



Agenda item:

Decision maker: Cabinet Member for Resources Portfolio

Subject: Monitoring of the First Quarter 2010/11 Revenue Cash Limits and Capital Programme

Date of decision: 21st October 2010

Report by: Strategic Director and S151 Officer
(Written by Sue Page & Paul Thomas)

Wards affected: ALL

Key decision: No

Budget & policy framework decision: Yes

1. Summary

1.1 This report compares the controllable cash limit for 2010/11 with the forecast outturn for that year, and provides information to enable an understanding of the reasons for variances. It also lists the action to be taken to ameliorate the effect of forecast overspends.

2. Purpose of report

4.1 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 approved capital programme for the Resources portfolio.

3. Recommendations

3.1 The content of this report be noted.

3.2 The overspends on the capital schemes for the Eastney Pumping Station façade works (£18,000) and the Buckland Community Centre boiler (£10,000) be met from an equivalent transfer from the Landlord's Maintenance revenue budget in 2010/11.

4. Background

4.1 Cash Limit 2010/11

	£'000s
Net Requirement	38,765
Less - Capital Charges	7,755
- Insurance Costs	159
- FRS17	1,855
- Employee benefit accruals	468
<i>Controllable Cash Limit 2010/11</i>	<u>28,528</u>

Forecast Outturn 2010/11

	£'000s	% of Budget
Actual Net Expenditure April 2010 to Jun 2010	10,407	36.5%
Forecast Net Expenditure to 31 March 2010	<u>18,137</u>	63.6%
Total Forecast Controllable Expenditure 2010/11	28,544	100.1%
Controllable Cash Limit	<u>28,528</u>	
Forecast Variance	<u>16</u>	0.1%

4.2 Appendices

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

4.4 An analysis of the Portfolio's capital expenditure for 2010/11 is attached at Appendix B.

5. Managers' Comments

(Please read in conjunction with the attached Appendix A)

Revenue Expenditure

5.1 The forecast outturn for the Portfolio compared to the cash limit indicates a net overspend of £15,706. This sum includes a forecast over recovery of income of £22,600 from Land Charges and a forecast overspend of £140,053 on Housing and Council Tax Benefits. These budgets are deemed to be 'windfall' which means that they are largely out of the control of budget managers. Savings on windfall budgets accrue to the corporate centre. Overspendings on windfall budgets that cannot be absorbed within the Portfolio budget are funded corporately. As the portfolio is currently forecasting a small overspend of £15,706, there is only a requirement to fund the windfall costs up to this sum corporately.

5.2 The main areas of variance are as follows:

- Legal Services - additional employee costs covering sickness and reduction in income from HRA and capital fees.
- Spinnaker Tower - reduction in PCC's share due to lower footfall.
- Benefits – subsidy reduction
- Democratic Representation & Management - costs of committee meetings, Members expenses and slippage in the implementation of budget savings.
- Corporate Management - Slippage in implementation of budget savings.

Legal Services- Forecast overspend £192,800

5.3

Legal Services is currently forecast to overspend by £192,800 which is attributable to three factors. Employees are forecast to be overspent by £106,000 as there are two senior members of staff off with long term sickness. These posts have been covered by locums and short term appointments, but this has added to total employee costs. Income from Housing Revenue work is currently forecast to fall by £60,000 as the volume of work has reduced during the first quarter. Finally, fee income from capital work is forecast to fall by £20,000 compared to budget as the number of active capital schemes has reduced. However, staff resources have been transferred to other work that in the past has been outsourced and this has resulted in a significant reduction in expenditure on External Legal advice.

This year the Head of Legal, Licensing and Registrar's is reviewing services, including Legal Services, with a view to putting in place a new structure that will provide the correct staff capacity to meet the future needs of the City Council. Work is also ongoing to identify the incidence of the savings that have been achieved on external legal costs by completing this work in house. It is proposed to claw back a proportion of these savings from client budgets in order to fund the staff resources that are now employed in Legal Services.

Spinnaker Tower – Forecast overspend - £80,000

5.4

The City Council's income from the Tower comprises of a rental sum and a variable proportion of the net profit. The profit share payable by Heritage Projects Ltd to the City Council under the terms of the lease is forecast to reduce by £80,000 in 2010/11 this reflects a decline in visitor numbers to the Spinnaker Tower attraction. Discussions with the operator will consider options to reverse this trend.

Benefits- Forecast Overspend £140,053

- 5.5 This overspending has arisen because of the increased rate of benefit claims against which the subsidy recovery is less than 100%. In addition the Benefit Processing System has identified a number of overdue rent reviews which could result in a reduction in subsidy.

Democratic Representation and Management - Forecast overspend £72,751

- 5.6 The forecast overspend on Democratic Representation and Management comprises of three variances;
- Committee Meetings is forecast to overspend by £23,000 due to the printing of paperwork for more meetings.
 - Members Expenses is forecasting an overspend of £25,000 due, in part, to the increase in the number of portfolios and due to insufficient budget being allocated to meet the increase in Members remuneration approved in previous years.
 - The City Solicitor's budget is forecast to be overspent by £24,000 as a budget saving put forward in 2009/10 to review admin support within the Directorate has not yet been implemented.

The forecast overspend in respect of Committee Meetings and Members Expenses will be funded by savings from other budget heads under the control of this service manager, a total of £48,000.

In respect of the forecast overspend on the City Solicitor's budget, the review of admin resource staff will be incorporated within the CX review outlined in paragraph 5.7.

