Coventry City Council

Public report
Cabinet

Cabinet
Audit and Procurement Committee

18th February 2020
16th March 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 Third Quarter Financial Monitoring Report (to December 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 December 2019. The headline revenue forecast for 2019/20 is for a net underspend of £1.9m. At the same point in 2018/19 there was a projected underspend of £1.8m. The headline capital position reports £20.6m of expenditure rescheduled into 2020/21.

The largest areas of budget pressure are within services for Children and Young People and Housing and Homelessness which are projecting overspends of £2.6m and £3.2m respectively. These are offset by a significant underspend within central and contingency budgets.

The Council's capital spending is projected to be £215.9m and includes major scheme expenditure including investment in the A46 Link Road, 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 £215.9m incorporating: £14m net increase in spending relating to approved/technical changes of and net rescheduling of expenditure into 2020/21 of £16.6m.

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, 16th March 2020

Will this report go to Council?

No

Report title:
2019/2020 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2019/20 to the end of December 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 an underspend of £1.9m. The reported forecast at the same point in 2018/19 was an underspend of £1.8m. Capital spend is projected to be £215.9m, a reduction of £2.8m since the quarter 2 forecast.

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	1.5	1.5	0.0
Education & Skills	12.7	14.3	1.4
Children & Young People	73.7	76.3	2.6
Adult Social Care	77.4	77.4	0.0
Customer Services & Transformation	13.6	16.9	3.3
Human Resources	1.3	1.7	0.4
Place Directorate Management	2.6	2.7	0.1
Business Investment & Culture	7.2	7.4	0.2
Transportation & Highways	4.6	4.8	0.2
Streetscene and Regulatory	28.2	29.9	1.7
Project Management & Property	(8.0)	(8.8)	(0.8)
Finance & Corporate Services	7.4	6.8	(0.6)
Contingency & Central Budgets	6.7	(3.3)	(10.0)
Total Spend	**230.2**	**228.5**	**(1.9)**

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) £3.2m which has resulted from 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 and third quarters particularly within the non-family cohort. Work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation. The service is now in a position where it understands the causes of the long-standing financial pressures and has a number of strategies in place to significantly reduce the cost over 2020/21. This is through a combination of increasing prevention, reducing activity and considerably decreasing the cost of provision. For example, Caradoc Hall (102 units) is now open and fully occupied. From the new financial year, the Council will also have a further 75 lower cost temporary accommodation options for families. In addition, a number of lower cost temporary accommodation options for non-families are being explored, with the aim of them opening part way through the financial year.

There has been a £1.1m increase in forecast across the People Directorate since quarter 2 which is largely attributable to a small worsening position on Housing and Homelessness, and more significantly, increased cost of LAC and leaving care placements. This is due to delays in the delivery of Children's placement transformation and a higher unit cost of placements, partly attributable to the youth violence problems. Children's Transformation Board continues to monitor the progress of LAC placement transformation and associated budget reductions and take remedial action as necessary. We also have a £1.0M pressure in SEN transport which is linked to increasing demand and changes in provision. Strategic Transport group continue to review this and consider any steps that can be taken to reduce cost. The pre-budget report identified additional resource for the above 3 areas in 2020/21.

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. 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 forecasting a net £0.8m deficit at quarter 3. Higher than budgeted costs in the directorate of around c£2m are being offset by net increased income of c£1.2m. The compensating variations contributing to these figures are explained as follows:

£1.5m of the overall spend pressure relates to a variety of service areas which have required the use of agency staff to maintain service continuity or deal with higher than normal service activity levels. Parking enforcement (£0.1m), streetpride (£0.4m), domestic refuse (£0.3m), CCTV (£0.1m), Revenues and Benefits (£0.2m) and Legal services (£0.4m) have all required agency to cover e.g. sickness, vacancies or activity levels where service continuity is a requirement. In most cases, the funding for this cover is within the centralised budgets and variation below.

Other spend pressures are a higher than budgeted cost of waste disposal (£0.45m), and the higher cost of domestic refuse collection (£0.2m) due to higher fleet costs and cost of collection over the Christmas period.

Net increased income of c£1.2m is offsetting some of the pressures. In most cases, services are generating more income including car parking (£0.4m), building control (£0.17m), regulatory services (£0.2m), property (£0.8m) and benefits subsidy (£1m) are all generating more income than is currently budgeted. However, there are other services which due to lower than normal activity are achieving insufficient income compared to budget, the primary ones being bus gate enforcement (£0.55m) and Bereavement services (£0.4m).

