

REPORT TO: CABINET MEMBER FOR RESOURCES PORTFOLIO
FOR: 22 JANUARY 2009

REPORT BY: STRATEGIC DIRECTOR & SECTION 151 OFFICER
(Prepared by: Sue Page, Financial Services)

BUDGET MONITORING 2008/9 - Revenue Cash Limit and Capital Programme

1. Purpose of Report

To inform the Executive Member of the forecast revenue expenditure outturn against the cash limited budget and the forecast capital expenditure compared to the capital programme for the Resources Portfolio.

2. Recommendations

2.1 That the position regarding the revenue forecast for 2008/09 and progress towards meeting the shortfall on the portfolio as set out in the report be noted.

2.2 That the forecast capital programme expenditure be noted.

3. City Solicitor's Comments

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

Background

4. Cash Limit 2008/09

	£'000
Net Requirement approved by City Council re Leader Portfolio	2,540
Plus - Net Support Service Recharges	23,847
Less – Capital charges	1,239
- Insurance Costs	427
Controllable Cash Limit for Leader Portfolio 2008/09	<u>24,721</u>
Less- transfer to Community Safety	95
- transfer to PRED portfolio	(4,325)
- transfer to Leader portfolio	401
Add - Rent Allowances and Rebates	(677)
Controllable Cash Limit for Resources Portfolio 2008/09	<u>27,873</u>
Add approved changes since City Council Budget	478
	<u>28,351</u>

Provisional Outturn 2008/09

	£'000	% of Budget
Actual Net Expenditure April 2008 to November 2008	16,854	59.4%
Forecast Net Expenditure to 31 March 2009	<u>10,475</u>	36.9%
Total Forecast controllable expenditure 2008/09	27,329	96.4%
Controllable Cash Limit 2008/09	<u>28,351</u>	
Forecast variance	<u>(1,022)</u>	(3.61)%

Appendices

An analysis of this Portfolio's forecast outturn is attached at Appendix A.

An analysis of this Portfolio's capital expenditure for 2008/9 is attached at Appendix B

5. Manager's comments (to be read in conjunction with Appendix A)

5.1 Revenue Expenditure

The forecast outturn for the Portfolio compared to the cash limit indicates a net underspend of £1,022,250. This represents a reduction of some £1,353k on the forecast previously reported to this portfolio meeting. Whilst the forecast position for the portfolio is an underspend of £1,022k this includes an under recovery of income of £62,100 from Land Charges and a net underspend of £38,400 on Council Tax Benefits, Rent Allowances and Rent Rebates. This income and expenditure is deemed to be a windfall budget by the City Council which means that it is largely out of the control of budget managers. As a consequence, the risk of overspending is borne by the City Council corporately. Similarly, any underspendings accrue to the City Council corporately. Excluding the impact of the loss of Land Charges income and the forecast underspend on benefits therefore, the overall forecast outturn for which the portfolio holder is responsible is a £1,046k underspend as described below:

	£'000
Total Forecast overspend of the Portfolio	(1,022)
Less Windfall items:	
Council Tax Benefits	110
Rent Allowances	(50)
Rent Rebates	(98)
Land Charges income	<u>62</u>
Total controllable Forecast underspend	<u>(1,046)</u>

The main areas of variance are as follows:

- Procurement savings not fully implemented across services
- Additional staffing costs and loss of income for Legal Services
- Human Resources budget and service reductions not fully implemented
- Slippage of works, projects and initiatives in Customer First, Financial Services, IT Services, Asset Management and Landlord's Maintenance

A more detailed explanation for these variations is provided below together with details of the recovery measures in progress to reduce the shortfalls.

Procurement Service – Forecast overspend £93,700

The Budget approved by City Council on 12 February included provision for net corporate savings of £150,000 i.e. gross savings of £210,000 less the additional cost of Procurement resources (£60,000) necessary to deliver these savings. Until details regarding the specific incidence of these savings across services are identified, the whole of the saving has been reflected within the Procurement service. At the last meeting of this Portfolio, it was reported that savings to the General Fund totalling £92,000 had already been identified. These have arisen from renegotiated corporate contracts in respect of cleaning, cash collection, hotel accommodation, clothing & uniforms and equipment. In addition, staffing vacancies have produced a further saving of £13,000 to the service. As a consequence, the net overspend on this service has reduced to £104,371 at this stage. It is anticipated that contributions from printing and postage initiatives will reduce this shortfall in the current year but the value of any savings has yet to be quantified and agreed with service managers. Within the other areas of the Head of Service's responsibility in the Resources portfolio savings on vacancies of £25,000 have been identified in the current year which will partially offset the deficit on Procurement leaving shortfall on budget of £68,700.

