



Title of meeting: Resources Portfolio

Subject: Budget Outturn 2015/16 - Revenue Cash Limits and Capital Programme

Date of meeting: 13th October 2016

Report by: Director of Finance and Information services

Wards affected: ALL

1. Introduction

- 1.1 This report compares the Resources Portfolio 2015/16 revenue and capital expenditure outturns with the controllable cash limit and approved capital programme. It provides information to enable an understanding of the reasons for variances.

2. Purpose of report

- 2.1 To inform the Cabinet Member and Opposition Spokespersons of:
- The 2015/16 outturn revenue expenditure for the year compared with the cash limited budget.
 - The 2015/16 outturn capital expenditure against the revised capital programme.

3. Recommendations

- 3.1 The content of this report be noted.

4. Background

4.1 Cash Limit Expenditure 2015/16

	£000's
Net Requirement	24,075
Less;	
Capital Charges	2,786

Net Insurance Costs	105
FRS17	859
Employee Benefit Accruals	468
Controllable Cash Limit 2015/16	<u>19,857</u>

4.1 Outturn 2015/16

	£000's	% of Budget
Controllable Cash Limit 2015/16	19,857	
Total Actual Expenditure 2015/16	19,136	96.37%
Variance - (Under)/Overspend	<u>(721)</u>	3.63%

4.2 Appendices

4.3 Analysis of this portfolio's variations from the revenue cash limit is attached at Appendix A.

4.4 Analysis of the portfolio's capital expenditure for 2015/16 is attached at Appendix B.

5. Revenue Expenditure

(Please read in conjunction with the attached Appendix A)

5.1 The final outturn for the portfolio compared to the cash limit is a net underspend of £720,900.

5.2 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are Spinnaker Tower, Rent Allowances, Rent Rebates, Land Charges and District Audit Fees (within Corporate Management). These 'windfall' budgets represent income and expenditure which is demand led and largely out of the control of budget managers. Consequently any under or overspending is absorbed corporately. Excluding 'windfall' variances gives a net underspend on the portfolio of £304,800 i.e. 1.54%.

5.3 Much of the variance across the portfolio services arose from vacant posts being held, where operationally possible, in anticipation of future efficiency requirements. Other significant variances are explained below.

5.4 Item 8 AMS Design and Maintenance - overspend £339,700

During 2015/16 fee income was below target due to specification changes in a number of key projects, delaying their implementation. Further costs were

incurred due to non-fee earning work taking a larger share of staffing resource than anticipated in the base budget.

Overspending has been offset by underspending within Landlords Maintenance (item 10).

During 2016/17 delayed fee earning projects are commencing and will allow a recovery of lost income over the medium term.

5.5 Item 10 Landlords Repairs & Maintenance - underspend £411,900

Maintenance needs during 2015/16 were lower than anticipated due to mild winter conditions. This underspend was further compounded by downward revisions in scheme costs relating to the 2014/15 financial year and the introduction of a higher creditors threshold at year end.

This underspend mitigates overspending within Design & Maintenance (item 8).

5.6 Item 11 Spinnaker Tower - underspend £97,000

Earlier commencement of the five year tower naming rights deal, between Emirates and the Council has resulted in additional income being received in the 2015/16 financial year. This represents a variation to the original phasing of the budget and does not result in any overall additional income over the five year period.

5.7 Item 14 & 15 Housing Benefit - underspend £276,500

The Council paid approximately £110m in housing benefit to Portsmouth residents during 2015/16. These costs are recovered from central government through a subsidy mechanism which covers both the payment and administration costs of the benefit.

Due to subtle variations in factors associated with administration of the system, such as recovery of overpayments or movements in the age of outstanding debt, the council can only recover the full cost over the medium term. This often results in financially significant variances such as in 2015/16.

5.8 Item 21 Corporate Management - underspend £126,300

In addition to vacancies within this budget, District Audit fees were £ 39,300 below budget due to a lower fee structure applying to the Council and reduced audit requirements within certification activities.

5.9 Item 22 Coroners – underspend £24,100

Approximately 3,200 deaths per year are reported to the Portsmouth and South East Hampshire Coroner. A levy is due from Hampshire County Council dependant on the number of deaths occurring outside of the Portsmouth area. During 2015/16 there was a slight increase in the proportion of Hampshire

reported deaths, resulting in a higher levy being charged to Hampshire County Council than anticipated in the services original budget.

6. Summary

- 6.1 The overall outturn position on the portfolio is a net underspend of £720,900 representing 3.6% of the total cash limited budget. Within this net position there are various other less significant under and overspendings as shown in Appendix A.
- 6.2 The 2015/16 outturn net controllable underspend of £304,800 will be added to the portfolio specific earmarked reserve. This reserve is to be used initially to cover future year end overspendings, budget pressures, contingent items and spend to save schemes. Once these instances have been satisfied, the reserve may be used for other developments or initiatives. The portfolio holder is responsible for approving any releases from the earmarked reserve in consultation with the Director of Finance and Information Services & S151 Officer.
- 6.3 At the end of 2015/16 the uncommitted balance on the reserve is £600,050

7. Capital Programme

(Please read in conjunction with the attached Appendix B)

- 7.1 The capital programme has been updated to reflect the impact of new schemes, further approved amendments, re-phasing of expenditure and the removal of completed schemes.

