



**Decision maker:** Cabinet Member for Resources Portfolio

**Subject:** Monitoring of the Second Quarter 2011/12 Revenue Cash Limits and Capital Programme

**Date of decision:** 24th November 2011

**Report by:** Head of Financial Services  
(Written by Sue Page & James Fitzgerald)

**Wards affected:** ALL

**Key decision:** No

**Budget & policy framework decision:** Yes

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## 1. Summary

1.1 This report compares the forecast revenue outturn 2011/12 with the cash limited budget for that year and the forecast capital expenditure with the approved capital programme and provides information to enable an understanding of the reasons for variances. It also lists the action to be taken to ameliorate the effect of forecast overspends.

## 2. Purpose of report

2.1 To inform the Cabinet Member and Opposition Spokespersons of:

- The forecast revenue expenditure for the year compared with the cash limited budget.
- The forecast capital expenditure against the approved capital programme for the Resources portfolio.

## 3. Recommendations

3.1 The content of this report be noted.

## 4. Background

### 4.1 Cash Limit 2011/12

|  |                      |
|--|----------------------|
|  | <b>£'000s</b>        |
| Net Requirement                        | 30,218               |
| Less - Capital Charges                 | 2,409                |
| - Insurance Costs                      | 167                  |
| - FRS17                                | 859                  |
| <b>Controllable Cash Limit 2011/12</b> | <u><u>26,783</u></u> |

### Forecast Outturn 2011/12

|  | <b>£'000s</b>      | <b>% of Budget</b> |
|--|--------------------|--------------------|
| Actual Net Expenditure 1 April 2011 to 30 September 2011 | 12,535             | 46.80%             |
| Forecast Net Expenditure 1 October 2011 to 31 March 2012 | <u>14,175</u>      | 52.92%             |
| Total Forecast Controllable Expenditure 2011/12          | <u>26,710</u>      | 99.73%             |
| Controllable Cash Limit                                  | <u>26,783</u>      |                    |
| <b>Forecast Variance - (Under)/Overspend</b>             | <u><u>(73)</u></u> | (0.27)%            |

### 4.2 Appendices

- 4.3 An analysis of this Portfolio's variations from the revenue cash limit is attached at Appendix A.
- 4.4 An analysis of the Portfolio's capital expenditure for 2011/12 is attached at Appendix B.

## 5. Managers' Comments

(Please read in conjunction with the attached Appendix A)

### Revenue Expenditure

- 5.1 The forecast outturn for the Portfolio compared to the cash limit indicates a net underspend of £73,200.
- 5.2 This sum includes a forecast net overspend of £22,200 on Housing Benefits and a forecast under-recovery of income of £23,800 from Land Charges. Variances within these budget headings are deemed to be 'windfall' which means that they are largely outside of the control of budget managers. Savings on windfall budgets accrue to the corporate centre. Overspendings on windfall budgets that cannot be absorbed within the Portfolio budget are funded corporately. The portfolio is currently forecasting a net underspend of £73,200 including at this stage the overspends within these windfall areas.

5.3 The main areas of variance are as follows:

- Miscellaneous - vacancies in Trade Union secondments and the residue of the workplace nursery transitional funding ending in 2011/12.
- Project Management, Risk & Insurance – costs incurred by posts within the transformation team not included in base budget
- Customer Services – Cultural services contribution to City Help Desk employees working at Southsea Library
- Legal Services – slippage in the completion of service restructure and higher agency costs providing short term vacancy cover.
- Financial Services – Additional savings from early phasing of service restructure.
- Human Resources – amendment to proposed new structure resulting higher costs than anticipated.
- Internal Agency – reduced demand resulting in less income received
- Asset Management Service – holding of vacancies pending restructuring
- Housing Benefits – provision for debt levels now lower than anticipated.
- Benefits administration – savings due to vacant posts
- Land Charges – reduced income as no longer able to charge for personal searches
- Members expenses – additional costs due to having one extra portfolio than originally budget for
- Corporate Management - reduction in annual charge from the Audit Commission however in overall deficit as some senior management efficiencies have still to be delivered.

Item 1 - Miscellaneous Expenses - forecast underspend £67,000

5.4 This budget heading includes various relatively small corporate budgets including Trade Union Secondments. This activity has a budget of £90,400, but, as previously reported, not all of the posts budgeted for have been filled. If this remains the case and no further appointments are made, it will result in an underspend of £30,400. In addition, the short term transitional funding identified for the workplace nursery finishes during the current financial year resulting in a saving of £31,600.