When the budget was set in February 2008, it was anticipated that the full year ongoing savings arising from these Procurement initiatives would amount to £240,000 (net of additional staff costs) and a provision for these savings was included within the service budget from 2009/10 onwards. At this stage this target has yet to be fully identified. The Head of Service will continue to pursue opportunities for further procurement savings to meet the original targets for 2008/9 and the ongoing savings in future years. Progress will continue to be reported to this Portfolio's meetings.

Customer First- Forecast underspend £75,700

The Customer First budget includes a provision of £73,000 for the development of the Customer Management System and Workforce Management toolkit. However, this work is dependant on the major telephony overhaul which is awaiting approval. It is unlikely that this work will be completed in the current year and a request to carry forward the budget provision into 2009/10 has been included in the annual budget report to be considered by the City Council on February 10.

Legal Services – Forecast overspend £37,200

At the last meeting it was reported that several factors had contributed to a forecast overspend of £181,900 in Legal Services, these being: the additional cost of employing expensive locum solicitors due to an inability to recruit permanent staff, the introduction of a recruitment and retention package to retain key employees, the loss of income from property fees & charges arising from the current downturn in the housing market and the unfunded cost of the Interim Head of Service.

A comprehensive review of the future delivery of legal services has been undertaken with proposals due to be presented to a future Employment Committee. The proposed recommendations will be subject to funding being identified at the

annual budget meeting in February 2009.

To address the predicted overspend for 2008/9 the City Solicitor and Interim Head of Service have now reviewed current vacancies and prioritised the use of locum staff. A further action has been not to fill two trainee solicitor posts when existing contracts expire. In addition, the Interim Head of Service's contract will finish earlier than originally planned as the service review has now been completed. Overall these actions have reduced the forecast overspend by £144,700 compared to the sum reported at the last meeting. The City Solicitor will continue to monitor the forecast outturn with the aim to bring net expenditure within the cash limited budget

Human Resources – Forecast overspend £94,500

It was reported at the last meeting of this portfolio that Human Resources had been unable to implement staff reduction measures without having an unacceptable adverse impact upon standards of service. Furthermore a proposed saving of £43,000 arising from the relocation of recruitment and training events from Chaucer House (an HRA property) into the Civic Offices had not been possible, as the proposed accommodation was deemed unsuitable.

It can now be reported that a revised location has been identified and the Head of Recruitment & Learning is currently negotiating the move of this facility which will resolve this specific budget shortfall for the future. However, this will not take effect until 2009/10.

The Head of HR has implemented some temporary structural changes within the service and critically reviewed current vacancies in order to reduce the forecast overspend on the service. However, it is not expected that a more permanent reorganization will be implemented until the outcome of the system intervention review (due for completion March 2009) is known. In the interim, the Head of Service will continue to monitor all vacancies as they arise, limit expenditure to essential requirements only and explore opportunities for income generation.

IT Services- Forecast underspend of £210,000

The IT Services budget for 2008/9 includes provision of £110,000 for the installation of the Fire Suppression System in the computer centre. This work will not now be completed before the end of March.

In addition, work on setting up the security infrastructure for Information for the Council was deferred until the arrival of the new Head of Service and will now be carried out in 2009/10.

It is proposed that these budget provisions be carried forward into 2009/10 subject to approval at the City Councils budget meeting in February.

Financial Services –Forecast underspend £150,000

As part of the Credit Management Strategy agreed in March 2008 a number of performance objectives were established with a view to reducing the level of debt held by the City Council relating to both in year collection and also collection of previous years' debt. In order to fund this, a specific carry forward from 2007/08 to 2008/9 was made. Due to vacancies within the teams, the work is unlikely to be completed this year so it is proposed that the budget provision is carried forward into 2009/10 to enable the original objectives to be achieved.

