



Agenda item:

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

**Subject:** Monitoring of the Third Quarter 2014/15 Revenue Cash Limits and Capital Programme

**Date of decision:** 12th March 2015

**Report by:** Head of Financial Services

**Wards affected:** ALL

**Key decision:** No

**Budget & policy framework decision:** No

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## 1. Introduction

- 1.1 This report compares the forecast revenue outturn 2014/15 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 reason for variances. It also lists the action to be taken to mitigate 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 revised capital programme for the Resources portfolio.

## 3. Recommendations

- 3.1 The content of this report be noted.

#### 4. Background

##### 4.1 Cash Limit 2014/15

Net Requirement	<b>£000's</b> 26,396
Less;	
Capital Charges	(2,786)
Net Insurance Costs	(24)
FRS17	(859)
Employee Benefit Accruals	(468)
<b>Controllable Cash Limit 2014/15</b>	<u>22,259</u>

##### Forecast Outturn 2014/15

	<b>£000's</b>	<b>% of Budget</b>
Actual Net Expenditure 1 Apr 2014 to 31 Dec 2014	16,515	74.19%
Forecast Net Expenditure 1 Jan 2015 to 31 Mar 2015	5,699	25.60%
Total Forecast Controllable Expenditure 2014/15	<u>22,214</u>	99.80%
Controllable Cash Limit	22,259	
<b>Forecast Variance - (Under)/Overspend</b>	<u>(45)</u>	0.20%

##### 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 2014/15 is attached at Appendix B.

#### 5. Revenue Expenditure

(Please read in conjunction with the attached Appendix A)

5.1 The provisional forecast outturn for the portfolio compared to the cash limit indicates a net underspend of £45,300.

5.2 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are, Rent Allowances, Rent Rebates, Discretionary Non-Domestic Rate relief, 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 £140,500 i.e. 0.63%.

	<b>£'s</b>
Total Variance (underspend)	(45,300)
Excluding;	
Rent Allowances and Rent Rebates	118,200
Discretionary Non Domestic Rate Relief	0
Land Charges	(23,700)
Audit Fees	700
<b>Net 'controllable' (underspend)</b>	<u><u>(140,500)</u></u>

5.3 Item 2 HR, Legal and Performance - forecast underspend £77,100

Legal services income has continued to improve into quarter three with higher than budgeted income from the Housing Revenue Account and capital programme.

Higher than anticipated income from the internal agency has further improved the financial position.

5.4 Item 7 Information Services - forecast underspend £47,800

Vacant posts have been held, where operationally possible, in anticipation of future efficiency requirements.

5.5 Item 8 AMS Design & Maintenance - forecast overspend £73,000

Following the transfer of AMS Design and Maintenance into Housing and Property Services, and in order to review the service and deliver savings in the future, it was necessary to relocate these services from the Civic Offices to Chaucer House, which is held by the HRA. This resulted in a previously unbudgeted premises cost of £33,000, which is anticipated to be offset in future years by additional savings. In addition, fee income is anticipated to be £40,000 less than budgeted, partly due to a reduction in the Capital Programme, and also due to the design team needing to undertake unexpected remedial work. As the Head of Service is unable to contain this overspend in the current year, it will have to be met from other services within the portfolio. Moving forward, in 2015/16, charges will be reviewed and set to recover all costs.

5.6 Item 9 Property Services - forecast overspend £90,000

The overspend relates to an unachievable 2014/15 budget saving of £100,000. This saving was approved on the assumption that by bringing together Property Business Partners located within other PCC Services into one Asset Management and Property Service, it would create a more efficient service and

result in a reduced level of staffing being required. However, following a Senior Management review, Members decided to split the Asset Management Service, so saving was no longer achievable. As the Head of Service is unable to contain this overspend in the current year, it will have to be met from other services within the portfolio. The current SMT review will now enable this saving to be reviewed once more during 2015/16.

5.7 Item 10 Landlords Repairs and Maintenance - forecast underspend £30,000

Mild winter weather conditions have resulted in reduced maintenance costs associated with heating and ventilation systems.

5.8 Item 11 Spinnaker Tower - forecast underspend £50,000

An improvement in the Tower's trading activity is expected to generate additional income for the Council through its profit sharing arrangement with Heritage Projects.

5.9 Item 18 Benefits Administration – forecast underspend £43,100

Vacant posts, where operationally possible, have continued to be held in anticipation of future efficiency requirements. This has resulted in an underspend within the staffing budget which is forecast to continue to accrue during the remainder of 2014/15.

5.10 Item 20 Land Charges - forecast underspend £23,700

Increased search volumes driven by an increase in housing market activity has led to higher than anticipated income.

5.11 Item 22 Corporate Management - forecast underspend £42,500

A vacant post is being held during the current year to meet approved savings in 2015/16 and a secondment within the service has been made at a lower cost than the current post holder. The combined effect is an underspend within the services overall staffing budget.

## 6. **Summary**

6.1 The overall forecast outturn position on the portfolio is a net underspend of £45,300 representing 0.20% 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 At the end of 2013/14 financial year the sum of £666,600 was transferred to the portfolio specific earmarked reserve 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 their earmarked reserve in consultation with the Head of Finance & S151 Officer.

