



Agenda item:

Decision maker: Cabinet Member for Resources Portfolio

Subject: Budget Outturn 2014/15 - Revenue Cash Limits and Capital Programme

Date of decision: 16th July 2015

Report by: Director of Finance and Information services

Wards affected: ALL

Key decision: No

Budget & policy framework decision: No

1. Introduction

- 1.1 This report compares the Resources Portfolio 2014/15 revenue and capital expenditure outturns for 2014/15 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 2014/15 outturn revenue expenditure for the year compared with the cash limited budget.
 - The 2014/15 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 2014/15

Net Requirement	£000's 22,571
Less;	
Capital Charges	(1,788)
Net Insurance Costs	(113)
FRS17	293
Employee Benefit Accruals	9
Controllable Cash Limit 2014/15	<u>20,972</u>

4.1 Outturn 2014/15

	£000's	% of Budget
Controllable Cash Limit 2014/15	21,668	
Total Actual Expenditure 2014/15	20,972	96.79%
Variance - (Under)/Overspend	<u>(696)</u>	3.21%

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 final outturn for the portfolio compared to the cash limit is a net underspend of £696,200.

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, Discretionary Non-Domestic Rate relief, Land Charges and External 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 £651,800 i.e. 3.02%.

Total Variance (underspend)	(696,200)
Excluding;	
Spinnaker Tower	(54,500)
Rent Allowances and Rent Rebates	66,700
Discretionary Non Domestic Rate Relief	(20,000)
Land Charges	(3,800)
Audit Fees	(32,800)
Net 'controllable' (underspend)	<u>(651,800)</u>

5.3 Item 1 Miscellaneous Expenses - underspend £62,300

This budget heading comprises various corporate budgets including Monuments & Memorials, Project Management, Feasibility Studies, PUSH and Trade Union Secondments.

The main underspends occurred for the following reasons:

- Not all of the recognised Trade Unions were represented by a full time secondment.
- There was no call on the budget set aside for new feasibility studies in this portfolio as any work has been met from existing budgets elsewhere.

5.4 Item 2 HR, Legal and Performance - underspend £221,900

Legal services income continued to improve throughout the year with higher than budgeted income from the capital programme, Housing Revenue Account and project charges.

Recharges to capital schemes also contributed to increased income within the procurement team and the audit service was able to achieve increased earnings from charges to schools.

Across all departments a policy of holding positions vacant where operationally possible further increased the underspent position.

5.5 Item 6 Financial Services - underspend £46,700

Where operationally possible the service kept positions vacant in anticipation of future efficiency requirements.

5.6 Item 10 Landlords Repairs and Maintenance - underspend £124,900

A number of budget areas within this heading contributed to the underspend.; the main ones being:

Reactive Maintenance incurred a £45,000 underspend. This budget relates to ongoing repairs and maintenance in response to events throughout the year. It is highly influenced by the weather and since the winter of 2014/15 was mild the full budget allocation was not required.

Within Planned Term Servicing, which relates to plant and machinery, an over estimate of costs relating to a prior year did not materialise, therefore the surplus budget of £50,000 was not utilised in 2014/15.

Planned Maintenance is commissioned throughout the year to match in year budget allocations. Approximately £20,000 of commissioned work has been re phased into 2015/16.

5.7 Item 11 Spinnaker Tower - underspend £54,500

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

5.8 Item 14 & 15 Housing Benefit - overspend £66,700

The Council paid approximately £108m in housing benefit to Portsmouth residents during 2014/15. 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, resulting in small surplus or deficit outturns in any financial year.

5.9 Item 18 Benefits Administration – underspend £102,500

Vacant posts, where operationally possible, were held in anticipation of future efficiency requirements. This resulted in an underspend within the staffing budget.

Reductions in court costs and general supplies and services further increased the underspend position.

5.11 Item 22 Corporate Management - underspend £99,200

Corporate Management includes a budget for external audit fees. Overall expenditure was lower than anticipated due to a rebate from the now obsolete Audit Commission. The rebate related to surplus funds held by the commission distributed back to local authorities on its disbandment.

Within the staffing budget a vacant post was held during the year to meet approved savings in 2015/16 and a secondment within the service was made at a lower cost than the previous post holder.

6. Summary

6.1 The overall outturn position on the portfolio is a net underspend of £696,200 representing 3.21% 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 2014/15 outturn net controllable underspend of £651,800 will be added to the portfolio specific earmarked reserve. This was set up 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 During 2014/15, the following approvals totalling £243,800 have been met from the reserve:

HR system developments	30,000
Review of Property portfolio assets	65,000
Contribution to fund two ex-apprentices	37,900
Maintenance Business Budget - One off staffing costs	36,000
Landlords Repairs & Maintenance - RCCO for Civic Offices chillers	66,100
External advice re code of conduct	8,800

6.4 To date, there are further approved commitments of £461,000 against this reserve in 2015/16. These are as follows:

	£'s
Policy hub upgrade	4,000
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
Spinnaker Tower naming rights - Pitch support (up to maximum)	24,000
Transformation Manager - Public/Private partnership project	60,000
Recruitment of IS automations assistant	25,000
Early costs of Channel Shift capital bid	50,000
Improving HR data (up to maximum)	12,000
Additional Benefits assessors	33,000

After taking these into account, the uncommitted balance remaining on the portfolio reserve is £936,600.

