



**Decision maker:** Cabinet Member for Resources Portfolio

**Subject:** Monitoring of the First Quarter 2011/12 Revenue Cash Limits and Capital Programme

**Date of decision:** 29th September 2011

**Report by:** Head of Financial Services  
(Written by Sue Page & James Fitzgerald)

**Wards affected:** ALL

**Key decision:** No

**Budget & policy framework decision:** Yes

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## 1. Summary

1.1 This report compares the forecast revenue outturn 2011/12 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

2.1 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 2011/12

	<b>£'000s</b>
Net Requirement	30,512
Less - Capital Charges	2,409
- Insurance Costs	167
- FRS17	860
<b>Controllable Cash Limit 2011/12</b>	<u><u>27,076</u></u>

### **Forecast Outturn 2011/12**

	<b>£'000s</b>	<b>% of Budget</b>
Actual Net Expenditure 1 April 2011 to 30 June 2011	6,698	24.74%
Forecast Net Expenditure 1 July 2011 to 31 March 2012	<u>20,388</u>	75.30%
Total Forecast Controllable Expenditure 2011/12	27,086	100.04%
Controllable Cash Limit	<u>27,076</u>	
<b>Forecast Variance - (Under)/Overspend</b>	<u>10</u>	0.04%

### 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 2011/12 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 £10,015.
- 5.2 This sum includes a forecast overspend of £140,800 on Housing Benefits. Variances within this budget heading are deemed to be 'windfall' which means that they are largely outside 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 overspend of £10,015 including at this stage the funding of this windfall overspend.
- 5.3 The main areas of variance are as follows:
- Miscellaneous - vacancies in Trade Union secondments.

- Customer Services – Cultural services contribution to City Help Desk employees working at Southsea Library
- Legal Services – slippage in the completion of service restructure and higher agency costs providing short term vacancy cover.
- Financial Services – Additional Savings from early phasing of service restructure.
- Human Resources – amendment to proposed new structure resulting higher costs than anticipated.
- Internal Agency – reduced demand resulting in less income received
- Housing Benefits – subsidy from central government is less than anticipated
- Benefits administration – savings due to vacant posts
- Members expenses – additional costs due to having one extra portfolio than originally budget for
- External Audit Fees – reduction in annual charge from the Audit Commission

Item 1 - Miscellaneous Expenses - forecast underspend £30,400

- 5.4 This budget heading includes various relatively small corporate budgets including Trade Union Secondments. This activity has a budget of £90,400, but to date not all of the posts budgeted for have been filled. If this remains the case and no further appointments are made it will result in an underspend of £30,400.

Item 5 - Customer Services – forecast underspend £26,100

- 5.5 Cultural Services are making a contribution towards the cost of the City Helpdesk employees working at Southsea Library. In addition to this there are several vacancies which will result in an underspend of £26,100.

Item 7 - Legal Services - forecast overspend £134,800

- 5.6 Legal Services is currently forecast to overspent by £134,800 which is due to slippage in the completion and implementation of the service's new structure. The outcome of this is that a some of the posts from the old structure have remained filled for longer than anticipated and agency staff, at a higher cost, are being used to backfill other vacant posts until recruitment is complete.

Work is being undertaken to try to mitigate any overspend and the Head of Service is seeking to maximise all income opportunities and is currently in negotiations with other local authorities for the provision of services to them.

Discussions are also ongoing with internal clients to make them aware of the additional work that has been undertaken on their behalf that will require reimbursement to Legal Services.

Item 8 - Financial Services - forecast underspend £87,400

- 5.7 The early phasing and implementation of the new Financial Service structure has resulted in less staffing costs than budgeted for. This ongoing saving will contribute to the department's savings requirement in 2012/13.

Item 9 - Human Resources - forecast overspend £18,700

- 5.8 The Human Resources budget allocation in 2011/12 was based on the initial proposed staffing restructure. There were however subsequent revisions to the structure which have resulted in higher costs than budgeted for of £139,900. In order to offset some of these increased costs, expenditure on corporate training will be reduced and some anticipated vacancies will be held unfilled which should realise a saving of £121,200.

Item 10 - internal Agency - forecast net overspend £33,400

- 5.9 Due to the current economic climate the demand for temporary staff provided via the Internal Agency is less than anticipated which has resulted in lower levels of income than originally budgeted for.

Item 20 - Housing Benefit – Rent Rebates - forecast overspend £140,800

- 5.10 This overspend is due to the increased rate of benefit claims against which the subsidy recovery (i.e. the Rent Allowances in item 19) is less than 100%.