Item 2 – Project Management, Risk & Insurance - forecast overspend £92,000

- 5.5 This forecast overspend of £148,000 is in respect of costs incurred by posts within the transformation team that are not included in the base budget. An element of this overspending will be funded by a transfer of £56,000 from the remaining resources allocated for this purpose in the Medium Term Resource Strategy reserve. If corresponding savings cannot be found then this net overspend of £92,000 will be funded from other underspends within the portfolio

Item 5 - Customer Services – forecast underspend £24,100

- 5.6 Cultural Services are making a contribution towards the cost of the City Helpdesk employees working at Southsea Library. In addition to this there are several vacancies which will result in an underspend of £24,100.

Item 7 - Legal Services - forecast overspend £189,600

- 5.7 Legal Services is forecast to overspend by £189,600 due to slippage in the completion and implementation of the service's new structure. The outcome of this is that some of the posts from the old structure have remained filled for longer than anticipated. In addition to this, agency staff, at a higher cost, are being used to backfill other vacant posts until recruitment is complete which is now expected to be November 2011.

Work is being undertaken to try to mitigate any overspend and the Head of Service is seeking to maximise all income opportunities and is currently in negotiations with other local authorities for the provision of services to them.

Discussions are also ongoing with internal clients to make them aware of the additional work that has been undertaken on their behalf that will require reimbursement to Legal Services.

The Head of Legal Services also has responsibility for areas in other portfolios which are forecasting underspends totalling £154,900 (£30,200 in Licensing and £124,700 in Registrars). This could be used to offset a substantial element of this projected overspend however would be subject to the agreement of the relevant portfolio holders..

Item 8 - Financial Services - forecast underspend £152,900

- 5.8 The early phasing and implementation of the new Financial Service structure has resulted in less staffing costs than budgeted for. This ongoing saving will contribute to the department's savings requirement in 2012/13.

Item 9 - Human Resources - forecast overspend £71,000

- 5.9 The Human Resources budget allocation in 2011/12 was based on the initial proposed staffing restructure. There were however, subsequent revisions to the structure which have resulted in higher costs (£71,000) than budgeted for. In order to fully offset these increased costs and the overspend forecast for the Internal Agency at item 10 below, expenditure on corporate training will have to be reduced and some anticipated vacancies will be held unfilled.

Item 10 - Internal Agency - forecast net overspend £66,000

- 5.10 Due to the current economic climate the demand for temporary staff provided via the Internal Agency is less than anticipated which has resulted in lower levels of income than originally budgeted for. This overspend will be funded from the savings identified in item 9 above.

Item 12 – Asset Management Service - forecast underspend £100,000

- 5.11 The Property and Landlord Services department is holding a number of vacant posts pending the outcome of a restructuring process in order to make best use of the resources in line with the city council's overall transformation programme. These savings will contribute to the target requirement in future years.

Items 19 & 20 - Housing Benefit – Rent Allowances and Rebates - forecast net overspend £22,200

- 5.12 These variances represent the difference between Housing Benefits paid out to private tenants and Council House tenants and the government subsidy received for these purposes. One of the main factors to date is that the level of new debt raised to clients, whose change in circumstances had reduced their benefit entitlement, was lower than anticipated. This has resulted in a reduction in income. The total value of benefits paid exceeds £100m therefore subtle variations in factors such as this can result in material variances.

Item 22 - Benefits Administration - forecast underspend £160,400

- 5.13 Posts within Council Tax and Housing Benefit administration are being held vacant where possible in order to realise the ongoing efficiencies required within the service and also to help offset other areas of pressure within this portfolio.

Item 24 – Land Charges - forecast overspend £23,800

- 5.14 Local Authorities are no longer able to charge for personal searches through the Local Land Charge register. Initially, in 2010/11, authorities received a specific small additional grant to mitigate the lost income however this is no longer available resulting in an overspend on this budget heading.

Item 25 - Democratic Representation and Management - forecast overspend £37,200

- 5.15 This budget heading contains a number of areas one of which is Members Expenses which includes the costs for the council's portfolio structure. The structure currently in place includes one more portfolio than was originally budgeted for with associated costs of approximately £13,000. In addition to this, when members expenses were reviewed a number of years ago, the increase in the budget was not sufficient to cover the additional costs thus creating an ongoing budget pressure which, if corresponding savings cannot be found, will be funded from other underspends within the portfolio

Item 26 - Corporate Management - forecast overspend £70,300

- 5.16 Although some of an approved budget saving in respect of senior management efficiencies across the whole Council has been delivered, a sum of £85,000 is still to be identified. There are a number of other small budgets within this area and some of this overspend has been reduced as the Audit Commission has confirmed that their charge this year will be £20,500 less than expected.

