of PWLB borrowing by 1% in response to the high levels of borrowing and record lows that the PWLB interest rates had fallen to. This will have the impact of increasing the cost of any long-term borrowing taken out after this date. However, The Council has no plans to take any new long term borrowing in the near future with advice continuing to be to keep any borrowing to a short-term duration.

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 held £22m of short term borrowing from other public bodies at an average interest rate of 0.65%.

Returns provided by the Council's short-term investments yield an average interest rate of 1.16%. 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 September 2018 £m	As at 30th June 2019 £m	As at 30th September 2019 £m
Banks and Building Societies	13.0	6.0	5.0
Money Market Funds	12.0	4.2	0.4
Local Authorities	6.0	0.0	0.0
Corporate Bonds	5.0	9.0	9.0
Registered Providers	6.0	10.0	10.0
Total	**42.0**	**29.2**	**24.4**

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

As at 30th September 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 September 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 September the value is -£61.2m (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 September the value is £250.5m 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

3.1 None

4. Timetable for implementing this decision

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

5. Comments from the Director of Finance and Corporate Services

5.1 Financial implications

Revenue
In overall terms, this report indicates that the Council's financial position for the current year continues to be sound. The underlying underspend position before the recommended contribution to reserves (£0.7m) provides a strong expectation of achieving a better than balanced position at year-end. As reported at quarter 1, this incorporates individual instances where spending has been reported below budget that cannot be relied upon beyond 2019/20. In contrast, there are services that are reporting overspends, mostly within demand led budget areas where it is more difficult for the Council to exercise complete control. There is a high risk that these additional pressures will continue into the 2020/21 financial year and for this reason these are being included within the Pre-Budget proposals being brought to Cabinet alongside this report.

These pressures include ones that reflect what appear to be intractable long-term trends, including the cost and complexity of Looked After Children placements. However, the most significant current issue and the one that has proved most volatile in the current financial year is the cost of homelessness and housing. Although the Council has taken a number of decisions designed to tackle this issue some of these have not taken effect as quickly as desired. This means that the Council is continuing to pay for temporary accommodation solutions at a higher cost than would otherwise have been the case. In addition, the city is also experiencing increasing numbers of people for whom temporary accommodation is having to be provided. The continued trend of additional pressure within demand led services alongside reductions in headline Government funding continue to provide strong evidence of the need for the Council to identify cost efficiencies and commercial opportunities in order to maintain financial stability.

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. The quarter 1 report referenced the possibility that if the future financial position turns out to be better than anticipated any one-off resources set aside would remain available to invest in future projects and capital plans. In an acceleration of this plan, this report seeks approval for resources to be set aside to fund future costs of managing the Council's major projects. This reflects the need for the Council to secure the high-quality capacity and expertise required to take forward the extensive regeneration of the city through several of the high-profile projects within the Capital programme including but not limited to City Centre South.

In the interim, the Council needs to ensure that it continues to hold a strong focus on managing services within existing budgetary limits or moving towards this. 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 2 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 second quarter include the City Centre South scheme, the A46 Corridor scheme, Schools Basic Need and the deferral by planning of the Indoor Bowls facility. In addition, two schemes have seen acceleration, the ESIF programme and the City Centre Connectivity and Friargate Programme. None of the rescheduled programmes will result in any funding being lost to the Council.

. As part of the commercialisation programme, Commercial Waste have been set some challenging growth targets over the next few years and are actively seeking new contracts/customers. £500k pa for next 3 years will need to be spent on purchasing and refurbishing containers to service these new contracts. This will be initially funded by prudential borrowing paid back over 5 years and will be repaid by income generated through the contracts while providing an additional income to the Council revenue bottom line.