Contingency and Central Budgets
In overall terms this budget area is projected to underspend by £10m.

The large improvement since quarter 2 is due to £3.1m of employer pension contributions no longer due to be paid to the West Midlands Pension Fund. The Council has budgeted for a higher payroll and employer pension contributions than anticipated when fixed contributions were agreed with the Pension Fund 3 years ago. The Fund has confirmed that it is not expecting these amounts to be paid over to it and that it has taken account of this in calculating the Council's revised contributions for future years. Therefore, the over-budgeted sums can now be released to the Council's bottom line.

Net Asset Management Revenue Account expenditure is anticipated to be £2.4m 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); lower than budgeted levy costs (£0.6m); and a contribution to reserves for managing the costs of major projects approved at quarter 2.

2.4 **Capital Position** - The 2019/20 capital outturn position for quarter two reported a revised outturn position of £218.7m compared with the original programme reported to Cabinet in February 2019 of £195.3m. Table 2 below updates the budget at quarter 3 to take account of a £14m increase in the programme from approved/technical changes, £16.6m of net rescheduling now planned to be carried forward into future years and a small £0.2m underspend. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2019/20 is £215.9m**.** 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 72% of the programme is funded by external grant monies, whilst 22% is funded from borrowing. The programme also includes funding from capital receipts of £8.3m.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2019-20 MOVEMENT	Qtr 3 Reporting £m
Estimated Outturn Quarter 2	218.7
Approved / Technical Changes (see Appendix 2)	14.0
"Net Underspend"	(0.2)
"Net" Rescheduling into future years (see Appendix 4)	(16.6)
Revised Estimated Outturn 2019-20	215.9

RESOURCES AVAILABLE:	Qtr 3 Reporting £m

Prudential Borrowing (Specific & Gap Funding)	47.0
Grants and Contributions	154.7
Capital Receipts	8.3
Revenue Contributions	5.9
Total Resources Available	215.9

2.5 **Treasury Management**

Interest Rates

The current Bank of England Base Rate has been at 0.75% since August 2018. The global economy has entered a period of slower growth in response to political issues and the UK economy continues to experience slower growth due to both Brexit uncertainty and the downturn in global activity.

The central forecast for the Bank Rate is to remain at 0.75% until at least the end of 2022. However, the risk to this forecast is heavily weighted to the downside. With comments made by the Bank of England and recent poor performance in economic data meaning that a rate cut in the near future is more likely.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2019/20 Capital Programme is £38.1m, taking into account borrowing set out in section 2.4 above (total £47.0m), 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 P9	Maximum 2019/20 to P9	As at the End of P9
5 year	1.20%	2.63%	2.63%
50 year	1.77%	3.25%	3.25%

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. As at 31/12/2019 the City Council held £34m of short term borrowing from other public bodies at an average interest rate of 0.93%.

Returns provided by the Council's short-term investments yield an average interest rate of 1.06%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

	As at 31st December 2018 £m	**As at 30th September 2019 £m**	**As at 31st December 2019 £m**
Banks and Building Societies	6.0	5.0	0.0
Money Market Funds	20.6	0.4	5.2
Local Authorities	15.0	0.0	0.0
Corporate Bonds	3.3	9.0	5.8
Registered Providers	0.0	10.0	10.0
Total	**44.9**	**24.4**	**21.0**

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

As at 31st December 2020 the pooled funds were valued at £29.5m, spread across the following funds: CCLA, Schroders, Investec, Columbia Threadneedle and M&G Investments.

Prudential Indicators and the Prudential Code
Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of

the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 31st December 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 31st December the value is -£43.7m (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 31st December the value is £249.7m 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

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. As with previous quarters the position incorporates individual underspends that cannot be relied upon beyond 2019/20. In contrast, there are services that are reporting overspends within demand led budget areas where it is more difficult for the Council to exercise complete control. The position in these service areas has worsened once again at quarter 3, principally within Children's Services. It is inevitable that much of these additional pressures will continue into the 2020/21 financial year and for this reason these are being included within the Council's final Budget proposals for next year.

These pressures include ones that reflect what appear to be intractable long-term trends, including the cost and complexity of Looked After Children placements and costs across Homelessness and Housing, Special Educational Needs and Waste Services. The continued trend of additional pressure within demand led services and the impact of delays in implementing successful measures to tackle such issues were reported at quarter 2 as evidence of the need for the Council to continue to identify medium term cost efficiencies and commercial opportunities in order to maintain financial stability. The Council will shortly be approving its 2020/21 Budget but attention is already turning to the Budget strategy for future years.

