

Decision maker: Cabinet 3rd December 2012
City Council 11th December 2012

Subject: Budget & Performance Monitoring 2012/13 (2nd Quarter) to end September 2012

Report by: Head of Finance & Section 151 Officer

Wards affected: All

Key decision (over £250k): Yes

1. Purpose of Report

- 1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the second quarter for 2012/13 in accordance with the proposals set out in the "Portsmouth City Council Budget 2011/12 to 2015/16" report approved by the City Council on the 14th February 2012.

To also take the opportunity to report on any key performance measures of the Council and highlight any relationships between financial performance and service performance that may indicate any potential or emerging matters of concern in relation to either.

2. Recommendations

- 2.1 It is recommended that:

- (i) The contents of this report be noted, in particular the overall forecast underspend of £1,079,100 representing a variance of 0.55% against the City Council Budget (as adjusted) of £196,123,450.
- (ii) That members note the actions being taken to reduce the forecast overspend in the Traffic & Transportation Portfolio and approve that any residual overspend at the year end be funded by a transfer from the Parking Reserve.

3. Background

- 3.1 A Budget for 2012/13 of £196,512,350 was approved by City Council on the 14th February 2012. This level of spending required an overall contribution from General Reserves of £7.847m in order to meet the shortfall between in-year spending and in-year income from all sources.
- 3.2 Since the 14th February City Council meeting, and in accordance with the Council approved budget guidelines the following Portfolios have had their 2012/13 cash limits reduced in order to "clawback" overspendings against their previous year's Cash Limit:

Community Safety	12,100
Traffic and Transportation	6,500
Total Clawback	18,600

3.3 In addition the budget has reduced by £340,300 as a result of a reduction in the amount being set aside to meet future maintenance obligations under the “Other Leisure Sites” contract and by a further £30,000 in respect of Seafront expenditure expected to be incurred during 2012/13 being expended during 2011/12.

3.4 In summary, changes to the budget as approved on 14th February 2012 are as follows:

	£
Budget Approved 14 th February 2012	196,512,350
Clawback of 2011/12 overspendings	(18,600)
Other Leisure Sites maintenance provision	(340,300)
Rephasing of Sea Front Expenditure to 2011/12	(30,000)
Adjusted 2012/13 Estimate	196,123,450

3.5 Once the above budget changes are taken into account the Estimate (as adjusted) for 2012/13 has reduced to £196,123,450. As previously mentioned the budget contribution from General Reserves in order to balance in year spending with in year financing is £7.847m. As a consequence of the reduction in budget set out above the required contribution from General Reserves has fallen by £388,900. In addition, the contribution from General Reserves has reduced by £454,691 compared to Quarter 1 as a result of a one off increase in Formula Grant following a successful High Court challenge by the Council of how the Government had calculated reductions in Formula Grant in respect of schools that had transferred to Academy status. The effect of these changes has reduced the overall contribution from General Reserves to £7.003m in order to meet the shortfall between in-year spending and in-year income from all sources.

3.6 This is the second quarter monitoring report of 2012/13 and reports on the forecast 2012/13 outturn as at the end of September 2012. The forecasts summarised in this report and detailed in the attached papers are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.

3.7 Any variances within Portfolios that relate to windfall costs or windfall savings will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. “Windfall costs” are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. “Windfall costs” therefore are ordinarily met corporately from the Council's central contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any “windfall cost” from within their areas of responsibility in order to protect the overall Council financial position. Similarly, “windfall savings” are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

3.8 The Financial Pack attached at Appendix A has been prepared in Portfolio format and is similar in presentation, but not the same as, the more recognisable “General Fund Summary” presented as part of the Budget report approved by Council on 14th February 2012. The format presented at Appendix A has been amended to aid understandability for monitoring purposes by excluding all non cash items which have a neutral effect on the City Council’s budget such as Capital Charges. In addition to this, Levies and Insurances are shown in total and have therefore been separated from Portfolios to also provide greater clarity for monitoring purposes.

4 Forecast Outturn 2012/13 – As at end September 2012

4.1 At the second quarter stage, the revenue outturn for 2012/13 is forecast to be underspent by £1,079,100 representing an overall budget variance of 0.55%.

4.2 The quarter 2 variance consists of a number of forecast under and overspends.

The most significant overspendings at the quarter 2 stage are:

Quarter 1 (Adjusted Budget)		Quarter 2 (Adjusted Budget)
£		£
1,568,500	Children and Education	Nil
	Planning, Regeation & Economic Development	214,400
802,600	Port	1,004,200
900,000	Traffic & Transportation	Nil

These are offset by the following significant forecast underspends at the quarter 2 stage:

Quarter 1 (Adjusted Budget)		Quarter 2 (Adjusted Budget)
£		£
	Health & Social Care	117,200
	Housing	130,000
122,800	Resources	
1,511,700	Asset Management Revenue Account	1,866,600

5 Quarter 2 Significant Budget Variations – Forecast Outturn 2012/13

5.1 Children and Education – Nil after further remedial action of £828,500 (or 0.0%)

The cost of Children and Education Services is forecast to be £828,500 higher than budgeted, however the proposals contained elsewhere on this agenda in the report entitled “Safeguarding Budget Position 2012/13” describe how the overspend will be addressed.