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) Climate Change and 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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Councillor J Mutton	Cabinet Member Strategic Finance and Resources	-	4/11/19	4/11/19

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	12.6	14.1	(0.1)	1.6	1.5
Children and Young People's Services	73.9	75.1	(1.8)	3.0	1.2
Adult Social Care	77.5	77.5	(0.7)	0.7	0.0
Customer Services & Transformation	12.9	16.3	(0.3)	3.7	3.4
Human Resources	1.5	1.9	0.2	0.2	0.4
Total People Directorate	**181.1**	**187.3**	**(2.6)**	**8.8**	**6.2**
Place Directorate Management	2.5	2.6	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	4.7	(0.1)	0.2	0.1
Streetscene & Regulatory Services	28.1	28.9	(0.3)	1.1	0.8
Project Management and Property Services	(7.9)	(8.0)	0.2	(0.3)	(0.1)
Finance & Corporate Services	7.3	7.0	(0.1)	(0.2)	(0.3)
Total Place Directorate	**41.7**	**42.5**	**(0.1)**	**0.9**	**0.8**
Total Contingency & Central Budgets	**7.3**	**(0.4)**	**0.0**	**(7.7)**	**(7.7)**
Total Spend	**230.1**	**229.4**	**(2.7)**	**2.0**	**(0.7)**
Resourcing	(231.4)	(231.4)	0.0	0.0	0.0
Ringfenced Funding Streams	1.3	1.3	0.0	0.0	0.0
Total	0.0	(0.7)	(2.7)	2.0	(0.7)

Reporting Area	Explanation	£m
Centralised (non-controllable variances)		
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.	(2.6)
Place Directorate	Overall there are still a number of vacancies which are being covered by agency staff to ensure some services are maintained. The largest of these is in relation to the Streetpride service which has been holding vacancies forecast at £0.6m. These are now being recruited to and the cost of these agency cover arrangements are included in the variation narratives above. The centralised salary 'underspends' variation is almost entirely offset by the £2.5m turnover target assumptions applied to Place Directorate budgets, hence only a c£50k surplus.	(0.1)
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 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.	1.3
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 support 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			**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 as a consequence of youth violence. In addition, the numbers of looked after children continue to be over those originally projected. The supported accommodation continues to	2.9

		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.	
Children and Young People's Services	Help & Protection	The budgetholder 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.	1.0
Children and Young People's Services	Commissioning, QA and Performance	The budget holder forecast is an overspend of £113k. It is offset by a £136k underspend on the centralised side, making a net underspend of £23k. The reason for the projected overspend of £113K is agency spend on staff and this is reflected in the £135K underspend on the centralised side which covers permanent salaries. The staff posts being covered by agency spend are Independent Reviewing Officers who 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			**3.0**
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Pressures are being experienced with the number of nursing home placements increasing, with Mental Health services a notable change. This is being reviewed in conjunction with health partners to manage this trend. Work is also continuing to control spend on placements and seek more cost-effective placement options. This position continues to be monitored.	1.1
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. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs, recruitment to posts is ongoing.	0.6
Adult Social Care	Older People Operational	Additional costs of agency staff pending recruitment, / additional pressures on telecare	0.1

		budget whilst restructuring taking place to achieve longer term savings.	
Adult Social Care	Older People Community Purchasing	Budget pressures continue to increase. This is a consequence of increased numbers in residential placements and home care packages over this period. Work is already underway to reduce the number of residential placements, which it is expected redress this trend.	(0.2)
Adult Social Care	Adult Social Care Director	Use of Improved Better Care Fund Protecting Social Care resources to manage Adult Social Care pressures	(1.1)
Adult Social Care	Other Variances Less than 100K		0.2
Adult Social Care			**0.7**
Customer Services & Transformation	Housing & Homelessness	Housing and Homelessness is forecasting an overspend of £2.8M due to a combination of continued and increased demand, activity transferring to the council from the previously outsourced contract and the additional and less costly Temporary Accommodation solutions not being available in Q2 as previously forecast. Although an additional £3.4M has been allocated to the service in 2019/20 in recognition of the increased demand, the majority of this overspend is driven by the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. This has been further exacerbated by an increase in activity in the last 3 months particularly in the number of non-families in temporary accommodation. There are a number of mitigations in place to reduce the level of expenditure in this area, closely monitored by Strategic Housing Board.	3.1
Customer Services & Transformation	Customer and Business Services	Whilst the overall position is one of underspend, there are aspects of the budget that are showing as an overspend, these relate to: agency spend which is being used to bridge the gaps until the business services review is complete and a savings target attributed to business services of £172k. The savings target will be shared across the organisation proportionate to the number of individuals returning to service areas with the remaining centralised savings target being met through the release of vacancies held across the service, a consequence of the business services review. Once the centralised teams have settled and we better understand the detail of the work we will review vacancies and determine their distribution based around performance.	0.3
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	0.2