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 2014/15

	£000's
Total Revised Budget 2014/15	10,126
Actual Net Expenditure 1 Apr 2014 to 31 Mar 2015	7,050
Variance - (Under) / Overspend	<u><u>(3,076)</u></u>

7.3 The outturn for the portfolio capital programme compared to the approved budget is a net underspend of £3,076,100. This underspend is mostly attributable to slippage in spending from the 2014/15 year into 2015/16.

7.4 Higher value schemes where the estimated phasing of expenditure has slipped from 2014/15 into 2015/16 are as follows:

	£'s
Landlords Maintenance Capitalised Repairs	97,000
Landlords Maintenance Capital Contingency	411,000
IS Data Centre Phase 2	226,400
Review of Business Software (windows 7)	275,100
Guildhall Capital Works	307,200
Working Anywhere	206,000
Commercial Letting of Brunel Wing	173,700
Super Connected Cities	632,500
Server and Database Upgrades	200,000
Total	<u><u>2,528,900</u></u>

7.5 Item 1 Landlords Maintenance capitalised repairs - slippage £97,000

This budget heading comprises two active schemes which did not incur any expenditure in 2014/15 for these reasons;

- Maintenance on electrical distribution systems were deliberately re-scheduled to 2015/16 to co-ordinate with works on the data centre, resulting in slippage of £85,800 into 2015/16.
- A residual budget of £11,200 in relation to minor finishing works on new chiller units, cooling towers and building management systems was not required since all works were completed satisfactorily in 2013/14.

7.6 Item 3 Landlords Maintenance Capital Contingency - slippage £411,000

This funding is only for urgent repairs critical to maintaining operational buildings. During 2014/15 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 12 IS Data Centre Phase 2- slippage £226,400

The original project specification included a new standalone data centre to support commercial tenants within the Brunel Wing and remodelling of accommodation space to support the existing data centre facilities.

During 2014/15, new standalone data centre works were removed from the project specification. This resulted in slippage into 2015/16.

Current forecasts suggest an overall underspend on the project of approximately £80,000.

7.8 Item 15 Review of Business Software (windows 7) - slippage £275,100

The work to upgrade the computer systems to windows 7 was completed in 2012/13. The remaining budget is being used to improve network capability associated with the upgrade. These improvements were included in the original project specification and the remaining budget allocation has been earmarked for this activity.

7.9 Item 16 Guildhall Capital Works - slippage £307,200

A budget of approximately £260,000 was included for replacement auditorium and perimeter windows during January 2015.

Despite the new windows being visually similar to the existing, the listed building status of the Guildhall means that English Heritage approval is required prior to installation. This resulted in a delay to the works programme and resultant slippage. It is envisaged that the window works will be completed by September 2015.

Further slippage of £47,000 occurred in respect of roof repairs due to lower overall contractor costs and replacement boilers costing less than originally estimated.

7.10 Item 19 Working Anywhere - slippage £206,000

This project will equip the council with an ICT infrastructure that can fully support flexible working. Significant progress on the scheme was made during 2014/15 and total expenditure incurred was £741k.

The final phases of this scheme have slipped into 2015/16 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.

7.11 Item 20 Commercial Letting of Brunel Wing - slippage £173,700

Elements of the works programme were put on hold for 3 months due to a recent management restructure. This created a requirement to re plan some of the new accommodation space to take account of revised staffing structures.

Despite this delay, the overall deadline of 31st March 2016 to vacate the wing is expected to be met.

7.12 Item 24 Super Connected Cities - slippage £632,500

Funded via a central government grant the Super Connected Cities project is enhancing wireless connectivity across the city.

Installation works have been slower than initially anticipated by the main contractors, since detailed site surveys were not undertaken at the project inception stage. Funding will continue to be granted to fund completion of the project.

7.13 Item 27 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 will ensure that systems remain viable and we retain our Public Services Network (PSN) accreditation essential for information sharing with our key partners. Work started in 2014 in line with the original budget phasing although the majority of expenditure will occur 2015/16 to concur with the overall IS project timetable. The project will fully complete in 2015/16.

7.14 A number of schemes completed during the year with an overall underspend of £32,200. These savings will either be returned to the 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. Director of Finance & Information service's comments

10.1 This report represents the actual outturn position on the Resources portfolio's approved revenue and capital budgets as at the 31st March 2015.

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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 16th July 2015

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Signed by: Cabinet Member for Resources