Given the uncertainty facing local government finances beyond 2020/21, 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. 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.

The relatively positive position reported at quarter 3 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 across services is focussed strongly on responding to these challenges.

Like many councils Coventry is experiencing pressure on its high needs budget as a result of a significant increase in activity across the city. For the first time in 2019/20 the centrally retained DSG is forecast to overspend in-year by £0.8M. This will be funded from the dedicated schools grant centrally retained reserve. Coventry has received additional money for High Needs in 2020/21, although the trajectory of these costs indicates that expenditure will continue to increase in future years and there is a current national dialogue with Government on this issue. Council officers are maintaining a watching brief on this issue.

Capital
The 2019/20 programme includes significant spend on schemes including the National Battery Manufacturing Development Facility, Whitley South Infrastructure, the Coventry Station Masterplan, the Higgs Centre 50m Swimming Pool and the UK Central transportation programme. Of these schemes there is a significant risk that the Coventry Station Masterplan will not be able to deliver its original scope within budget due to a significant increase in the Network Rail cost estimate for phase 3 and discussions are on-going in respect of the scope and phasing of outstanding works.

The overall level of rescheduling of £16.6m is distributed across a wide range of projects reflecting a more accurate assessment of expectations as the year-end approaches. None of the rescheduled programmes will result in any funding being lost to the Council.

The increase in the programme of £14m comprises new grant funding of £9m for the UK BIC Project (bringing the total Grant from Innovate UK to £111m) and £5m use of capital receipts for the purchase of the B&M Store approved at Cabinet on 8th October 2019.

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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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	1.5	1.5	0.0	0.0	0.0
Education and Skills	12.7	14.3	(0.1)	1.5	1.4
Children and Young People's Services	73.7	76.3	(1.7)	4.3	2.6
Adult Social Care	77.4	77.4	(0.5)	3.8	3.3
Customer Services & Transformation	13.6	16.9	(0.5)	3.8	3.3
Human Resources	1.3	1.7	0.2	0.2	0.4
Total People Directorate	**181.5**	**189.0**	**(2.6)**	**9.9**	**7.3**
Place Directorate Management	2.6	2.7	0.0	0.1	0.1
City Centre & Major Projects Development	7.2	7.4	0.1	0.1	0.2
Transportation & Highways	4.6	4.8	0.0	0.2	0.2
Streetscene & Regulatory Services	28.2	29.9	(0.2)	1.9	1.7
Project Management and Property Services	(8.0)	(8.8)	0.0	0.0	(0.8)
Finance & Corporate Services	7.4	6.8	(0.1)	(0.5)	(0.6)
Total Place Directorate	**42.0**	**42.8**	**(0.2)**	**1.0**	**0.8**
Total Contingency & Central Budgets	**6.7**	**(3.3)**	**0.0**	**(10.0)**	**(10.0)**
Total Spend	**230.2**	**228.3**	**(2.9)**	**0.9**	**(1.9)**
Resourcing	(231.4)	(231.4)	0.0	0.0	0.0
Ringfenced Funding Streams	1.2	1.2	0.0	0.0	0.0
Total	0.0	(1.9)	(2.8)	0.9	(1.9)

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 Customer Services, Housing, Adult and Childrens Social Care. This is partially offset by a non-salary overspend included above (e.g. agency, overtime). The position is less underspent than in 18/19 (£5.5M underspend) 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 relating to staffing.	(2.6)
Place Directorate	The directorate has gross underspends of £2.7m for centralised salaries. This has been offset by the turnover target for the same services of £2.5m, creating a net 'surplus' of £0.2m. Overall however, as described above, there are still a number of vacancies or other resourcing requirements which have been covered using agency staff to ensure services can be maintained. These costs are included in the service narratives. The underlying position is that an estimated £1.5m of the centralised budget for salaries is required to fund agency cover included in the deficits described above, therefore the turnover target for centrally funded posts has not been achieved.	(0.2)
Total Non-Controllable Variances		**(2.8)**