6.3 To date there have been contributions of £313,000 to the reserve arising from:

- Forecast underspend on LWAS previously reported to this portfolio
- Known underspends identified by services as part of the Annual Budget review

6.4 There have been approvals totalling £659,800 against this reserve. These are detailed below:

	<b>£'s</b>
Policy hub upgrade	4,000
HR system developments	30,000
Review of Property portfolio assets	65,000
Contribution to fund two ex-apprentices	37,900
Continuation of funding for two ex-apprentices into 2015/16	40,000
Telephony resilience	50,000
Initial funding for Market Research post 2015/16 (up to maximum)	43,000
Procure to Pay review	20,000
Local Welfare Assistance Scheme - Lottery bid	90,000
Administration of the replacement for the Local Welfare Scheme	10,000
Maintenance Business Budget - one off staffing costs	36,000
Landlords Repairs & Maintenance - RCCO for Civic Offices chillers	66,100
Spinnaker Tower naming rights - pitch support (up to maximum)	24,000
External advice re code of conduct	8,800
Transformation Manager - Public/Private partnership project	60,000
Recruitment of IS automations assistant	25,000
Early costs of Channel Shift capital bid	50,000

After taking these into account, the uncommitted balance remaining on the portfolio reserve is £319,800.

However, £296,000 of the commitments on this reserve fall in next year (2015/16.) Also, any non-windfall outturn underspend at 31 March 2015 will be transferred to the reserve.

## **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	<b><u>Forecast Outturn 2014/15</u></b>	<b>£000's</b>	<b>£000's</b>
	Total Revised Budget 2014/15		10,126
	Actual Net Expenditure 1 Apr 2014 to 31 Dec 2014	4,937	
	Forecast Net Expenditure 1 Jan 2015 to 31 Mar 2015	<u>5,104</u>	
	Total Forecast Expenditure 2014/15		10,041
	<b>Forecast Variance - (Under) / Overspend</b>		<u>(85)</u>

7.3 Additions since the start of 2014/15 year:

<b>Scheme Name</b>	<b>£000's</b>
Landlords Maintenance (item 3)	1,109
IS Data Centre Phase 2 (item 12)	380
Super Connected Cities (item 24)	2,287
Guildhall Capital Works - operational area (item 25)	80
LGA Bonds Agency (item 26)	150
Server and Data base upgrades (item 27)	200
Requirement Specs for BI & EDMS (item 28)	850
Web Phase 2 / Channel Shift (item 29)	635
Utilities Management (item 30)	1,080

7.4 The provisional forecast outturn for the portfolio capital programme compared to the approved budget is a net underspend of £85,000.

Schemes which have materially altered the capital programme since the last quarterly report are described in more detail below.

7.5 **Item 3 Landlords Maintenance - additional approval £1,109,000**

Landlords Maintenance has responsibility for over 2,000 operational assets. Through a process of annual surveys and inspection a rolling medium term maintenance programme is derived. This programme has identified a significant backlog of priority work which needs to be completed in the 2015/16 financial year. Existing resources within this budget were only sufficient to complete works to the Civic Office chillers and plant upgrade. An additional approval of £1,000,000 towards Landlords Maintenance was made in the February 2015 budget report.

The Landlords Maintenance revenue budget contributed £69,000 to enhance the replacement Civic Offices main chiller scheme with units that reduce the risk of legionella. A further revenue contribution of £40,000 has been made to replace the heating system in Cosham Community Centre after the existing system failed.

7.6 Item 12 IS Data Centre phase 2 - additional approval £260,000

Phase two of the data centre relates predominately to refurbishment works in the area surrounding the newly completed data centre, shown as item 11 in appendix B.

A contribution of £260,000 from the Housing service has been made to the existing scheme, since unforeseen remedial works were required prior to commencement of the main project.

7.7 Item 27 Server and Database upgrade - new scheme £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.

De-support notices for older software have been issued, which will affect infrastructure servers and databases used across the council.

This scheme will ensure systems are supported to meet compliance requirements. It is funded through a contribution from the Information Services revenue budget.

7.8 Item 28 Requirements Specs for BI & EDMS - new scheme £850,000

Approved by full Council on the 10<sup>th</sup> February 2015 as part of the 2014/15 to 2019/20 Capital programme.

There are two potential options in relation to how this scheme will develop.

Option 1: Procurement of software and hardware to enable the gathering, storage, analysis and provision of information in order to optimise decision making and manage performance. Expected savings of around £200,000 per year are anticipated through reduced manual information handling.

Option 2: Procurement of an Electronic Document Management System which will reduce the requirement for paper storage space thereby enabling more of the Civic Offices to be commercially let.

7.9 Item 29 Web Phase 2 / Channel Shift - new scheme £635,000

Approved by full Council on the 10<sup>th</sup> February 2015 as part of the 2014/15 to 2019/20 Capital programme.

This new scheme is a substantial programme of work aimed at transforming the Councils customer contact arrangement. In particular this project will ensure the development of the Councils web presence to enable customers to self-serve online more actively than they currently do. The anticipated reduction in telephone and face to face contact should enable savings to be achieved through reduced staffing resource.

7.10 Item 30 Utilities Management - new scheme £1,080,000

Approved by full Council on the 10<sup>th</sup> February 2015 as part of the 2014/15 to 2019/20 Capital programme

Estimates show that the Council could save £150,000 in energy costs and 620 tonnes in CO2 emissions every year through engineering works to install solar panels, insulation and improved utility management systems.

Photo Voltaic panels fitted to Council assets will reduce energy consumption and earn income through feed in tariff arrangements. This investment is estimated to cost £805,000 with a 6 year payback period.

Further investment of £275,000 to insulate roof voids and install advanced building management systems should achieve further energy cost savings over the medium term.

**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 represents the forecast outturn position on the Resources portfolio's approved revenue and capital budgets as at the end of September 2014.

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Signed by: 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 12th March 2015

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Signed by: Cabinet Member for Resources