		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 80K under-recovery of traded income	
Customer Services & Transformation	Other Variances Less than 100K		0.1
Customer Services & Transformation			**3.7**
Human Resources		The HR Service continues to face challenges linked to reducing trading income particularly from schools.	0.2
Human Resources			**0.2**
Total Non-Controllable Variances - People			**8.8**
Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
Place Directorate Management	Other Variances Less that 100K		0.0
Place Directorate Management			**0.0**
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	St. Mary's trading deficit £146k, a project team is looking to address this deficit for future years.	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. This is offset by a forecast increase in income from car parks.	0.3
Transportation & Highways	Highways	There is expected to be a small surplus from DLO trading activities as a result of one-off fees generated from external works.	(0.2)
Transportation & Highways	Other Variances Less than 100K		0.1
Transportation & Highways			**0.2**

Streetscene & Regulatory Services	Streetpride & Parks	This is mainly related to issues with Car Parking at Coombe. New pay machines and barriers have recently been installed. There has also been urgent spend to upgrade mess room facilities (Streetpride - City Centre)	0.9
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	Other Variances Less than 100K		
Streetscene & Regulatory Services	Waste & Fleet Services	Domestic Waste - Increased pool cover for sickness / long term sickness, additional bin purchases & more realistic forecast for Christmas cover. Waste Disposal costs have increased partly through increased tonnages and partly through higher gate fees for co-mingled recycling.	0.5
Streetscene & Regulatory Services	Environmental Services	A mixture of overtime & agency to cover long term sickness, higher costs due to increase in the number of vehicles & shortfall against aspirational income targets	0.2
Streetscene & Regulatory Services	Planning & Regulatory Services	Additional income primarily in the building control service following increased activity, and also recovery of enforcement costs in environmental health	(0.3)
Streetscene & Regulatory Services	Other Variances Less than 100K		(0.1)
Streetscene & Regulatory Services			**1.1**
Project Management and Property Services	Facilities & Property Services	Trading surplus from minor building work projects carried out by compliance and surveying team.	(0.1)
Project Management and Property Services	Other Variances Less than 100K		(0.2)
Project Management and Property Services			**(0.3)**
Finance & Corporate Services	Legal Services	Primarily the cost of agency and external cover for vacant posts and the use of external counsel in Legal Services.	0.3
Finance & Corporate Services	Revenues and Benefits	There is a surplus as a result of an increase in housing benefit overpayment recovery. This is offset by additional costs required to administer an increasing council tax base and lower court cost income.	(0.4)

Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			**(0.2)**
Total Non-Controllable Variances - Place			**0.9**
Contingency & Central Budgets			
Service Area	**Reporting Area**	**Explanation**	**£M**
Contingency & Central Budgets	Corporate Finance	Net Asset Management Revenue Account expenditure is anticipated to be £1.9m less than 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 (£2m), uncommitted resources related to one-off social care funding, Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.1m), projected additional savings from the Friargate Project (£0.75m) and lower than budgeted levy costs (£0.6m). The recommended contribution to reserves for managing the costs of major projects is reflected in this area.	(7.7)
Total Non-Controllable Variances - Contingency & Central Budgets			**(7.7)**