In addition, some specific Oracle training courses planned for 2008/9 have now been scheduled in 2009/10 and a similar request to carry forward the funding has been incorporated within the Budget report to the City Council on February 10.

Land Charges – Forecast overspend £62,100

Since the budget was set, the Housing market has slowed considerably resulting in a reduction in the anticipated income from Land Charges compared with budget provision. In addition, a higher proportion of searches are being undertaken as personal searches for which a statutory limited fee is applicable. This particular fee is currently subject to a national review as a result of lobbying from local authorities. A review of the non-statutory charges will be undertaken for implementation in April 2009. The delivery of this service also falls within the remit of the review currently underway within Legal Services.

Benefits-Council Tax, Rent Rebates and Rent Allowances- Forecast underspend £38,400

This net underspending represents the impact of prior year adjustments made by the Audit Commission to the subsidy claim and a variation in the bad debt provision requirement for rent rebates. As this is a net windfall saving, the underspending will accrue to the City Council corporately.

Asset Management Service- Forecast underspend £100,000

This budget includes provision for an Energy Efficiency Officer funded from the MTRS Reserve as part of a Spend to Save initiative. Due to difficulties in recruiting a suitable candidate until recently, funding will not be fully utilized in the current year and will slip into 2009/10. As this work is funded from the MTRS reserve, the value of the slippage will not be drawn down in the current year so the 2008/9 budget will be reduced accordingly and then increased by the corresponding amount in 2009/10. The AMS budget also includes provision to replace one Despatch van per annum. The 2008/9 renewal has been deferred pending a Procurement review on the purchase of Council vehicles. Therefore in 2009/10 it is anticipated that two vehicles will need to be replaced. A request to carry forward this budget this been made.

Landlords Maintenance – Forecast underspend £687,000

This portfolio included an original budget of £4,082,100 in respect of Landlord's Repairs and Maintenance for Council properties across all services. Part of this sum (£1.8m) is funded from the MTRS Reserve as a Spend to Invest allocation to undertake urgent Health & Safety orientated repairs. As the Maintenance Division of the Asset Management Service have had difficulty recruiting experienced property surveyors over the last twelve months, the survey work required to determine maintenance priorities has slipped. Therefore it is forecast that approximately £617,000 of this budget will slip into 2009/10. This will have a neutral effect on the current year's budget. As this work is funded from the MTRS reserve, the value of the slippage will not be drawn down in the current year so the 2008/9 budget will be reduced accordingly and then increased by the corresponding amount in 2009/10. In addition, it is requested that £10,000 of the main budget (not MTRS funded) be carried forward in respect of a library scheme which will not be completed by the end of March.

A sum of £60,000 was approved by City Council (June 2008) from this budget as a funding contribution to the capital scheme for the refurbishment of the Guildhall bells. The Landlords Maintenance budget will therefore be reduced by this sum and the capital scheme increased by an equivalent amount.

Summary

Within this monitoring report a total of £ 458k in carry forward requests have been identified. At this stage, the controllable forecast underspending of £1,046k less the slippage in MTRS Reserve funded items of £702k and the revenue contribution to capital of £60k results in a true underspending of £284k which is less than value of the carry forward requests. This is shown in the table below:

Controllable forecast underspending	£ (1,046)
Less:	
Slippage funded from MTRS Reserve	(702)
Contribution to capital	(60)
True forecast underspending	<u>(284)</u>
Value of carry forward requests	<u>(458)</u>
Net shortfall on underspending required to meet carry forward requests	<u>174</u>

Budget principles approved by the City Council on 9 October 2007 state that overspendings against cash limits in the current year will be deducted from the following year cash limited budgets. Therefore, if the portfolio is overspent in total or is underspent by less than any proposed carry forward requests, such requests will not be actioned in full, regardless of whether the individual service making the request is within budget. Consequently, the portfolio will need to achieve a further £174k outturn under spending before all of the carry forward requests can be considered for implementation.

5.2 Capital Expenditure

There are no significant changes to report on monitoring of this portfolio's capital programme since the last meeting.