The key variances are:

- Savings arising from vacancies within the Early Support Service and delays in implementing specific projects has resulted in a forecast underspend of £354,300.
- Due to a delay in the closure arrangements of Pompey Study Centre, expenditure is expected to be higher than originally planned within the Education Improvement Service by £54,000.
- Following the start of the new academic year the cost of home to school transport within the Child Support Service is forecast to exceed the available budget by £237,000. Work is presently being undertaken to identify the opportunities available to reduce this forecast overspend.
- Fieldwork Services is forecast to overspend by £143,000 as a result of reduced income being earned from adoption placements by Other Bodies. This is due to a lack of placement availability and increased adoption activity, in relation to placing children from Portsmouth, which has limited the teams capacity to undertake the assessment of placements for other bodies.
- The number of Looked After Children referrals continues to cause a strain on the budget with 311 referrals to September 2012 compared to a budgeted level of 296. Whilst 2012/13 expenditure compared to 2010/11 is forecast to have reduced significantly (circa £1.3m) an overspend of £814,000 compared to the 2012/13 budget is forecast to arise.

Whilst there are individual variances within budget areas covered by the Dedicated Schools Grant, in aggregate these are neutral.

5.2 PRED (excluding Port) – Overspend £214,400 (or 103.1%)

5.3 The forecast overspend of £214,400 has arisen primarily due to security costs associated with Wymering Manor (£105,600), and disposal costs associated with Darby House, Merefield House, Dame Judith Centre and other miscellaneous sites.

5.4 Port – Overspend £1,004,200 (or 13.8%)

Overall net income from the Port is forecast to be £1,004,200 below target income. This is primarily due to a reduction in operational dues in respect of roll on roll off freight activity, lower freight units and passenger numbers, largely driven by the current economic climate and strike action by Brittany Ferries crews during September (£973,000).

5.5 Traffic & Transportation – Nil after further remedial action of £876,700 (or 0.0%)

The Portfolio is forecasting an overspend of £876,700 however;

A project to look at the Off Street Parking function has been initiated and a survey of all car parking assets is being undertaken by a cross service project group.

This initial work will focus on assessing assets against the following criteria; Product, Place, Promotion and Price of each site. The project team are now in the process of

developing a plan that will mitigate or completely eradicate the £876,700 deficit currently being forecast.

The project is designed to create more demand and increase the income that each asset generates and will also examine, post completion of the Tipner Park and Ride and other regeneration initiatives, whether operation of each asset is still required.

It is recommended that any remaining deficit once this review is complete be funded from the Off Street Parking Reserve.

The main causes of the underlying forecast overspend relate to:

- Off Street Parking is forecasting a revenue income shortfall of £694,200 due to falling demand for season tickets and the unprecedented wet weather over the summer period has resulted in reduced income from pay and display, particularly within the Seafront car parks in addition there has been an improvement in compliance by motorists.
- Despite budgeting for increases in street lighting energy costs expenditure is forecast to be £85,000 higher than budgeted. However, at the quarter 2 stage no accurate billing information has been received and management will continue to closely monitor expenditure and continue to investigate methods of reducing consumption.
- An increased reimbursement rate payable to bus operators coupled with increased free pass passenger usage has resulted in a forecast overspend within the Concessionary Fares budget of £165,000. This additional cost will be met from with the General Fund Contingency provision once 2012/13 actual costs are known.

5.6 Health & Social Care – Underspend £117,200 (or 0.2%)

Lower staffing levels and vacant posts has resulted in a forecast underspend of £510,000 however this underspend is offset by Portfolio overspends elsewhere primarily within Older Persons Domiciliary Care due to increased rates and client numbers £468,300.

5.7 Housing – Underspend £130,000 (5.3%)

The Winter Warmth, Rogue Builder and gas check projects were commenced during 2012/13. Project work valued at £75,000 is now not expected to arise until 2013/14. In addition Deminimus Capital Receipts are expected to be £45,000 higher than originally budgeted due to increased levels of enforcement work to recover outstanding loans where terms and conditions have been breached.

5.8 Asset Management Revenue Account – Underspend £1,866,600 (or 6.9%)

This budget funds all of the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all of the income in respect of the investment of the City Council's surplus cash flows. As a consequence, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both

changes in interest rates as well as changes in the Council's total cash inflows and outflows.

The forecast underspend relates to:

- Higher cash balances than anticipated leading to increased interest earned coupled with a forecast lower level of contingency to guard against interest rate fluctuations.
- A lower opening capital financing requirement than anticipated resulting in the statutory sum required to be set aside for the repayment of debt being lower.

6 Other Minor Budget Variations – Forecast Outturn 2012/13

6.1 Community Safety – No Forecast Variance

6.2 Culture, Leisure & Sport – No Forecast Variance

6.3 Environment – Underspend £71,000 (or 0.5%)

There are a number of small variances within the portfolio, primarily caused by reduced staffing costs, resulting in a net forecast underspend of £71,000.