## 6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net underspending of £73,200 representing 0.27% of the total cash limited budget. Within this net position there are various other smaller under and overspendings as shown in Appendix A.

## 7. Capital Programme

- 7.1 The revised capital programme has been updated to reflect the impact of slippage in scheme expenditure from 2010/11, new starts approved by City Council on 8th February 2011, further approved amendments, rephasing of expenditure into future years and the removal of completed schemes. The updated monitoring statement is attached at Appendix B.
- 7.2 New schemes approved at the City Council on 8<sup>th</sup> February 2011 are as follows:

| <b>Scheme Name</b>                                       | <b>£,000</b> |
|--|--------------|
| DDA works to corporate Property Portfolio                | 50           |
| Landlord Maintenance – Capital Contingency *             | 1,192        |
| Dame Judith Professional Centre – Relocation of services | 167          |
| Replacement of Cash Handling System                      | 201          |
| Civic Office Catering – Coffee Shop                      | 69           |

7.3 New schemes added since 8<sup>th</sup> February are as follows:

| <b>Scheme Name</b>  | <b>£,000</b> |
|---|--------------|
| IT Data Centre (see para 7.7 below)                         | 605          |
| Replacement of Oracle E-Business Suite (see para 7.8 below) | 250          |

7.4 The schemes with the more significant issues and the main progress updates that have been incorporated into the latest capital monitoring statement are as follows:

7.5 Item 4 - Landlord's Maintenance capitalised repairs

Having reviewed current commitments it has been agreed to transfer £175,200 of the funding set aside for upgrades to the Civic Offices to the IT Data Centre refurbishment scheme (item 22) as the proposed upgrades cannot be completed until the IT Data Centre works are finished. The small remaining balance will be used to offset the projected overspend of £13,700 on the works to the Guildhall Auditorium within DDA Building Modifications to various City Council owned properties (item 9).

7.6 Item 15 – Major Repairs to Corporate Property Portfolio

This budget allocation included a scheme for fire protection works to the IT server room. £160,100 of this has been transferred to the IT Data Centre scheme (item 22).

In addition to this, it was agreed through the Members Information Service (23<sup>rd</sup> September 2011 - item 7) that £50,000 should be vired to the Culture and Sport capital programme to fund additional piled foundations at Stamshaw and Tipner Leisure Centre.

7.7 Item 22 - IT Data Centre

This is a new scheme approved via the Members Information Service on 14<sup>th</sup> October 2011 (item 14). The scheme comprises new electrical and air conditioning units together with an upgrade to the fire suppression system and structural alterations to comply with insurance requirements. Funding is from a revenue contribution of £270,000 from the approved Information Services budget and transfers of other resources as detailed above.

7.8 Item 23 - Replacement of the Oracle E-Business Suite

The scheme comprises a hardware upgrade to facilitate business critical software refreshes and systems development. Funding from the earmarked Oracle Hardware Replacement Reserve was approved via the Members Information Service on 24<sup>th</sup> June 2011 (item 2).

7.9 Completed capital schemes have now been removed from appendix B. As a result of this, the rephrasing of some expenditure and the changes reported above, the original estimate for 2011/12 has increased from £6,470,400 to £7,165,200. The current forecast of capital expenditure in 2011/12 is £7,165,312.

**8. Equality impact assessment (EIA)**

8.1 An Equality Impact Assessment is not required as there are no proposed changes to services, policies, or procedures included in the recommendations.

**9. Legal implications**

9.1 The City Solicitor has formally considered this report for legal issues.

**10. Head of Finance's comments**

10.1 This report presents the forecast position on the Resources portfolio approved revenue and capital budgets as at the end of September 2011

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Signed Head of Financial Services

**Appendices:**

- A Revenue Outturn Statement**
- B Capital Monitoring Statement**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

| <b>Title of document</b>        | <b>Location</b>      |
|---------------------------------|----------------------|
| Service Budget monitoring files | CRS Accountancy team |
|                                 |                      |

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Cabinet Member for Resources on 24th November 2011

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Signed by: Cabinet Member for Resources