Appendix 2

Approved / Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Public Realm Phase 5	West Midlands Combined Authority Board on 28th June 2019 approved £31.6m devolution deal funding for the Council's City of Culture public realm programme. £0.5m is the element of this funding anticipated to be spent this financial year.	**0.5**
Commercial Waste Containers	Approval sought as part of this report	**0.5**
City Centre Destination Leisure Facility	To be funded through revenue reserves	**0.4**
MRF Development Costs	The proposed development for a Regional Materials Recycling Facility with Partnering Authorities was approved at Cabinet on 27th August 2019. This is an addition to the programme to accommodate 19/20 forecast of this scheme	**1.5**
GD-42UK City of Culture 20/21	The increase in forecasted spend shows that the Cultural Capital Investment Projects are making good progress and the programme is growing with new projects being approved. This is a complex programme working in partnership with a range of Cultural partners, together strengthening the City Cultural assets.	**1.9**
Other Under £100k		**0.2**
SUB TOTAL - Place Directorate		**5.0**
TOTAL APPROVED / TECHNICAL CHANGES		**5.0**

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	14.3	0.0	0.0	(2.0)	12.3
PLACE	204.2	5.0	(0.0)	(2.8)	206.4
TOTAL	**218.5**	**5.0**	**(0.0)**	**(4.8)**	**218.7**

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	Works underway to expand secondary schools – projects currently at planning stage with programme of works to commence early 2020, which means much of the expenditure will be seen in 20/21	-1.0
SUB TOTAL - People Directorate		**-1.0**
PLACE DIRECTORATE		
GD08 - Business Innovation Fund (Duplex Fund)	The project team met with the contractor in early September and are now working from a reprofiled position - spend acceleration measures are being considered by the team with a view to not slipping finance into 20/21. The project team is due to confirm the latest position at November Project Delivery Board.	-0.4
GD14 - A46 N-S Corridor (Stanks)	The project team has been progressing the complicated legal sign off necessary to fully launch the fund and is now in a position to progress and release funding. This has resulted in a delay to the spend profile.	-1.3
GD34 City Centre Connectivity and Friargate	Early Contractor Involvement commissioned with Eurovia has led to a firmer programme and cashflow, that requires acceleration of spend than thought at Budget Setting.	2.2
ESIF - Business Support Phase 2	The Business support programme was contracted to deliver ERDF grants of £2m from 2019-2021. The programme started with a healthy pipeline at the start of 2019 and with Business Advisors working closely with Businesses we have had a greater demand than forecasted in the 1st year of the programme. The high demand for investment fund grants has resulted in awarding grants of £1.89m to businesses by Q4 2019, of this we defrayed expenditure of £837k up to Q3. This has been a great achievement for the Programme, as businesses have been able to invest and create jobs which has enabled businesses to add Economic Growth value to the region.	1.3
ESIF - Low Carbon	The programme has committed 70% of the 3 years budget and grant within the first 10 months of the programme	0.2

City Centre Destination Leisure Facility	The spend relates to project enhancements such as a central control booth in the water park, to minimise future revenue costs (i.e requirement for lifeguards) and extended programme PC anticipated in April.	0.4
Re-provision of Coventry's Indoor Bowls Facility	The project has been deferred twice at planning committee resulting in programme delays.	-1.9
Disabled Facilities Grants	Delays in spending due to procurement process issues. Actions are being taken to remedy this	-1.0
Play Areas	Due to staffing capacity and adverse weather, we have been unable to carry out some of the projects this year. These will be re-assigned to 20/21.	-0.2
City Centre South	The variation in forecast is due to revisions to the demolition programme for Coventry Point (compared with the anticipated programme) which means that the spend profile has changed".	-2.4
Other Under £100k	Miscellaneous	-0.6
SUB TOTAL - Place Directorate		**-3.8**
TOTAL RESCHEDULING		**-4.8**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th September 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%	13.48%
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	£321.3m 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	£321.3m 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	£321.3m 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	£250.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£84.5m	-£61.2m
Maturity Structure Limits (Indicator 10), highlighting the risk arising from the requirement to refinance debt as loans mature:		
< 12 months	0% to 40%	22%
12 months – 24 months	0% to 20%	1%
24 months – 5 years	0% to 30%	6%
5 years – 10 years	0% to 30%	6%
10 years +	40% to 100%	66%

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