



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

**Subject:** Budget Outturn 2013/14 - Revenue Cash Limits and Capital Programme

**Date of decision:** 17 July 2014

**Report by:** Head of Financial Services

**Wards affected:** ALL

**Key decision:** No

**Budget & policy framework decision:** No

**1. Summary**

1.1 This report compares the Resources Portfolio revenue expenditure outturn for 2013/14 with its controllable cash limit for that year, and the outturn capital expenditure to the 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 outturn revenue expenditure for the year compared with the cash limited budget.
  - The outturn capital expenditure against the capital programme for the Resources portfolio.

**3. Recommendations**

3.1 The content of this report be noted.

**4. Background**

**Outturn 2013/14**

	£'000	% of Budget
Total Actual Controllable Expenditure 2013/14	22,583	96.42%
Controllable Cash Limit 2013/14	<u>23,422</u>	
<b>Variance</b>	<u>(839)</u>	(3.58%)

#### 4.1.1.1 Appendices

4.2 An analysis of this Portfolio's variations from the revenue cash limit is attached at Appendix A.

4.3 An analysis of the Portfolio's capital expenditure for 2013/14 is attached at Appendix B.

### 5. **Managers' Comments**

(Please read in conjunction with the attached Appendix A)

#### Revenue Expenditure

5.1 The Resources Portfolio revised cash limit reflects changes approved during the year including transfers to and from reserves, carry forward requests and adjustments to inflation.

5.2 The outturn of £22,583,029 compared to a revised cash limit of £23,422,223 indicates a net underspend of (£839,194). This represents a variance of (3.58%) against the revised budget.

5.3 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are Rent Allowances, Rent Rebates, Spinnaker Tower, Land Charges, Local Welfare Assistance scheme, Discretionary Non Domestic Rate relief and District Audit Fees. These 'windfall' budgets represent income and expenditure which is demand led and is largely out of the control of the budget managers. Consequently any under or over spending is absorbed corporately. Excluding 'windfall' variances gives a net underspend on the Portfolio of £471,400 (2.01%). i.e.

	£
Total Variance (under spend)	(839,200)
<u>Less</u>	
Rent Allowances / Rebates	(4,200)
Spinnaker Tower	(17,500)
Land Charges	(2,400)
Disc Non Domestic Rate Relief	(159,500)
Local Welfare Assistance scheme	(176,800)
Audit Fees	<u>(7,400)</u>
Net 'controllable' (under spend)	<u>(471,400)</u>

5.4 The reported forecast underspend at Q3 was £337,000.

5.5 The main areas of variance are as follows:

Miscellaneous Expenses - Over spend £33,126

5.6 This budget heading includes various corporate budgets and projects including Feasibility Studies, contribution to PUSH, Village Green registration,, Trade Union secondment, Print & Advertising project and Member Neighbourhood initiatives. Some areas have underspent for the following reasons:

The profile of trade union secondments in terms of staff time and cost was lower than that allowed in the budget.

There has been limited call on the money set aside for feasibility works.

No call on Village Green registration costs in 2013/14

Member Neighbourhood Initiatives options not all taken up

The impact of these underspendings has been offset by a reduction in income on the car purchase loan interest repayments as the scheme nears completion and slippage in the delivery of savings from the corporate print and advertising review. This project is being closely monitored by the Head of Service to ensure it is back on budget in the current year.

HR, Legal and Performance - Under spend £55,158

5.7 Two main factors have contributed to the underspend in this service area;

In house agency use, both across the council and externally, was significantly higher than budgeted, resulting in more income and a higher surplus for the service.

A review of training requirements by the procurement service resulted in the avoidance of significant costs.

Underspends were mitigated to an extent by lower income levels within legal services as a result of shifting resources towards corporate based work, as opposed to income generating activity from outside the general fund.