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.	(0.5)
Public Health	Other Variances Less than 100K		0.1
Public Health			**(0.4)**
Education and Skills	SEND & Specialist Services	The significant increase in the number of pupils entitled to home to school/college travel assistance, is underpinned by a growth in both non-SEN and SEN school placements. Capacity limitations on the in-house fleet required an interim response of short-term taxi commissions to meet demand thereby inflating mid-year unit costs. This has been subsequently mitigated by a further investment in fleet expansion. The requirement to provide personalised arrangements for children who are unable to travel safely on a mini-bus has increased significantly, all reasonable measures are in place to monitor and challenge this element of provision whilst ensuring the Council continues to meet its statutory duty.	1.2
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	Other Variances less than £100k		0.1
Education and Skills			**1.5**
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	Commissioning, QA and Performance		0.2

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 as part of the Workforce Transformation.	0.7
Children and Young People's Services	LAC & Care Leavers	The variance is largely as a result of the placement pressures (£1.9M net 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. The supported accommodation continues to show an overspend as a result of activity and high cost placements (£0.8M). The forecast in these areas has worsened since QTR 2 by £1.1M, and work is underway to understand the impact of this on 20/21 financial year in the context of the Children's Transformation Programme. There are a number of other variances across the service as a result of activity pressure (care leavers, permanence allowances of £0.4M) and agency costs of in excess of £0.5M partially offset by a centralised salary underspend.	4.4
Children & Young People's Services			**4.3**
Adult Social Care	Adult Social Care Director	The majority of the underspend represents the use of iBCF resources to manage the financial position. These resources are available to manage Adult Social Care pressures. The level of demand is increasing at higher than levels estimated at the start of the year. The contributory factors to this are described in the specific sections below. This rising demand on the grant, which is cash limited, will reduce the ability to absorb further increases this year and in subsequent years.	(2.0)
Adult Social Care	Older People Operational	Additional costs of agency staff pending recruitment but overall staffing slightly underspent.	0.1
Adult Social Care	All Age Disability and Mental Health Operational	There remains 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 Community Purchasing	Whilst the iBCF grant has been provided to manage pressures (see Adult Social Care Director line), pressure remains within Older People Community Purchasing budgets from continuing demands for Residential	0.2

		placements. Work is underway to provide more cost effective alternatives.	
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Whilst the iBCF grant has been provided to manage pressures (see Adult Social Care Director line), higher than expected increased demands across Mental Health services is putting additional pressure on the financial position.	1.7
Adult Social Care	Other Variances less than £100k		(0.1)
Adult Social Care			**0.5**
Customer Services & Transformation	Customer and Business Services	Vacancies have been held post Business Services change to align the work and understand where best to place the resource, recruitment is under way at the moment however we are staggering this. Some of these posts will be given back at the end of the financial year to meet transferred Business Services savings target. There is a restructure of the PA function underway which will introduce new roles and may result in some redundancies. Vacancies are being held until this review concludes and temporary resource is being used in the interim. Once concluded (Apr/May) new positions will be recruited to on a permanent basis. This review has been delayed at various points which has resulted in a budget holder variance.	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 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	Transformation Programme Office	Variance has changed this quarter to better reflect potential spend against the Professional Fees budget line, at this stage in the year. Use of this budget is unpredictable as it is dependent on organisational transformation plans and internal/external resource requirements to deliver this.	(0.1)
Customer Services & Transformation	Housing & Homelessness	Housing and Homelessness is forecasting an overspend of £3.2m 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 quarter 3 as previously forecast. Although an additional	3.5

		£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 6 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.	
Customer Services & Transformation	Other Variances Less than 100K		(0.1)
Customer Services & Transformation			**3.8**
Human Resources	Workforce Transformation	The HR service continues to face challenges with external income from both schools and other contracts particularly within Employment Practice and Occupational Health.	0.2
Human Resources			**0.2**
Total Controllable Variances - People			**9.9**
Place Directorate	**Place**		
Service Area	**Reporting Area**	**Explanation**	**£M**
Place Directorate Management			0
Place Directorate Management			
Business & Investment	Sports, Culture, Destination & Bus Relationships	St Mary's trading position is in deficit due to income generating activity not making enough to fund fixed costs as a result of only 10 months expected trading activity to reflect the proposed capital works	0.1
City Centre & Major Projects Development			**0.1**
Transportation & Highways	Traffic	"Bus gate and parking enforcement are projected to be c£0.6m 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 of c£0.4m "	0.3