7.2 Outturn 2015/16

	£000's
Total Revised Budget 2015/16	5,934
Actual Net Expenditure 1 Apr 2015 to 31 Mar 2016	3,700
Variance - (Under) / Overspend	<u>(2,234)</u>

- 7.3 The outturn for the portfolio capital programme compared to the approved budget is a net underspend of £2,233,969. This underspend is mostly attributable to slippage in spending from the 2015/16 year into future years.
- 7.4 Higher value schemes where the estimated phasing of expenditure has slipped from 2015/16 into 2016/17 are as follows:

£'s

Landlords Maintenance Capitalised Repairs	123,800
Landlords Maintenance Capital Contingency	411,000
Refurbishment of ground floor accommodation	150,000
IS Road Map	325,100
Working Anywhere	94,400
PSN CoCo Compliance	92,600
Guildhall Capital Works - Operational areas	80,000
Server and Database Upgrades	200,000
Web Phase 2 / Channel Shift	116,900
Utilities Management	638,500
Total	<u>2,232,300</u>

7.5 Item 3 Landlords Maintenance - slippage £123,800

Works to the electrical distribution system were delayed to avoid an 'electrical shutdown' impacting on the city's CCTV coverage during a crucial period for local security.

Further slippage occurred due to a review of emergency lighting. Following a pilot project smaller emergency lighting schemes will now form part of an overall upgrade scheduled to commence in the new financial year.

Retendering for works on Cosham Community Centre heating also created significant slippage into 2016/17. The exercise achieved savings but delayed completion into the new financial year.

7.6 Item 4 Landlords Maintenance Capital Contingency - slippage £411,000

This funding is only for urgent repairs critical to maintaining operational buildings. During 2015/16 all essential works were able to be incorporated into the normal Landlords Maintenance budget and therefore this allocation was not called upon.

7.7 Item 9 Refurbishment of ground floor accommodation- slippage £150,000

This scheme covers the remodelling of accommodation space to support the existing data centre facilities.

Delay in finalising the design and subsequent tendering of works resulted in slippage of the overall spending profile.

7.8 Item 11 IS Road Map - slippage £325,100

This rolling programme of IT infrastructure renewal includes replacement of storage area network, software upgrades and improvements to back up systems. Work initially planned for the year has been deferred into 2016/17 due to other unforeseen high priority work being undertaken.

7.9 Item 16 Working Anywhere - slippage £94,400

This project equips the council with an ICT infrastructure to support flexible working. Significant progress on the scheme has been made and total expenditure incurred is £875k.

The final phases of this scheme have slipped into 2016/17 since some elements such as, 'apps' working over the virtual private network (VPN) and the upgrade of telephony systems need to be phased with new security infrastructure.

7.10 Item 19 PSN CoCo Compliance - slippage £92,600

The work undertaken to meet the Public Sector Network (PSN) requirements for authorities connecting to secure government systems was less than anticipated during the year.

7.11 Item 22 Guildhall Capital Works operational areas - slippage £80,000

Currently works to improve the operational areas occupied by Portsmouth City Council are on hold. The Guildhall Cultural Trust is undertaking a 'renaissance' project which could impact on these areas. Consequently works have been delayed pending the projects recommendations.

7.12 Item 23 Server and Database Upgrades - slippage £200,000

A key criterion for Public Services Networks (PSN) security accreditation is that software is supportable. Without PSN compliance the Council would be unable to share information with central government.

The capital scheme was funded by a contribution to capital from the IS revenue budget in 2014/15 to cover the cost of new servers and improve the existing resource used to support the upgrade of systems / databases which were at risk of de-support by suppliers due to their age. This would ensure that systems remain viable and we retain our Public Services Network (PSN) accreditation essential for information sharing with our key partners. Final requirements to meet this accreditation resulted in less volume of change than originally anticipated.

7.13 Item 25 Web Phase 2 / Channel Shift - Slippage £116,900

Delay in initial form design stage had knock on effect on the progression of the project which is now due for completion in 2016.

7.14 Item 26 Utilities Management 2015/16 - Slippage £638,500

This scheme comprises the fitting of solar panels and LED lighting to select Council assets including the Civic Offices.

Installation of LED lighting within the Civic Offices represents approximately £560,000 of the overall budget. Full implementation of the project was

dependant on a successful lighting trial within a small section of the building. The trial was successful and results were used in a subsequent supplier review which identified opportunities for savings. Due to a more complex trial and supplier review period significant slippage has occurred in the projected completion date, which has been revised to November 2016.

- 7.15 A number of schemes completed during the year with an overall underspend of £13,600. These savings will either be returned to the corporate centre or the specific reserve that they originated from.

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Signed : Director of Finance and Information 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:

Title of document	Location
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 13th October 2016

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Signed by: Cabinet Member for Resources