

Report to: Cabinet Member for Resources Portfolio

For: 19 March 2009

Report By: Strategic Director & Section 151 Officer

Written By: Sue Page (Financial Services)

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

1. Purpose of Report

1.1 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 be noted.

2.2 That the forecast capital programme expenditure be noted.

3. Background

3.1 Cash Limit 2008/09

	£'000
Net Requirement approved by City Council (10 February 2009)	29,703
Less – Capital charges	727
- Insurance Costs	441
Revised Controllable Cash Limit for Resources Portfolio 2008/09	<u>28,535</u>

3.2 Provisional Outturn 2008/09

	£'000	% of Budget
Actual Net Expenditure April 2008 to January 2009	21,234	74.4%
Forecast Net Expenditure to 31 March 2009	6,667	23.4%
Total Forecast Controllable Expenditure 2008/09	<u>27,901</u>	97.8%
Controllable Cash Limit 2008/09	28,535	
Forecast Variance	<u>(634)</u>	(2.2)%

3.3 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

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

4.1 Revenue Expenditure

Since the last meeting of this portfolio, the City Council (10th February 2009) has approved a revised budget for the current year. The revised cash limit for 2008/9 for this portfolio now excludes specific items approved as carried forward into 2009/10 resulting in a revised cash limit of £28,534,500. The forecast outturn for the Portfolio compared to the revised cash limit indicates a net underspend of £633,997. However, this sum includes an under recovery of income of £20,900 from Land Charges 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 therefore, the overall forecast outturn is an underspend of £654,897.

The main areas of variance are as follows:

- Slippage in Access Strategy Feasibility Study and current implementation phase of the Local Pay Review (LPR)
- Procurement savings not fully implemented across services
- Additional staffing costs and loss of income for Legal Services
- Human Resources budget savings and other service reductions not fully implemented
- Slippage in Landlord's Maintenance programme

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

4.2 Miscellaneous Expenses – Forecast underspend £146,385

This budget heading includes provision of £150,000 for the Access Strategy Feasibility Study and £118,000 for the current implementation phase of the Local Pay Review. Funding for both of these projects was released from contingency late in 2008/9 and, realistically, some of the work associated with these programmes will slip into 2009/10. This is currently estimated to be £100,000 for the Access Strategy and £31,500 for the LPR project. A request to approve the carry forward of these items into 2009/10 is included in a separate report to City Council on 24th March entitled 'Budget and Performance Monitoring 2008/09 (Third Quarter) to end of December'

4.3 Procurement Service – Forecast overspend £46,600

This variance represents a net shortfall in the value of corporate savings included within the 2008/09 Budget approved 12 February 2008. The Head of Audit and Performance has identified savings elsewhere in this portfolio (from Strategy Unit vacancies within Corporate Management) to offset this overspending in the current

year.

When the budget was set in February 2008, it was anticipated that the full year ongoing savings to General Fund Services arising from these Procurement initiatives would amount to £300,000 (net of additional staff costs) over the years 2008/09 and 2009/10. Provision for these savings was included within the service budget from 2009/10 onwards. To date £52,500 has been identified and the remaining sum of £247,500 is still to be identified. The Head of Service will continue to pursue opportunities for further procurement savings to meet the ongoing savings in future years. Progress will continue to be reported to this Portfolio's meetings.

4.4 Legal Services – Forecast overspend £46,000

Additional costs have been incurred because of the need to employ locum/agency staff to cover vacant posts in order to provide an acceptable level of service. In addition income from fees & charges for conveyancing is lower than budgeted as the number of property related transactions has reduced due to the downturn in the property market.

A comprehensive review of the future delivery of legal services has been completed and a budget pressure for additional resources from 2009/10 was approved by the City Council on 10 February 2009. The details of the proposals are due to be presented to a future Employment Committee.

The City Solicitor will continue to monitor the forecast outturn with the aim to bring net expenditure within the cash limited budget.