6.4 Leader – Minor Underspend £7,500 (or 2.5%)

6.5 Resources – Overspend £21,600 (or 0.1%)

The Portfolio is forecasting an overspend of £21,600.

The two principle reasons for the net overspend are an underspend in respect of posts being held vacant in anticipation of future years savings requirements £253,700 offset by increased Housing Benefit costs £293,600.

6.6 Licensing Committee – Underspend £49,100 (or 65.4%)

Minor forecast underspend due to additional income.

6.7 Governance, Audit & Standards Committee – Underspend £62,100 (or 15.6%)

Overspend within Municipal Elections offset by additional income arising from fees approved by the General Registrar's Office (£93,300).

6.8 Levies – Underspend £15,800 (or 2.1%)

Minor variation due to levies being lower than originally estimated.

6.9 Insurance – No Forecast Variance

6.10 Other Miscellaneous – No Forecast Variance

7. Relationships between Financial Performance and Service Performance

- 7.1 A range of significant issues arose from Quarter 1 Performance Monitoring. In relation to Revenues and Benefits, whilst performance remains broadly on schedule and target, there are some concerns about the effect of large scale changes in the welfare system on the service, particularly given that a number of uncertainties exist.
- 7.2 In Adult Social Care, there are clear concerns around the budgetary challenge to the service, against a fast developing national agenda. The local priority continues to be finding creative ways to meet care needs which reduce dependency on long-term domiciliary care or day care, and the key to this is seen to be integration of services around (reablement and rehabilitation).
- 7.3 The Head of Customer, Community and Democratic Services raised concerns about equality impact assessments across the organisation, and how the findings from them are captured and addressed. There was also a need raised to develop work on customer insight.
- 7.4 In terms of key themes emerging, there is clearly a challenge around maintaining performance in a period of diminishing resources, and how oversight can be retained. This links strongly with the wider transformation agenda for the organisation. The role of service planning and how to make this fit for purpose in a period where the pace of change is unprecedented was also considered, along with the links to a wider corporate governance agenda. A conversation has also taken place around the challenges presented as less benchmarking data is made available; with a greater emphasis on services self-reporting, how is corporate oversight maintained to ensure nothing is missed and performance across the board is at an expected and accepted level? How can challenge effectively be given?
- 7.5 These issues are to be explored and developed further throughout the autumn, including in relation to a major piece of work on Value for Money within the organisation, and will be reported back to Governance, Audit and Standards Committee as part of the performance reporting cycle.

8. Conclusion - Overall Finance & Performance Summary

- 8.1 The overall forecast outturn for the City Council in 2012/13 as at the end of September 2012 is forecast to be £195,044,300. This is an overall underspend of £1,079,100 against the Amended Budget and represents a variance of 0.55%.
- 8.2 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.
- 8.3 The overall financial position is deemed to be “green” since the forecast outturn is lower than budget and finance is not having a negative impact on the overall performance status of the Council’s activities.
- 8.4 In financial terms, the forecast overspend (before remedial action) within the Children & Education and Transport & Street Management Portfolios represent the greatest concerns in terms of the impact that they have on the overall City Council budget for 2012/13.

- 8.5 Where a Portfolio is presently forecasting a net overspend in accordance with current Council policy, any overspending in 2012/13 will be deducted from cash limits in 2013/14 and therefore the appropriate Heads of Service in consultation with Portfolio Holders should prepare an action plan outlining how their 2012/13 forecast outturn or 2013/14 budget might be reduced to alleviate the adverse variances currently being forecast.
- 8.6 Based on the Budget (as adjusted) of £196,123,450 the Council will remain within its minimum level of General Reserves for 2012/13 of £5.5m as illustrated below:

	<u>£m</u>
General Reserves brought forward @ 1/4/2012	24.141
<u>Add:</u>	
Forecast Underspend 2012/13	1.079
<u>Less:</u>	
Transfer to MTFS Reserve	(4.202)
Planned Contribution from General Reserves 2012/13	(7.003)
Forecast General Reserves carried forward into 2013/14	14.015

Levels of General Reserves over the medium term are assumed to remain within the Council approved sums of £6.1m in 2013/14 and future years since any ongoing budget pressures / savings will be reflected in future years' savings targets.

- 8.7 Financial resources are not seen as a primary barrier during the current year to either performance achievement or performance improvement. Although there are no specific requests for additional resourcing to ensure targets are achieved, or objectives met through this report, in some cases resources may be a possible risk to future delivery which ought to be considered in the context of all other current and emerging budget pressures and evaluated in context with each other.

9. City Solicitor's Comments

- 9.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

10. Equalities Impact Assessment

- 10.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

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Chris Ward

Head of Finance & S151 Officer

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 –

Title of Document	Location
Portsmouth City Council Budget 2011/12 to 2015/16	Office of Corporate Finance Manager
Electronic Budget Monitoring Files	Financial Services Local Area Network

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 3rd December, 2012

Signed:

Approved / Approved as amended / Deferred / Rejected by the City Council on 11th December, 2012

Signed:

**FINANCIAL & SERVICE
PERFORMANCE**

**QUARTER 2
2012/13**

INFORMATION PACK