



Agenda item:

Decision maker: Cabinet Member for Resources Portfolio

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

Date of decision: 26th January 2012

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

Wards affected: ALL

Key decision: No

Budget & policy framework decision: Yes

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 revised 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 revised 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

4.2 The portfolio cash limit has been updated to reflect virements between services, RCCOs reported via Members Information Service, approved releases from the MTRS Reserve and proposed carry forward items which are subject to formal approval by City Council on 14th February 2012.

	£'000s	
Net Requirement	29,195	
Less - Capital Charges	2,409	
- Insurance Costs	167	
- FRS17	860	
Controllable Cash Limit 2011/12	<u>25,759</u>	
	£'000s	% of Budget
Actual Net Expenditure 1 April 2011 to 31 December 2011	18,081	70.19%
Forecast Net Expenditure 1 January 2012 to 31 March 2012	<u>7,483</u>	29.05%
Total Forecast Controllable Expenditure 2011/12	<u>25,564</u>	99.24%
Controllable Cash Limit	<u>25,759</u>	
Forecast Variance - (Under)/Overspend	<u>(195)</u>	(0.76)%

4.3 Appendices

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

4.5 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

The provisional forecast outturn for the Portfolio compared to the cash limit indicates a net underspend of £194,700.

5.1 This sum includes a forecast net overspend of £27,200 on Housing Benefits and a forecast under-recovery of income of £28,500 from Land Charges. Variances within these budget headings 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 underspend of £194,700 including at this stage the overspends within these windfall areas.

5.2 The main areas of variance are as follows:

- Miscellaneous - vacancies in Trade Union secondments and less expenditure than expected for LPR appeals.
- Customer Services – The View Cafe failing to make break even target and less than expected advertising revenue offset by savings from rents paid out and in house service delivery of the Link/Healthwatch Service.
- 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.
- Internal Agency – reduced demand resulting in less income received
- Asset Management Service – holding of vacancies in preparation for transformation savings in 2012/13
- Landlords Maintenance – mild winter and reduction of repairs and maintenance project work in preparation for transformation savings in 2012/13
- Housing Benefits – provision for debt levels now lower than anticipated.
- Benefits administration – savings due to vacant posts
- Land Charges – reduced income as no longer able to charge for personal searches
- Members expenses – additional costs due to having one extra portfolio than originally budget for

Item 1 - Miscellaneous Expenses - forecast underspend £100,700

5.3 This budget heading includes various relatively small corporate budgets with the main two variances being as follows:

Trade Union Secondments has a budget of £90,400, but, as previously reported, 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 £50,000.

In addition £50,000 was set aside for LPR appeals however it is expected that the actual costs will be nearer £20,000.

Items 5 and 6 - Customer Services and Community Involvement, Empowerment and Development – forecast net underspend £34,500

- 5.4 The new View cafe in the Civic Offices will not meet its break even target in its first 8 months of operation however going forward with the experience gained to date, it is hoped that this position will be achievable in future years.

In addition to this advertising income from hoardings has not achieved anticipated amounts due to a combination of factors including the current economic climate and planning restrictions.

These overspends are fully absorbed within the service through vacancies across the service including in the City Helpdesk and Web Team together with higher than expected advertising income for Flagship.

Item 7 - Legal Services - forecast overspend £276,700

- 5.5 Legal Services is forecast to overspend by £276,700 due to slippage in the completion and implementation of the service's new structure and an increase in demand for services provided which have yet to be funded by clients. The outcome of this is that some of the posts from the old structure have remained filled for longer than anticipated. In addition to this, agency staff, at a higher cost, have been used to backfill other vacant posts until recruitment is complete and also to cover the increase in demand for some services.

Continuing higher demand for services, for example childcare cases, have led to ongoing discussions 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.

A review is also taking place to ensure that all costs have been correctly charged to capital schemes wherever possible as the current forecast income appears less than anticipated.

Work continues to be 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.

The Head of Legal Services also has responsibility for areas in other portfolios which are forecasting underspends totalling £154,900 (£30,200 in Licensing and £124,700 in Registrars). This could be used to offset a substantial element of this projected overspend.

Item 8 - Financial Services - forecast underspend £50,600

- 5.6 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 10 - Internal Agency - forecast net overspend £37,500

- 5.7 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 12 – Asset Management Service - forecast underspend £100,000

- 5.8 The Property and Landlord Services department has held a number of posts vacant prior to a restructuring process. Any posts remaining unfilled will be held vacant in order to contribute to the transformation savings requirement in 2012/13.

Item 13 – Landlords Maintenance - forecast underspend £200,000

- 5.9 A substantial part of this budget is set aside for reactive maintenance to city council owned properties however the mild winter to date has resulted in fewer demands on both fabric and engineering works. Coupled with this savings have been offered from this budget as part of the transformation programme in future years so a review of pending projects has taken place which has reduced the expenditure in the current financial year. This forecast could fluctuate by the end of the financial year if weather conditions deteriorate similar to those experienced in previous years.

Items 19 & 20 - Housing Benefit – Rent Allowances and Rebates - forecast net overspend £27,200

- 5.10 These variances represent the difference between Housing Benefits paid out to private tenants and Council House tenants and the government subsidy received for these purposes. One of the main factors to date is that the level of new debt raised to clients, whose change in circumstances had reduced their benefit entitlement, was lower than anticipated. This has resulted in a reduction in income. The total value of benefits paid exceeds £100m therefore subtle variations in factors such as this can result in material variances.

Item 22 - Benefits Administration - forecast underspend £115,000

- 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 24 – Land Charges - forecast overspend £28,500

- 5.12 Local Authorities are no longer able to charge for personal searches through the Local Land Charge register. Initially, in 2010/11, authorities received a specific small additional grant to mitigate the lost income however this is no longer available resulting in an overspend on this budget heading.