Transportation & Highways	Variances less than £100k		(0.1)
Transportation & Highways			**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	Streetpride & Parks	This is mainly related to a reduction in income for Bereavement Services due to falling death rates. Equipment issues have also resulted in Car Parking income pressures at Coombe, however upgraded pay machines and barriers have now been installed. There has also been urgent spend to upgrade city centre streetpride mess room facilities	1.0
Streetscene & Regulatory Services	Waste & Fleet Services	"Commercial Waste is forecasting a shortfall of c£0.3m. This shortfall is due to increased gate fees & tonnages. Domestic Waste is forecasting spend pressures of c£0.5m. This is due to increased pool cover for sickness absence, additional bin purchases & the cost of Christmas cover. Waste Disposal costs are also forecast to overspend by £0.3m. This is partly due to higher tonnages and partly higher gate fees/loss of rebate income for co-mingled recycling	1.0
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			**1.9**
Project Management and Property Services	Project Management	Overall a small net surplus is expected, however income is forecast to be down hence the variation. However, this is offset by reduced staffing costs	0.1
Project Management and Property Services	Commercial Property & Development	Vacant post and charges to Capital for Development surveyors time in respect of the property acquisition and disposal programmes	(0.3)
Project Management and Property Services	Facilities & Property Services	Primarily relates to a one-off Business Rates refund of £434k on operational buildings	(0.6)
Project Management and Property Services			**(0.8)**
Finance & Corporate Services	Revenue & Benefits	There is a surplus as a result of an increase in housing benefit overpayment recovery. This is offset by additional costs required to	(0.8)

		administer an increasing council tax base and a reduction in court cost income.	
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. - underlying cost pressures within coroners due to price and volume increases."	0.4
Finance & Corporate Services	Democratic Services	A combination of one-off savings whilst restructures are implemented and additional income from school's appeal works.	(0.1)
Finance & Corporate Services			**(0.5)**
Total Non-Controllable Variances - Place			**1.0**
Contingency & Central Budgets			
Service Area	**Reporting Area**	**Explanation**	**£M**
Total Controllable Variances - Contingency & Central Budgets		The large improvement since quarter 2 is due to £3.1m of employer pension contributions no longer due to be paid to the West Midlands Pension Fund. The Council has budgeted for a higher payroll and employer pension contributions than anticipated when fixed contributions were agreed with the Pension Fund 3 years ago. The Fund has confirmed that it is not expecting these amounts to be paid over to it and that it has taken account of this in calculating the Council's revised contributions for future years. Therefore, the over-budgeted sums can now be released to the Council's bottom line. Net Asset Management Revenue Account expenditure is anticipated to be £2.4m 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	**(10.0)**

		from the Friargate Project (£0.75m); lower than budgeted levy costs (£0.6m); and a contribution to reserves for managing the costs of major projects approved at quarter 2.	

Appendix 2

Approved / Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Air Quality - Clean Bus Technology Fund	A further £2.517m of Clean Bus Technology Fund was awarded to CCC. This is the element to be spent this financial year with remainder profiled into 2020-21.	**1.7**
On-street Residential Charge-point Scheme Phase 2	Grant Award from Office for Low Emission Vehicles for On-street Residential Charge-points phase 2.	**0.3**
Better Street Community Project (Transforming Cities Fund)	TfWM award as part of the Transforming Cities Fund of £265k to support Walking and Cycling programme.	**0.3**
Coombe Abbey	New Play Provision agreed at Cabinet	**0.8**
City Centre Regeneration - City Centre South and Friargate	Revenue contribution for development costs for CCS not eligible for WMCA Grant, plus reprofile of Friargate Project management Budget from 20/21 to match spend	**0.3**
Acquisition of B&M	Approved at Cabinet on 8th October 2019 to purchase this Investment Property	**5.3**
UKBIC	Additional Funding awarded	**9.2**
Acquisition Costs Temporary Accommodation (Homeless)	The change to the programme is to increase the budget as a result of additional property projects being progressed in year to alleviate the temporary accommodation revenue financial pressure. These have all had oversight from Strategic Housing Board and Cabinet Member and are in line with the original aims of the allocation.	**0.2**
City of Culture	Adjustment to correct the programme forecast at Qtr 2. This has no impact on resources	**(4.0)**
SUB TOTAL - Place Directorate		**14.0**
TOTAL APPROVED / TECHNICAL CHANGES		**14.0**

Appendix 3

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 19-20 £m
PEOPLE	12.3	0.0	0.0	0.0	12.1
PLACE	206.4	14.0	(0.0)	(16.6)	203.8
TOTAL	**218.7**	**18.0**	**(0.0)**	**(20.6)**	**215.9**

