



Decision maker: Cabinet Member for Resources Portfolio

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

Date of decision: 3rd February 2011

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.

4. Background

4.1 Cash Limit 2010/11

	£'000s
Net Requirement	38,757
Less - Capital Charges	7,755
- Insurance Costs	159
- FRS17	1,855
- Employee benefit accruals	468
Less virement to PRED approved in Quarter 2 report	175
<i>Controllable Cash Limit 2010/11</i>	<u><u>28,345</u></u>

Forecast Outturn 2010/11

	£'000s	% of Budget
Actual Net Expenditure April 2010 to December 2010	18,060	63.7%
Forecast Net Expenditure to 31 March 2010	10,270	36.2%
Total Forecast Controllable Expenditure 2010/11	<u>28,330</u>	99.9%
Controllable Cash Limit	<u>28,345</u>	
Forecast Variance	<u><u>(15)</u></u>	.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 underspend of £15,350
- 5.2 This sum includes a forecast under-recovery of income of £32,000 from Land Charges and a forecast overspend of £56,200 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 £15,350 after absorbing these windfall overspends
- 5.3 The main areas of variance are as follows:

- Miscellaneous - 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 - staff vacancies and savings in non staff costs
- Spinnaker Tower - reduction in PCC's share due to a lower footfall.

Miscellaneous Expenses - forecast underspend £43,400

- 5.4 This budget heading includes various relatively small corporate budgets including Trade Union Secondments. This activity has a budget of £91,300, but not all posts available have been filled. It had been anticipated in the previous quarter monitoring report that further TU secondments will be required in the current year to support the management of change process. However, no further appointments have been made so this budget is forecast to be £44,200 underspent.

Legal Services- Forecast overspend £210,400

- 5.5 Legal Services is currently forecast to overspend by £210,400 which is attributable to three factors.
- Employees are forecast to be overspent by £213,200 as there have been 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. In addition, the cancellation of the BSF project has meant that the full cost of the resources employed on the project could not be recovered.
 - Income from Housing Revenue work is currently forecast to fall by £55,600 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 £24,000 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 within other service areas.

The Head of Legal, Licensing and Registrar's has recently completed a review of the staff structure of Legal Services, which will realise staff savings in 2011/12 and bring the net cost of the service within budget.

The work to identify the incidence of the savings that have been achieved on external legal costs by undertaking work in house has been completed and discussions are in hand with services to agree the proposed virements to be made to Legal Services. These will be reported to the Strategic Directors Board and included within the Budget & Performance Monitoring Report to Cabinet for approval.

Asset Management Business Account - Forecast underspend £225,000

Within the Quarter 2 monitoring report cycle, the proposed virement of £175,000 from this budget heading to the Property portfolio within Planning Regeneration and Economic Development has now been actioned. The forecast underspend on the Business Unit now being reported is largely due to vacancies of approximately five posts being held in anticipation of the budget reductions required in 2011/12 and reductions made in expenditure on supplies & services.

Spinnaker Tower - Forecast overspend £80,000

- 5.6 The City Council's income from the Tower comprises of a rental sum and a variable proportion of the net profit. The revised projection of the profit share payable by Heritage Projects Ltd to the City Council under the terms of the lease included in this budget forecast has been confirmed with the operator. The reduction in income to PCC of £80,000 in 2010/11 reflects a decline in visitor numbers to the Spinnaker Tower attraction based upon reported admissions up to November. Discussions with the operator will consider options to reverse this income trend. However, in the current economic climate this may be unachievable and this has been reflected in the forecasts for future years.

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net underspending of £15,350 representing 1.2% 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 At a meeting of the Cabinet on 22 November 2010 and City Council on 23 November 2010 approval was given to extend the level of capital funding support in the form of loans to MMD (Shipping Services) Ltd. As a result, the provision for advances to MMD has been increased from £2.34m to £9.284m. The revised capital programme has been updated to include expenditure incurred as at 31 December 2010; this totalled £635,681 compared to an approved capital budget of £9,205,800. The revised capital budget includes those items that were deferred pending confirmation of the City Council's revised capital priorities. The value of schemes that have been deferred totalled £702,800. A decision on the release of funding on those schemes classed as deferred will be made by City Council on 8 February 2011. 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 two previous reports.
- 7.2 The more significant changes that have been incorporated into this latest capital monitoring statement is 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 £135,300 will be spent in 2010/11, with a further £494,800 in 2011/12 on the Civic Offices Plant Upgrades, changes to the Electrical Distribution system and the replacement of one lift in the Civic Offices. A saving of £125,500 has been achieved and this has been re-allocated to other schemes that are forecast to overspend. Namely, the School's Replacement Boiler programme (£97,500), the DDA Building modifications (£15,000) and the Buckland Community Centre Boiler (£12,000.)
- 7.4 The significant repairs to the Eastney Pumping station are complete at a total cost of £131,000, this represents an increase of £18,000 on the approved budget of £113,000. The additional cost has been funded by a transfer of an equivalent sum from the LLM revenue budget.
- 7.5 The Disability Discrimination Act - Building Modifications (Item 14) has an approved budget of £100,000, the budget has been increased to £115,000 as the modifications to the Baffins Library and Guildhall auditorium to meet the requirements of the Act is greater than was anticipated on commencement of the work. The increase in cost has been funded by savings on the LLM Capitalised Repairs budget.
- 7.6 The estimate provision for MMD Capital Advances (Item 21) was initially a sum of £2,340,000. Following a major review of the capital investment requirements of the business the Cabinet and City Council (22 & 23 November 2010) approved a significant increase in the capital estimate provision for future capital advances to MMD. The revised capital estimate is now £9,284,000.
- 7.7 The new starts 2010/11 capital programme includes a sum of £1,055,000 for major repairs to the Corporate Property Portfolio (item24). Following representation from the Friends of Cumberland House this budget has been increased by £10,000 to fund further work at the museum. This increase in budget will be funded by a contribution from the Friends of Cumberland House.
- 7.8 Finally, a new scheme has been added to the capital programme, this being Alterations to Cashier's Strong Room (Item 26) at an estimated cost of £40,000. These works were requested by the City Council's insurer to provide more secure coin counting facilities for the Car Parking Service. The scheme will be funded by a transfer from the Car Parking Reserve.
- 7.9 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, the forecast of capital expenditure in 2010/11 is £6,523,750 compared to an approved capital estimate of £9,245,800.

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 December 2011

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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 3rd February 2011

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Signed by: Cabinet Member for Resources
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