4.5 Human Resources – Forecast overspend £83,032

It has been reported previously to 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 (a Housing Revenue Account property) into the Civic Offices had not been possible in the current year.

Although 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, it is not expected that a more permanent reorganisation 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.

The forecast overspending on this service is partially offset by a net underspending of £33,200 on the internal agency budget in the current year.

4.6 Landlords Maintenance – Forecast underspend £443,500

The original 2008/09 budget provision of £4,082,100 in respect of Landlord's Repairs and Maintenance covers Council properties across all services (excluding Housing Revenue Account). Part of this sum (£1.1m) is funded from the MTRS Reserve as a Spend to Avoid Cost 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 and a sum of £617,000 has already been transferred back to the MTRS Reserve to be drawn down in 2009/10. This adjustment has been incorporated into the revised budget reported to City Council on 10 February 2009. The service has now identified a further £443,500 slippage in the Health & Safety works funded from the MTRS Reserve in the current year. The Head of Maintenance reports that several specific projects over £50k in value were not finalised until August 2008 and as a period of six months is usually required from the project identification stage through survey, specification and procurement to commencement on site, this has resulted in slippage of those schemes. The impact of this underspending has a neutral effect on the budget as the sum will transfer back to the MTRS Reserve in the current year and be drawn down in 2009/10. The Head of Maintenance reports that although the total value of slippage on the MTRS funded element of the 2008/9 budget will be approx £1m, he anticipates that all of the projects will have started by 31 March 2009. The remaining balance on the Landlord's Maintenance budget of £2,878,200 funded from base budgets, as opposed to the MTRS reserve, is expected to be fully spent by 31 March .

4.7 Summary

The controllable forecast revenue underspending for this portfolio is £655k. After taking into account the slippage on Landlords Maintenance of £443.5k funded by the MTRS reserve and the proposed carry forward requests subject to approval by City Council (outlined in Para 4.2), the net forecast underspending for 2008/9 on this portfolio is £79k. This is shown in the table below:

	£
Controllable forecast underspending	(655)
Less:	
Slippage funded from MTRS Reserve	444
Value of carry forward requests	132
Net underspending 2008/9	<u>(79)</u>

5. Capital Expenditure

5.1 The revised 2008/9 capital estimates and forecast outturn for this portfolio are summarised in Appendix B. Although there are no reported overspendings on existing approved schemes there are some areas of slippage from 2008/9 to report.

The significant areas are:

- Disabled Access to Civic Offices –total scheme cost £320k. This scheme has now been deferred to start in 2009/10 following Planning Officer advice that the current draft design would not meet Planning Guidelines.

- Computer Upgrades – total scheme cost £1,619k. Approximately £300k of this programme of works (funded from the IT Reserve) has slipped into 2009/10.
- Landlords maintenance capitalised repairs- total scheme cost £1,678k. A number of schemes within this programme of work have slipped into 2009/10. The estimated value of this slippage is £275k
- Professional fees –total scheme cost £655k. Fees up to the value of £255k have been allocated in the current year. Other fees are anticipated for 2009/10.
- Project management fees –total scheme cost £284k. No approval for an allocation of these fees in 2008/9 has been made.
- ICT Data Security – total scheme cost £343k. Anticipated £100k slippage on this programme
- Landlords Maintenance Capital Contingency £500k – no contingent items have yet arisen.
- DDA-Building modifications-£100k – no approval to this work in 2008/9.

Sources of finance being used to fund the capital programme are also expected to be secure and used in accordance with any conditions attached to them.