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Roger Ching
STRATEGIC DIRECTOR & SECTION 151 OFFICER
12 January 2009

Access to Information

Background papers: Monitoring files held in Financial Services

RESOURCES PORTFOLIO

Appendix A

REVENUE STATEMENT to November 2008

	Budget 2008/09 £	Budgeted Expenditure to 30/11/2008 £	Actual Expenditure to 30/011/2008 £	Forecast 2008/09 £	Variance (Fav)/Adv £	Variance (Fav)/Adv %.
WITHIN CONTROLLABLE CASH LIMIT						
1 Miscellaneous Expenses	263,600	166,148	178,841	237,400	(26,200)	(9.94)%
2 Project Management, Risk & Insurance	167,100	182,428	130,002	167,100	0	0.00%
3 Procurement Service	183,800	253,892	212,225	277,500	93,700	50.98%
4 Internal Audit	341,100	229,600	209,125	341,100	0	0.00%
5 Customer First	1,771,000	1,082,056	1,178,022	1,695,300	(75,700)	(4.27)%
6 Community Involvement, Empowerment & Development	1,199,900	735,123	772,476	1,234,400	34,500	2.88%
7 Legal Services	638,400	425,616	487,520	675,600	37,200	5.83%
8 Financial Services	5,350,800	3,697,428	3,706,333	5,200,800	(150,000)	(2.80)%
9 Human Resources	2,976,000	1,938,978	1,968,490	3,070,463	94,463	3.17%
10 In House Agency	(114,000)	(62,664)	(122,075)	(114,000)	0	0.00%
11 IT Services Unit	5,012,400	3,081,182	2,980,677	4,802,400	(210,000)	(4.19)%
12 AMS	2,184,400	1,496,991	1,183,539	2,084,400	(100,000)	(4.58)%
13 Landlords Repairs and Maintenance	4,082,100	2,721,392	669,486	3,395,100	(687,000)	(16.83)%
14 Staff restaurant	66,200	44,128	30,867	66,200	0	0.00%
15 Spinnaker Tower	(515,400)	0	284,652	(475,400)	40,000	(7.76)%
16 Administration Expenses	274,000	22,600	27,061	284,000	10,000	3.65%
17 Benefits	(712,000)	(474,664)	(633,753)	(750,400)	(38,400)	5.39%
18 Local Taxation	321,200	214,128	607,912	321,200	0	0.00%
19 Benefits Administration	1,967,800	1,314,392	1,027,252	1,937,200	(30,600)	(1.56)%
20 Discretionary Non Domestic Rate Relief	154,500	0	0	154,500	0	0.00%
21 Land Charges	(142,900)	(95,243)	(71,790)	(80,800)	62,100	(43.46)%
22 Democratic representation & Management	1,573,400	1,122,274	1,047,830	1,555,133	(18,267)	(1.16)%
23 Corporate Management	1,307,500	916,763	979,805	1,249,454	(58,046)	(4.44)%
NET EXPENDITURE - CASH LIMIT	28,350,900	19,012,548	16,854,497	27,328,650	(1,022,250)	(3.61)%