Item 22 - Benefits Administration - forecast underspend £149,200

- 5.11 Posts within Council Tax and Housing Benefit administration are being held vacant where possible in order to realise the ongoing efficiencies required within the service and also to help offset other areas of pressure within this portfolio.

Item 25 - Democratic Representation and Management - forecast overspend £32,000

- 5.12 This budget heading contains a number of areas one of which is Members Expenses which includes the costs for the council's portfolio structure. The structure currently in place includes one more portfolio than was originally budgeted for, Community Safety, which costs in the region of £13,000. In addition to this when members expenses were reviewed a number of years ago, the increase in the budget was not sufficient to cover the additional costs thus creating an ongoing budget pressure which, if corresponding savings cannot be found, will be funded from other underspends within the portfolio

Item 26 - Corporate Management - forecast underspend £20,500

- 5.13 The provision for External Audit fees is included in this budget and the Audit Commission has recently confirmed that their charge this year will be £20,500 less than expected.

**6. Summary**

- 6.1 The overall forecast outturn position on the portfolio is a net overspending of £10,015 representing 0.04% 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 reflect the impact of slippage in scheme expenditure from 2010/11 and new starts approved by City Council on 8th February 2011; the updated monitoring statement is attached at Appendix B.

- 7.2 New schemes approved at the City Council meeting are as follows:

<b>Scheme Name</b>	<b>£,000</b>
DDA works to corporate Property Portfolio	50
Landlord Maintenance – Capital Contingency *	1,192
Dame Judith Professional Centre – Relocation of services	167
Replacement of Cash Handling System	201
Civic Office Catering – Coffee Shop	69

\* A programme of capitalised repairs was subsequently approved at the Resources Portfolio meeting on 7<sup>th</sup> July 2011, the detail of which are shown in paragraph 7.5 below.

- 7.3 The schemes with the more significant issues or progress updates that have been incorporated into this latest capital monitoring statement are as follows:

- 7.4 Landlord's Maintenance capitalised repairs (Item 5) has a total scheme budget of £1,552,400 with a balance remaining of £487,400. Having reviewed current commitments it has been agreed to use this balance to continue with the Civic Offices Plant Upgrades, changes to the Electrical Distribution system and the replacement of one lift in the Civic Offices as well as keeping a small contingency to offset the projected overspend of £13,700 on item 10 DDA Building Modifications to various City Council owned properties.

- 7.5 A proposed programme of works for the LLM Capital Contingency 2011/12 allocation (item 9a) was agreed at the Resources Cabinet meeting on 7<sup>th</sup> July 2011 as follows:

	<u>2011/12</u>	<u>2012/13</u>
a) Square Tower - Roof repair	£10,000	£140,000
b) Southsea Castle - Walls and Windows	£70,000	£10,000
c) Point battery - Walls and Floors	£60,000	
d) Gun Battery SE of Round Tower - Walls	£10,000	£83,000
e) *Lumps Fort - Windows and Walls	£10,000	£86,000
f) Charles Dickens Museum - Various repairs	£42,000	
g) Central Library - Boiler and Heating System	£10,000	£190,000
h) Civic Centre - Core 2 Replacement Lifts x 2	£300,000	
i) Fees	£100,300	£70,000
<b>Total</b>	<b>£612,300</b>	<b>£579,000</b>

\* Subject to further review.

These works will be carried out over the next two financial years.

- 7.6 The Disability Discrimination Act - Building Modifications (Item 10) has an approved budget of £115,000 however due to additional costs for the modifications to the Guildhall auditorium to meet the requirements of the Act this budget is forecast to overspend by £13,700. This overspend will be funded from the remaining allocation of Landlord Capitalised repairs (item 5).
- 7.7 The cost of the two new cranes for MMD (item 18) was less than anticipated realising a saving of £333,700 against the original budget of £4,537,300. As this scheme was funded by unsupported (Prudential) borrowing these savings are not available for reallocation as thus far the City Council has only been able to utilise Prudential Borrowing for Invest to Save Schemes where there is a demonstrable case that the capital expenditure incurred will result in savings that at least cover the cost of borrowing or alternatively where other savings can be made to cover those borrowing costs.
- 7.8 As a result of the rephasing of some expenditure and scheme slippage from 2010/11 (primarily on the capital loans to MMD), the original estimate for 2011/12 has increased from £6,470,400 to £8,326,890. The current forecast of capital expenditure in 2011/12 is £7,295,137.

**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 Resources portfolio approved revenue and capital budgets as at the end of June 2011

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Signed by: Head of Financial Services

**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:

<b>Title of document</b>	<b>Location</b>
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 29th September 2011

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Signed by: Cabinet Member for Resources