6. City Solicitor's Comments

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

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Roger Ching
 STRATEGIC DIRECTOR & SECTION 151 OFFICER
 09 March 2009

Access to Information

Background papers: Monitoring files held in Financial Services

RESOURCES PORTFOLIO

Appendix A

REVENUE STATEMENT to January 2009

	Budget 2008/09 £	Budgeted Expenditure to 31/01/2009 £	Actual Expenditure to 31/01/2009 £	Forecast 2008/09 £	Variance (Fav)/Adv £	Variance (Fav)/Adv %.
WITHIN CONTROLLABLE CASH LIMIT						
1 Miscellaneous Expenses	433,600	199,160	186,527	287,215	(146,385)	(33.76)%
2 Project Management, Risk & Insurance	257,100	220,820	170,725	250,000	(7,100)	(2.76)%
3 Procurement Service	281,400	319,290	228,709	328,000	46,600	16.56%
4 Internal Audit	401,100	285,346	280,904	401,100	0	0.00%
5 Customer First	1,767,100	1,352,570	1,494,755	1,752,342	(14,758)	(0.84)%
6 Community Involvement, Empowerment & Development	1,199,200	1,015,485	1,001,750	1,206,332	7,132	0.59%
7 Legal Services	737,900	532,020	610,966	783,900	46,000	6.23%
8 Financial Services	5,356,600	4,344,948	4,306,820	5,334,308	(22,292)	(0.42)%
9 Human Resources	3,071,300	2,452,592	2,497,762	3,154,332	83,032	2.70%
10 In House Agency	(114,000)	(78,330)	(98,235)	(147,200)	(33,200)	29.12%
11 IT Services Unit	4,772,100	3,906,457	3,851,320	4,772,100	0	0.00%
12 AMS	2,082,900	1,741,088	1,526,762	2,062,900	(20,000)	(0.96)%
13 Landlords Repairs and Maintenance	3,395,100	2,829,242	1,155,316	2,951,600	(443,500)	(13.06)%
14 Staff restaurant	66,200	55,160	40,616	66,200	0	0.00%
15 Spinnaker Tower	(475,400)	0	293,038	(475,400)	0	0.00%
16 Administration Expenses	274,000	28,250	46,490	294,000	20,000	7.30%
17 Benefits	(602,200)	(593,330)	(670,682)	(602,200)	0	0.00%
18 Local Taxation	321,200	267,660	456,304	271,200	(50,000)	(15.57)%
19 Benefits Administration	1,966,700	1,642,990	1,374,002	1,949,600	(17,100)	(0.87)%
20 Discretionary Non Domestic Rate Relief	154,500	0	0	135,000	(19,500)	(12.62)%
21 Land Charges	(80,800)	(119,073)	(74,033)	(59,900)	20,900	(25.87)%
22 Democratic representation & Management	1,589,800	1,376,066	1,261,419	1,575,593	(14,207)	(0.89)%
23 Corporate Management	1,679,100	1,163,609	1,292,710	1,609,481	(69,619)	(4.15)%
NET EXPENDITURE - CASH LIMIT	28,534,500	22,942,020	21,233,945	27,900,503	(633,997)	(2.22)%