RESOURCES PORTFOLIO

Capital Monitoring Statement - 2008/09

Meeting Date : 13 November 2008

Appendix B

Scheme	Source of Finance	Expenditure to 31-Mar-08 £	Revised Budget 2008/09 £	Expenditure to Date 30-Sept-08 £	Forecast Expenditure 2008/09 £	Variance Overspending/ (Savings) £	Total Scheme Budget 2008/09 £	Approved Estimate 2009/10 £	Forecast Final Scheme Cost £	Progress to Date/ Comments
<u>INFORMATION TECHNOLOGY</u>										
City Wide Communications Network	Cap Rec		9,300	0	0	(9,300)	9,300		9,300	Effectively complete.
E-mail Services	Cap Rec		0	0	0	0	0		0	
Sub Total :		0	9,300	0	0	(9,300)	9,300	0	9,300	
<u>E-GOVERNMENT</u>										
	Cap Rec		417,100	0	417,100	0	417,100		417,100	Programme of Investment deferred due to the revalidation of the CRM strategy and a delay in the Government Connect national project.
Customer Relationship Management system	Cap Rec		0	11,080		0	0		0	
Security Infrastructure										
Government Gateway	Cap Rec		0	3,070	0	0	0		0	
Website	Cap Rec		0	0	0	0	0		0	
IN TEND procurement	RCCO		0	0	0	0	0		0	
Sub Total :		0	417,100	14,150	417,100	0	417,100	0	417,100	
<u>MISCELLANEOUS DEVELOPMENTS</u>										
Disabled Access	Cap Rec	13,200	231,800	2,035	231,800	0	245,000	5,000	250,000	Deferred to 2008/09 latest scheme estimate now 320k, balance of funding transferred from admin buildings revenue budget.
	RCCO		70,000		70,000		70,000		70,000	
Guildhall Bells Repairs	Cap Res	19,900	456,100	14,387	456,100	0	476,000	5,000	481,000	Deferred to 2008/09. Budget increase from £220k to £480k approved 27/03/2007, further increase of £60,000 pending transfer from LLM Revenue.
World War 2 Memorial	Cap Rec	59,900	(29,900)	0	(29,900)	0	30,000		30,000	Jointly funded by Memorial Trust and PCC. At this stage there is a shortfall in contribution of £33,900 from the Memorial Fund Trust.
"	Contr	23,700	30,200	0	30,200	0	53,900		53,900	
Sub Total :		116,700	758,200	16,422	758,200	0	874,900	10,000	884,900	

RESOURCES PORTFOLIO

Capital Monitoring Statement - 2008/09

Meeting Date : 13 November 2008

Appendix B

Scheme	Source of Finance	Expenditure to 31-Mar-08	Revised Budget 2008/09	Expenditure to Date 30-Sept-08	Forecast Expenditure 2008/09	Variance Overspending/ (Savings)	Total Scheme Budget 2008/09	Approved Estimate 2009/10	Forecast Final Scheme Cost	Progress to Date/ Comments
New Starts 2007/08										
Professional Fees	Cap Rec	-	654,900	0	654,900	0	654,900		654,900	A budget of £654,900 approved in as a provision for schemes anticipated to be overspent on fixed fee costs. This will be reviewed and updated as part of the revised programme.
Sub Total :		0	654,900	0	654,900	0	654,900	0	654,900	
Landlord's maintenance - capitalised repairs	Cap Res	312,600	1,365,400	20,200	1,133,000	(232,400)	1,678,000	232,400	1,910,400	
Project Management	Cap Rec		283,500	0	0	(283,500)	283,500		283,500	General Provision to address any project management shortfall in resources which would inhibit the delivery of major projects. Specific allocations are subject to approval through Strategic Directors Board.
Computer Upgrades	Cap Res	106,900	1,111,100	206,645	1,000,000	(111,100)	1,218,000	401,300	1,619,300	Upgrade to PC's/software/e-mail systems funded from IT Reserve & RCCO's.
		419,500	2,760,000	226,845	2,133,000	(627,000)	3,179,500	633,700	3,813,200	
New Starts 2008/09										
Landlords Maintenance - Capital Contingency	Cap Res		500,000	0	0	(500,000)	500,000		500,000	
Disability Discrimination Act - Building Modification	Cap Res		100,000	0	0	(100,000)	100,000		100,000	
		0	600,000	0	0	(600,000)	600,000	0	600,000	
GRAND TOTAL		536,200	5,199,500	257,417	3,963,200	(1,236,300)	5,735,700	643,700	6,379,400	
Source of Finance										
Capital Receipts		73,100	1,566,700	16,185	1,273,900	-292,800	1,639,800	5,000	1,644,800	
Revenue Reserve/RCCO		0	70,000	0	70,000	0	70,000		70,000	
Grants										
Contributions		23,700	30,200	0	30,200	0	53,900		53,900	
IT Capital Reserve		106,900	1,111,100	206,645	1,000,000	(111,100)	1,218,000	401,300	1,619,300	
Capital Reserve		332,500	2,421,500	34,587	1,589,100	(832,400)	2,754,000	237,400	2,991,400	
		536,200	5,199,500	257,417	3,963,200	(1,236,300)	5,735,700	643,700	6,379,400	