



Decision maker: Cabinet Member for Resources Portfolio

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

Date of decision: 25th November 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 forecast revenue outturn 2010/11 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 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 That a sum equivalent to the overspend on the Corporate Property portfolio account reported to PRED be met by a revenue virement from the underspend on the AMS Business account reported to this meeting.

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	
Controllable Cash Limit 2010/11	28,528	
<u>Forecast Outturn 2010/11</u>	£'000s	% of Budget
Actual Net Expenditure April 2010 to Sept 2010	13,266	46.5%
Forecast Net Expenditure to 31 March 2010	15,204	53.3%
Total Forecast Controllable Expenditure 2010/11	28,470	99.8%
Controllable Cash Limit	28,528	
Forecast Variance	(51)	0.2%

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 underspend of £50,850. This sum includes a forecast under-recovery of income of £32,200 from Land Charges and a forecast overspend of £7,800 on Housing 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. The portfolio is currently forecasting a net underspend of £50,850 after absorbing these windfall overspends
- 5.2 The main areas of variance are as follows:

- Miscellaneous - uncommitted budgets for Feasibility Studies & LPR costs and vacancies in Trade Union secondments.
- Legal Services - additional employee costs covering sickness and a reduction in income from HRA and capital fees.
- AMS business account - more fee earning work and savings from staff vacancies.
- Spinnaker Tower - reduction in PCC's share due to a lower footfall.

Miscellaneous Expenses - forecast underspend £84,400

5.3 This budget heading includes various relatively small corporate budgets including Project management feasibility studies, Local Pay Review expenses and Trade Union Secondments.

- Project Management Feasibility Studies is forecast to be £18,200 underspent as work authorised to date is now complete.
- Local Pay Review has a budget of £50,000 to cover costs incurred by external solicitors representing the City Council in any Employment Tribunal cases. This budget provision is not expected to be called upon this year, realising a saving of £49,600.
- Trade Union Secondments has a budget of £91,300, but not all posts available have been filled although it is possible that further TU secondments will be required in the current year to support the management of change process, hence this budget is forecast to be £24,200 underspent.

Legal Services- Forecast overspend £210,100

5.4 Legal Services is currently forecast to overspend by £210,100 which is attributable to three factors.

- Employees are forecast to be overspent by £169,800 as there are two senior members of staff absent on 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 some of the work previously undertaken is now being carried out by Housing staff.
- Fee income from capital work is forecast to fall by £6,000 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 quantify the incidence of the savings that have been achieved on external legal costs by completing this work in house and to identify the service budgets from which this expenditure saving will be recovered. The Budget & Performance Monitoring 2010/11 (2nd Quarter) report to Cabinet & City Council includes a recommendation that the Head of LLR reports the proposed virements to the Strategic Directors Board and that the approval for these be included within the Quarter 3 Budget & Performance Monitoring Report to Cabinet.

Asset Management Business Account - Forecast underspend £200,000

- 5.5 Within the Asset Management Service, the demand for the work of the Design team has focussed on fee earning capital work (as opposed to non fee earning revenue work) which has resulted in an increase in income. Within the department as a whole, some posts are currently being held vacant in anticipation of the budget reductions required in 2011/12. The Head of Asset Management also has responsibility for the budget of the Corporate Property Portfolio which reports to the Executive member for Planning, Regeneration and Economic Development. This budget is currently reporting an overspend of £175,000 to the PRED portfolio with the proposed remedial action that this is met by a virement of an equivalent sum from the underspend on the AMS Business Account reported here.

Spinnaker Tower - Forecast overspend £100,000

- 5.6 The City Council's income from the Tower comprises of a rental sum and a variable proportion of the net profit. In the present economic climate a cautious projection of the profit share payable by Heritage Projects Ltd to the City Council under the terms of the lease is included in this budget forecast. The reduction in income to PCC of £100,000 in 2010/11 reflects a decline in visitor numbers to the Spinnaker Tower attraction. Discussions with the operator will consider options to reverse this income trend.

Democratic Representation & Corporate Management

- 5.7 The variances on Democratic Representation and Corporate Management are currently unchanged from those reported to the last meeting of this portfolio as the remedial action proposed would not have had time to make any impact on the period reported here.

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net underspending of £50,850 representing 0.2% of the 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 include expenditure incurred as at 30 September 2010; this totalled a modest £328,823 compared to

an approved budget of £7,461,800. However, this revised budget figure includes those items that have been deferred pending confirmation of the City Council's revised capital priorities. The value of schemes that have been deferred totalled £702,800. The updated capital monitoring statement is attached at Appendix B. A full and comprehensive update on the major changes incorporated into the programme was given in the previous report.

7.2 The changes that have been incorporated into this capital monitoring statements are as follows:

7.3 Landlord's Maintenance capitalised repairs (Item 6) has a total scheme budget of £1,677,900, with a balance of £755,600 available at the start of this financial year. Having reviewed current commitments it is estimated that £139,200 will be spent in 2010/11, £533,900 in 2011/12 on the Civic Offices Plant Upgrades and changes to the Electrical Distribution system. Following a detailed Feasibility Study on the changes to the Electrical Distribution system it has been established that the existing boards can be upgraded rather than replaced, this has realised a saving of £200,000 on the original scheme estimate. At a previous Cabinet meeting Members were advised on the poor condition of the lifts in the Civic Offices and the Head of Asset Management was asked to identify budget provision for some remedial action. It is therefore proposed to allocate this capital saving to the replacement of one lift in the Civic Offices and to the initial design work for lift replacements that are proposed for 2011/12. It has also been agreed to transfer £97,500 to the Children's Services capital budget to fund 50% of the cost of three School Replacement boiler schemes that incurred additional costs on completion of the work. Finally, an existing scheme to upgrade the Civic Offices Fire Alarms has been completed at an additional cost of £15,000 which will be funded from savings elsewhere in the capitalised repairs scheme.

7.4 The capital estimate provision for MMD Cranes (Item 22) is a sum of £4,537,300. The cranes are purchased by the City Council and then leased to MMD Ltd. The first crane was purchased in 2009/10. There is a requirement to deepen the access channel and both berths at Albert Johnson and Flathouse Quays to enable the business to service a larger range of container ships. This scheme is subject to City Council approval. Subject to this approval being granted, the attached capital programme makes provision for the second crane to be purchased in April 2011. There will be a requirement to pay 50% in advance of crane delivery when the order is placed in February 2011. Hence, the forecast expenditure of £1,200,000 on this item is shown in the current financial year.

7.5 The new starts 2010/11 capital programme includes a sum of £1,055,000 for major repairs to the Corporate Property Portfolio. The programme of work to be funded from this budget has been reviewed and updated by the Head of Maintenance. This has established that work on the larger value items will now take place in 2011/12; therefore the expenditure profile has been updated accordingly. It is now anticipated that a sum of £528,400 will be incurred in 2010/11, with the balance of £526,600 being carried forward for completion in 2011/12.

7.6 As a result of the decision to defer a number of schemes for further consideration of capital priorities and changes in the phasing of expenditure on other schemes, it is now estimated that the forecast of capital expenditure in 2010/11 is £3,741,450 compared to an approved capital estimate of £7,461,800.

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 September 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 25th November 2010.

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Signed by: Cabinet Member for Resources