Corporate Management - Forecast overspend £55,791

- 5.7 This is mainly attributable to an approved budget saving to review support to senior management throughout the Council that has not yet been implemented. The original savings proposal is under review and the CX will endeavour to identify equivalent savings to meet the shortfall in the current year.

6. Summary

- 6.1 The overall outturn position on the portfolio is a net overspending of £15,700 representing 0.1% of total cash limited budget. Within this net position there are various other smaller under and overspendings as shown in Appendix A.

7. Capital Programme

- 7.1 The revised capital programme has been updated to reflect the impact of slippage in scheme expenditure from 2009/10 and new starts approved by City

Council in February 2010, the updated monitoring statement is attached at Appendix B.

- 7.2 The revised capital budget for Resources Portfolio 2010/11 now totals £7,461,800. However, the Cabinet and City Council on 20 July 2010 approved a report on the Budget 2010/11 and 2011/12, this included a recommendation that uncommitted capital schemes as listed in an Appendix be deferred for further consideration when the outcomes of the Comprehensive Spending Review are known. The schemes included in the capital programme of this portfolio that were deferred are as follows:

	£
City Wide Communications Network	9,300
E-Government	43,000
Guildhall Square - Disabled Access Lift	175,000
Landlord's Maintenance - Capital Contingency	83,500
Remote Access - Mobile/Home Working	50,000
ICT - Database Corporate Server	42,000
Asset Management System	<u>300,000</u>
<u>Total Budget Deferred Schemes:</u>	<u>702,800</u>

Work on the above schemes has been suspended, pending confirmation of the funding resource allocated to the City Council in the forthcoming Comprehensive Spending Review. There is one exception, that being the construction of the Disabled Access Lift in the Guildhall Square to improve access to the Guildhall, Civic Offices and Central Library. The contract for this scheme was awarded prior to July 2010, the figure of £175,000 was the estimated saving on an approved budget of £320,000. The scheme is now nearing completion, but the estimated saving has been reduced to £147,000, resulting in a forecast outturn cost of £173,000.

- 7.3 The Landlord's Maintenance Capitalised Repairs budget 2010/11 (Item 6) now totals £755,600. A significant proportion of this budget has been assigned to two schemes; Civic Offices Mechanical Plant Upgrades (£400,000) and Civic Offices Electrical Distributions Systems (£250,000.). These works are associated with the Accommodation Review which is intended to increase the operational capacity of the Civic Offices, so that staff can be transferred from other Council premises, thereby realising savings in running costs and generation of capital receipts from the disposal of surplus assets. At present, the Head of Maintenance has forecast that £100,000 of this budget will be spent in the current year, with the balance being carried forward to 2011/12.

- 7.4 The replacement Civic Offices Telephone Exchange (Item 15) was given scheme approval under MIS dated 11 June 2010. The main driver for this scheme is once again the Accommodation Review. The majority of the work and capital spend of £760,000 will be undertaken in 2010/11, with the balance of £200,000 carried forward to 2011/12, when the revised layout of floor space and cabling of PC's and telephones in the Civic Offices will be implemented.

- 7.5 Three other schemes are currently forecast to vary compared to their approved capital budget. The Eastney Pumping Station (Item 11) required essential repairs to the brickwork façade at an approved budget of £113,000. The work is now complete and the estimated final cost is put at £131,000, an overspend of £18,000 on the approved budget. It is proposed that this be funded by a transfer of £18,000 from the LLM Revenue budget 2010/11. The IT Systems for the D&CE Service at an approved budget of £110,000, envisaged three separate schemes; the Council Chamber Audio and Voting System (£50,000), Election Services Database (£40,000) and the Democratic Decision Making Database. Having developed detailed proposals for these, schemes it became apparent that all three could not be funded from within the budget allocation of £110,000. Therefore, the scheme to introduce a more reliable Democratic Decision Making Database has been dropped, the balance of £20,000, is released back into corporate capital funding resources to assist in the delivery of other schemes that are now deemed to be of a higher corporate priority. The New Boiler for Buckland Community Centre has an approved budget of £91,000, the forecast cost on completion is now put at £101,000. It is proposed that the additional cost of £10,000 be funded by a transfer from the LLM revenue budget 2010/11.
- 7.6 Finally, the approved capital programme includes an estimate of £4.537m for the purchase of two new cranes funded by borrowing, to be leased by the City Council to MMD Shipping Services. At present, the business needs of the company remain unchanged in that they only require the one new crane. The need for a second crane will be kept under review and the decision to proceed with the purchase of a second crane will only be made once supported by a strong business case to do so. As the financing for this was from 'unsupported borrowing', there is no unallocated corporate capital resources available for an alternative use.
- 7.7 In summary, the revised capital estimate 2010/11 for the Resources Portfolio totals £7,461,800, expenditure as at 30 June 2010 totalled a modest £166,020. The approved budget of schemes that were deferred by the City Council pending confirmation of the Comprehensive Spending Review totalled £702,800. Changes to the phasing of works associated with Landlord's Maintenance and the Telephone Exchange schemes results in £855,600 of capital spend being deferred to 2011/12. The second crane for MMD will only be purchased if needed; the funding source for this scheme is unsupported borrowing. It is forecast that there will be an "In Year" underspend of £4,246,400. The value of known variations on the approved capital estimates totals £2,565,650. Details of variations by scheme can be found in Appendix B. The capital programme is currently under review and any savings identified will be returned to the corporate centre to be allocated to other schemes in accordance with the City Council's capital priorities.

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 forecast position on the revenue and capital budgets as at the end of June 2010.

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Signed by: Strategic Director & Section 151 Officer

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 7th July 2010.

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Signed by: Cabinet Member for Resources