RESOURCES PORTFOLIO

Capital Monitoring Statement - 2008/09 As at 31 December 2008

Meeting Date : 19 March 2009

Appendix B

<u>Scheme</u>	Source of Finance	Revised Budget 2008/09	Forecast Expenditure 2008/09	In year Variance Overspending/ (Savings)	Total Scheme Budget	Final Cost	Total Scheme Variance	Progress to Date/ Comments
<u>INFORMATION TECHNOLOGY</u>								
City Wide Communications Network	Cap Rec	9,300	0	(9,300)	9,300	9,300	0	Effectively complete.
E-mail Services	Cap Rec	0	0	0	0	0	0	
Sub Total :		9,300	0	(9,300)	9,300	9,300	0	
<u>E-GOVERNMENT</u>								
Customer Relationship Management system	Cap Rec	54,100	0	(54,100)	54,100	43,020	(11,080)	Programme of Investment deferred due to the revalidation of the CRM strategy and a delay in the Government Connect national project.
Security Infrastructure	Cap Rec	0	11,080	11,080	0	11,080	11,080	
Government Gateway	Cap Rec	0	0	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 :		54,100	11,080	(43,020)	54,100	54,100	0	
<u>MISCELLANEOUS DEVELOPMENTS</u>								
Disabled Access	Cap Rec	186,800	20,000	(166,800)	250,000	250,000	0	Deferred to 2009/10 latest scheme estimate 320k. PCC Planning not supportive of draft design submitted for Planning Consent, therefore scheme design subject to further consultation and review.
	RCCO	70,000	0	(70,000)	70,000	70,000	0	
Guildhall Bells Repairs	Cap Res	465,100	465,100	0	540,000	540,000	0	Deferred to 2008/09. Budget increase from £220k to £480k approved 27/03/2007, further increase of £60,000 transferred from LLM Revenue. Bells restoration work complete.
World War 2 Memorial	Cap Rec	300	300	0	300	300	0	Jointly funded by Memorial Trust and PCC. At this stage there is a shortfall in contribution of £33,900 from the Memorial Trust Fund. External funding position is being monitored.
Sub Total :		722,200	485,400	(236,800)	860,300	860,300	0	

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Capital Monitoring Statement - 2008/09
As at 31 December 2008

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<u>Scheme</u>	Source of Finance	Revised Budget 2008/09	Forecast Expenditure 2008/09	In year Variance Overspending/ (Savings)	Total Scheme Budget	Final Cost	Total Scheme Variance	Progress to Date/ Comments
New Starts 2007/08								
Professional Fees	Cap Rec	654,900	254,600	(400,300)	654,900	654,900	0	A budget of £654,900 approved as a provision for schemes anticipated to be overspent on fixed fee costs. This has been reviewed and updated as part of the revised capital
Sub Total :		654,900	254,600	(400,300)	654,900	654,900	0	
Landlord's maintenance - capitalised repairs	Cap Res	525,400	250,000	(275,400)	1,678,000	1,678,000	0	A number of schemes within this programme of work have slipped to 2009/10.
Project Management	Cap Rec	283,500	0	(283,500)	283,500	283,500	0	General Provision to address any project management shortfall in resources which would otherwise inhibit the delivery of major projects. Specific allocations are subject to approval through Strategic Directors Board.
Computer Upgrades	Cap Fund	1,000,000	692,500	(307,500)	1,619,300	1,619,300	0	Upgrade to PC's/software/e-mail systems funded from IT Reserve & RCCO's.
		1,808,900	942,500	(866,400)	3,580,800	3,580,800	0	
New Starts 2008/09								
ICT Security - Data Encryption	Cap Rec	300,000	200,000	(100,000)	343,000	343,000	0	Data Encryption of PC Laptops, PDA's, Memory Sticks and similar storage media.
Replacement Oracle Test Servers	Cap Rec	20,000	20,000	0	20,000	20,000	0	
Landlords Maintenance - Capital Contingency	Cap Res	500,000	0	(500,000)	500,000	500,000	0	Landlord's Maintenance Capital Contingency to be called upon to fund urgent repairs to PCC property.
Disability Discrimination Act - Building Modifications	Cap Res	100,000	0	(100,000)	100,000	100,000	0	
		920,000	220,000	(700,000)	963,000	963,000	0	
New Starts 2009/10								
Civic Offices - Telephone Exchange	Cap Res	-	-	-	960,000	960,000	0	
Remote Access - Mobile/Homeworking	Cap Res	-	-	-	50,000	50,000	0	
							0	

RESOURCES PORTFOLIO**Capital Monitoring Statement - 2008/09
As at 31 December 2008**

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Appendix B

<u>Scheme</u>	Source of Finance	Revised Budget 2008/09	Forecast Expenditure 2008/09	In year Variance Overspending/ (Savings)	Total Scheme Budget	Final Cost	Total Scheme Variance	Progress to Date/ Comments
		-	-	-	1,010,000	1,010,000	0	
GRAND TOTAL		4,169,400	1,913,580	(2,255,820)	7,132,400	7,132,400	0	