Financial Services - Under spend £34,679

5.8 Due to on-going savings requirements vacant posts were, where operationally possible held in anticipation of future efficiency requirements

Information Services - Under spend £52,809

5.9 Higher than anticipated staff turnover has resulted in a saving within the employee budget. Despite a successful recruitment campaign centred on key

staff the service still finished the year with a small vacancy saving within its overall budget.

AMS Design, Maintenance and Property Services -Combined Under spend £173,692

- 5.10 During 2013/14 AMS posts relating to business support activities were held vacant pending a staffing review needed to meet future saving requirements, resulting in an accrued underspend of approximately £100,000.

A longer than expected Trainee Surveyor recruitment process resulted in staffing underspends of approximately £26,000 within Property Services.

Rebates of £41,000 on the councils electricity contract were received by the service. The contract operates as a consortium arrangement with local authorities in the South East Region. Due to potential fraudulent activity by a third party, local authorities were effectively over charged during several years of the contracts operation. AMS were able to recover this money from the contract consortium.

Landlords Repairs and Maintenance – Under spend £66,056

- 5.11 A review of planned preventative works resulted in a re prioritisation of activity into 2014/15 and consequently lower costs in the 2013/14 financial year.

Work undertaken by a specific supplier was subject to a valuation exercise resulting in lower costs being invoiced in respect of the work than initially estimated.

Local Taxation - Over spend £40,188

- 5.12 From the start of the 2013/14 financial year council tax benefit was replaced with a local council tax support scheme. The change was made to comply with national legislation regarding benefit reform.

Due to limitations on the level of central government funding for the scheme Portsmouth City Council have tightened the criteria residents must fulfil to obtain council tax discounts.

One consequence of this policy has been an increase in the number of households liable for council tax, which in turn has increased the number of court summons and resultant court fee income. Despite an increase in income from previous years the actual value achieved was lower than anticipated. A further effect of this policy change was higher write offs of debt associated with court fee income.

Benefits Administration - Under Spend £155,969

- 5.13 Due to on-going saving requirements vacant posts were held in anticipation of future efficiency requirements. Only positions deemed to not effect overall

operational efficiency were left open and the service was able to meet its benefit processing targets.

- 5.14 The remaining variations relating to non-windfall items are attributable to various differences on other budget heads that totalled a net over spend of £1,100.

## 6. Summary

- 6.1 The overall revenue budget outturn position on the portfolio, excluding 'windfall' items is a net underspending of £471,400 representing 2.01% of the total cash limited budget.

- 6.2 In the 2014/15 Budget report approved by City Council on 12 November 2013, Budget guidelines and Financial Rules were updated to enable portfolios to retain in-year underspending in a Portfolio specific earmarked reserve. This reserve will be used, in the first instance, to cover; 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 their earmarked reserve in consultation with the Head of Finance & S151 Officer.

- 6.3 The underspending on the portfolio for 2013/14 reported here will be transferred to the portfolio earmarked reserve and together with amounts transferred as part of the annual Budget approved by City Council on 11 February 2014, the total value of this portfolios earmarked reserve as at 31 March 2014 is £666,600.

## 7. Capital Programme

- 7.1 The approved revised capital estimates and actual outturn costs for 2013/14 are summarised in Appendix B.

- 7.2 The revised capital estimate for 2013/14 was £5,436,485 actual expenditure incurred was £3,367,734, an under spend of £2,068,751. This reduction in expenditure is mostly attributable to slippage in estimated phasing of expenditure from 2013/14 to 2014/15.

- 7.3 Higher value schemes where the estimated phasing of expenditure has slipped from 2013/14 to 2014/15 are as follows:

	£
Landlords Maintenance Capitalised repairs	101,500
Project Management	189,000
Landlord Maintenance	320,100
Asset Management system	139,300
Major Repairs to Corporate Property Portfolio	175,600
Merefield House Relocation	119,900
Review of Business Software windows 7	765,600

**Sub Total:** **1,811,000**

The main reasons for these schemes slipping into the following financial year are as follows:

Landlords Maintenance Capitalised repairs (item 1) – slippage £101,500.