Item 25 - Democratic Representation and Management - forecast overspend
£27,900

5.13 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.

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.

6 Summary

6.1 The overall forecast outturn position on the portfolio is a net underspending of £194,700 representing 0.76% 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, new starts approved by City Council on 8th February 2011, further approved amendments, re-phasing of expenditure into future years and the removal of completed schemes. The updated monitoring statement is attached at Appendix B.

7.2 New schemes added since 8th February are as follows:

Scheme Name	£,000
IS Data Centre (see para 7.4 below)	855
Replacement of Oracle E-Business Suite (see para 7.5 below)	250
Upgrade of Oracle E-Business Suite to R12 (see para 7.6 below)	474
Libraries Photovoltaics (see para 7.7 below)	150
IS Road Map (see para 7.8 below)	485

7.3 These new schemes have been incorporated into the latest capital monitoring statement and are set out in more detail below:

7.4 Item 21 - IS Data Centre

A new scheme was approved via the Members Information Service on 14th October 2011 for £605,300 comprising of new electrical and air conditioning units together with an upgrade to the fire suppression system and structural alterations to comply with insurance requirements.

Tenders have recently been returned which have come in at some £250,000 higher than the initial estimate.

The main reason for the increase is due to the need to provide a resilient and standalone power supply so that key council systems are not interrupted in the event of power failure, an improved design that enables a reduction in energy costs and additional re-cabling costs that will significantly reduce the risk of failure during the building works and also to re-provision some of the old copper circuits that are not fit for purpose and are likely to fail imminently. The new design will also provide a longer timescale that the facility will be fit for purpose and able to deliver against new demands of the Council, transformational works and the development of more systems that will improve the efficiency of services.

In addition to this whilst the rooms have the ceilings removed AMS intend to fully re-lamp the rooms to low energy fittings. This will be more economical as the servers will already be protected from ceiling dust debris as part of the main contract.

£200,000 of this sum will be funded from the approved IS revenue budget for 2011/12 and £50,000 from the approved AMS revenue budget for 2011/12.

7.5 Item 22 - Replacement of the Oracle E-Business Suite

The scheme comprises a hardware upgrade to facilitate business critical software refreshes and systems development. Funding from the earmarked Oracle Hardware Replacement Reserve was approved via the Members Information Service on 24th June 2011.

7.6 Item 23 – Upgrade of oracle E-Business Suite to Release 12

£474,200 was released from the 2011/12 General Fund Contingency provision for the update of Oracle EBS to Release 12.1.3 which is the latest version of R12 available.

As anticipated, the current version used by the Council will not be supported by the supplier from December 2013 and updating to the latest version therefore needs to commence now, in accordance with the update project plan, to avoid an unacceptable level of risk to business as usual systems including Human Resources, Payroll, Accounts Payable, Accounts Receivable and General Ledger core systems.

The overall project also includes the procurement of a replacement desk top reporting tool which has been identified as a key business requirement.

This scheme was approved via the Members Information Service on 18th November 2011.

The approved 2011/12 City Council budget includes provision for the cost of this update to be met from the General Fund Contingency.

7.7 Item 24 – Libraries Photovoltaics

As part of the City Council's drive for more efficient use of resources and the carbon management agenda, funding has been released from the Carbon Management Reserve to install photovoltaic panels to the roofs of the Central Library and the Southsea Library.

Not only will each building benefit from reduced energy bills, any energy generated over an above the needs of the building will be fed back into the National grid and the Council will receive a payment for this.

7.8 Item 25 – IS Road Map

In order to keep the City Council's IT infrastructure up to date there is a need for a rolling programme of renewal, some of which will span financial years.

Funding for this ongoing renewal programme is identified within the base IS revenue budget however typically IT projects do not run in line with financial year cycles so to be able to manage these planned works proactively as a single capital project, £485,000 from the approved IS revenue budget for 2011/12 has been transferred to the revenue reserve for capital and this new capital scheme has been created (Members Information Service 20 January 2012 refers).

The roadmap has been defined to support the imminent known items that are essential for the Council to continue its business underpinned by a secure and robust infrastructure. The Service will soon be in a position where a rolling programme will be plotted for the next five to ten years reducing the need for reactive bids for capital funding. All of the items covered by this funding are known to be essential for the year ahead and work to deliver them is either in progress or being planned.

The project includes the following works:

Replace Storage Area Network (SAN)	£250,000
(This facility houses all of PCC's Data and is no longer able to deliver the requirement unless refreshed)	
Back Up system upgrade	£80,000
This facility maintains a back-up of all Council data and is at the end of its useful life and needs to be replaced.)	
Email upgrade	£15,000
(Essential upgrade to the e-mail system to ensure that PCC can continue to send and receive e-mail)	
Blackberry infrastructure	£30,000
This is a refresh of the infrastructure that enables PCC to deliver mobile working via Blackberry devices)	
Websense Upgrade	£20,000
(This facility manages PCC's use of the Internet.)	
IAG Upgrade (remote access)	£50,000
This is to maintain one of the secure systems that enables staff to access PCC's systems remotely)	
Co-Co work compliance	£40,000
This is essential security work to ensure that PCC maintains its ability to transact with other Government Departments)	
Total	£485,000

7.9 For further clarity the details of schemes completed this financial year have been removed from appendix B and shown in one consolidated row.

The re-phasing of some expenditure and the changes reported above result in the original estimate for 2011/12 increasing from £6,470,400 to £7,229,870. The current forecast of capital expenditure in 2011/12 is £7,221,429.

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 December 2011

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Signed 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:

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 26th January 2012

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Signed by: Cabinet Member for Resources