Appendix4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	Works underway to expand secondary schools – three of the smaller projects have completed and the programme of works for larger secondary expansion projects to commence at the earliest February 2020, which means much of the expenditure will be seen next financial year.	(0.5)
SEND	Project completion within this financial year – two projects completed and two projects due to complete by February. We were awarded extra funding from the DFE to undertake further projects.	**0.5**
SUB TOTAL - People Directorate		**0.0**
PLACE DIRECTORATE		
City Centre Regeneration	Reprofiling of expenditure will continue whilst the scheme's planning application is being developed	(0.3)
Friargate	Expenditure forecasts will continue to be estimates until development and building contracts are in place (anticipated to be Summer 2020).	(0.2)
Coventry Station Masterplan	The 2 bids received for Phase 3 (NUCKLE 1.2) of this project were significantly over budget, and even with an alternative proposal provided by Network rail this was also over budget. Currently options are being considered with the DFT/NR on how to take this scheme forward. This has caused delays in the programme, while further options to make this scheme affordable are considered. Phase 1/2 are still on track.	(0.9)
GD14 - A46 N-S Corridor (Stanks)	Delays to the project has meant that they have been unable to defray as much expenditure as originally forecasted. Delays are due to a number of uncharted utilities found on site and re-profiling the programme to encompass pedestrian management routes	(0.7)
GD36 - A452 Europa Way Corridor	Project has been subject to several delays which have impacted on the programme	(0.3)

Vehicle & Plant Replacement	Vehicles have been delayed replacing in this financial year, mainly due to a proposed bid for additional grant funding. If this bid was successful, we would likely replace many of these vehicles with electric cars and vans, using capital grant fund instead. We will know if February whether we are successful in the bid, whereby we order the new vehicles that will be paid for in 20/21	(0.5)
ESIF - Business Support Phase 2	We had forecast that we would give out £1.7m in grants by the end of the financial year as we had approved a significant amount in grant approvals. However, due to Brexit and some issues with Building purchases, some of our businesses have delayed their expenditure so we have been reconsidered our forecast. Our Business Support Programme is running to December 2021 therefore we still have a considerable amount of time for this expenditure to take place and we are confident that it will take place in full	(0.3)
ESIF - Low Carbon	Down to commitment and spend from SMEs.	(0.1)
London Road Cemetery	There was delay in appointing the project manager for the London Road Cemetery project. This then resulted in the projects start on site date. Hence the underspend on the project. The project is now due to be on site early March and has a completion date of early November	(0.8)
Growing Places	Delays with contracting; signing of legal documentation and purdah due to the recent elections has meant that projects have not been able spend to forecast.	(0.3)
City Centre Destination Leisure Facility	The project has had a £100k additional costs due to an agreed extension of time for the contractor	0.1
Superfast Broadband	The re-scheduling is as a result of agreeing a payment profile with City Fibre as part of the Cabinet report which was approved in April with regards to the network lease extension and expansion. £300k is required to be paid in future years, hence the rescheduling.	(0.3)
Housing Venture	The underspend is due to Whitefriars Housing 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.	(0.3)
MRF Development Costs	The development costs are anticipated to come it at around £2.8M, of which £800k has already been spent to date developing the feasibility and detailing business case and financial model. The capital works order was set up to cover costs associated with procurement phase which commenced at the end of September. It is anticipated that this phase of works will take around 12-15 months, with financial close anticipated early 2021. The updated forecast reflects anticipated spend against proposal received by the supporting advisory team, and appointment of internal secondments.	(0.7)
Lentons Lane Cemetery - Phase 2	At quarter 2, the project was in a state of flux due to proposed changes in the scope of works and the subsequent impact on the budget. It was agreed to reschedule at quarter three, once the scope had been agreed and the programme was better understood. As at quarter 3, the project has slipped by three	(1.5)

	months due to the debate about the scope of works and one month due to issues with preparing the tender documents. The delay of four months in total means that the majority of the contractor spend will now fall into financial year 2020/21.	
Whitley South	The variation is due to the project team being in a position to further firm up the expenditure profile based on an updated contractor programme and cashflow. This is due to the technical and planning issues having been resolved providing a more robust programme of work	(1.3)
Loop Line	The request from Historic Coventry Trust is to defer the drawdown of this loan facility until the second quarter of 20/21	(0.2)
Miscellaneous under £100k		0.1
SUB TOTAL - Place Directorate		**(16.6)**
TOTAL RESCHEDULING		**(16.6)**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st December 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%	13.05%
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	£249.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£84.5m	-£43.7m
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 5 years – 10 years 10 years +	 0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	 25% 2% 5% 6% 63%

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