- 7.4 Two schemes were included in the 2013/14 programme to upgrade Civic offices plant and improve the buildings electrical distribution.

Slippage of £92,600 has occurred against electrical distribution works since it could not begin until the IS data centre had been completed. All works are forecast to finish by Sept 2014.

Project Management (item 2) - slippage £189,000

- 7.5 This item was approved in February 2012. It represents a general provision to address any project management shortfall in resources which could inhibit major project delivery, particularly those that support the transformation agenda. All allocations from this budget are subject to approval through the Strategic Directors Board. During 2013/14 no such additional resource was required although it had been anticipated that part of this budget would be called upon to support some of the regeneration project management costs.

Landlords Maintenance (item 3) –slippage £320,100

- 7.6 Landlords Maintenance was approved to fund the cost of essential works critical to maintaining operational buildings or urgent Health and Safety improvements.

Three major schemes described below account for the majority of the £320,100 slippage into 2014/15.

Works valued at £728,000 to replace chiller units within the Civic Offices slipped by £243,800 into 2014/15 due to unforeseen complexities in the design process. Despite this difficulty the scheme reached practical completion by June 2014, in line with the original completion date.

A sum of £46,600 has slipped into 2014/15 to cover retention costs associated with replacement lifts in the Civic Offices and a new heating system within the Central Library.

Asset Management system (item 6) – slippage £139,300

- 7.7 Predominately a software centred scheme to enhance Asset Management capabilities and integrate aspects of AMS work with Financial services.

During 2013/14 difficulties were encountered in creating the interface with financial reporting requirements, which resulted in slippage of the final phase

costs into 2014/15. Recent revisions within the systems test environment indicate that the problem has now been resolved.

#### Major Repairs to Corporate Property Portfolio (item 7) – slippage £175,600

7.8 Schemes within this budget are identified based on priority of need. During the year an element of re prioritisation is undertaken to accommodate unforeseen requirements. During 2013/14 fifteen discrete schemes were included in the programme, of which nine reached completion. This has resulted in slippage for retention purposes of £45,900.

Major schemes which completed include the Round Tower roof repairs, Cumberland House structural works and the Norrish Central Library water system.

As noted in paragraph 7.6 difficulties associated with the Civic Offices chiller units required a reprioritisation of staffing resource resulting in slippage of £134,500 in respect the following schemes;

- Carnegie Library roof windows and door
- Portsmouth Craft and Manufacturing Centre roof
- Flanking Battery Casemates
- Yellow Kite Café water proofing

#### Merefield House Relocation (item 8) – Slippage £119,900

7.9 Costs associated with the closure of Merefield House, the relocation of staff and refurbishment of the Civic Offices Customer Access area make the up the majority of expenditure within this budget.

During 2013/14 the scheme reached a stage of practical completion. The remaining budget has been rolled forward into 2014/15 to cover both retention and associated relocation costs for other teams directly affected by the Merefield move.

Any underspend on the scheme will be returned to the centre as a corporate reserve available to support other capital initiatives.

#### Review of Business Software Windows 7 (item 16) – Slippage £765,600

7.10 This is a rolling programme of upgrade work across all council machines using windows software. It was anticipated that this work would be completed over a two year period and Information Services have achieved this deadline.

Now that the final rollout stage has completed associated network enhancements costing £300,000 will be made.

Since funding for the original scheme was through revenue to capital contribution mechanism agreed with services specifically for this work, any

significant residual amounts will be returned to services through the same formula.

- 7.11 A number of other schemes have completed during the financial year resulting in an under spend of £51,000. These savings will either return to corporate centre or the specific reserve that they originated from.

**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 final position on the revenue and capital budgets for the Resources portfolio as at 31st March 2014.

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Signed for: 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 17<sup>th</sup> July 2014.

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Signed by: Cabinet Member for Resources