



Agenda item:

Decision maker: Cabinet Member for Resources Portfolio

Subject: Monitoring of the Second Quarter 2012/13 Revenue Cash Limits and Capital Programme

Date of decision: 29th November 2012

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

Wards affected: ALL

Key decision: No

Budget & policy framework decision: Yes

1. Summary

1.1 This report compares the forecast revenue outturn 2012/13 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 revised capital programme for the Resources portfolio.

3. Recommendations

3.1 The content of this report be noted.

4. Background

4.1 Cash Limit 2012/13

	£'000s
Net Requirement	29,467
Less - Capital Charges	2,409
- Net Insurance Costs	(5)
- FRS17	860
- Employee Benefit Accruals	468
Controllable Cash Limit 2012/13	<u>25,735</u>

Forecast Outturn 2012/13

	£'000s	% of Budget
Actual Net Expenditure 1 April 2012 to 30 September 2012	11,835	45.99%
Forecast Net Expenditure 1 October 2012 to 31 March 2013	<u>13,922</u>	54.10%
Total Forecast Controllable Expenditure 2012/13	25,757	100.09%
Controllable Cash Limit	<u>25,735</u>	
Forecast Variance - (Under)/Overspend	<u>22</u>	0.09%

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 2012/13 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 overspend of £21,623.

- 5.1 This sum includes a forecast overspend of £2,000 on Council Tax Benefits, a net under-recovery of income of £293,600 for Housing Benefit Rent Allowances and Rebates, a forecast under-recovery of income of £18,000 from Land Charges and a saving of £45,500 on District Audit Fees (within the Corporate Management heading). 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 overspend of £21,623 including at this stage the over and underspends within these windfall areas. If these windfall items, which represent a combined net £268,100 overspend, are excluded, the portfolio would be underspent by £246k

5.2 The main areas of variance are as follows:

- Transformation Workstream Investment – costs from the approved business cases are being incurred for each of the workstreams for which there will be an equivalent release from the MTRS reserve.
- Customer Services and Community Involvement, Empowerment and Development – staffing savings and additional income from advertising.
- Legal Services – Increased costs of Locum cover and less income than anticipated.
- Financial Services – vacancies are being held where possible to prepare for future years savings
- Internal Agency – reduced demand resulting in less income received
- AMS – staffing savings in order to help meet future years savings targets
- Spinnaker Tower – the Tower is currently forecasting an improvement in trading activity over that budgeted
- Housing Benefits Rent Rebates and Allowances – changes in circumstances have resulted in a lower than anticipated claw back of benefits paid out
- Benefits administration – savings due to vacant posts
- Land Charges – reduced income as no longer able to charge for personal searches

Item 3 – Transformation Workstream Investment - forecast overspend £323,600 (to be met in full by a transfer from the MTRS reserve)

5.3 In order to achieve the level of savings that have been identified through the transformation programme, there is a requirement to invest in technology or other short term resources such as provision of cover to free up the appropriate dedicated staff needed to undertake essential start up work. Funding for these start-up costs was agreed at City Council on 11th October 2011.

Costs are now being incurred in each of the workstream areas and an equivalent release of funding from the MTRS reserve will be requested to fund this expenditure in line with the agreed business cases.

Items 6 and 7 - Customer Services and Community Involvement, Empowerment and Development – forecast net underspend £105,300

- 5.4 It is forecast at present that Customer, Community and Democratic Services will be underspent by £105,300 due to staffing savings within the Neighbourhood Forum and City Helpdesk budgets. In addition to this, extra income has been achieved by identifying an increased number of advertising opportunities. There are however pressures within areas of the service such as the delivery of Healthwatch, Elections and the requirement of additional IT equipment that may reduce this underspend.

Item 8 – Legal Services – forecast overspend £79,300

- 5.5 Legal Services have employed a number of Locum staff to cover for vacancies, staff sickness and secondments. In addition, income is currently forecast to be lower than anticipated due to a reduced level of fees and charges for external services and a reduction in chargeable time to the Housing Revenue Account. Work is taking place with the service to determine whether this is just a phasing difference or a change in volume.

Item 9 – Financial Services – forecast underspend £50,000

- 5.6 Vacancies are being prudently held vacant wherever possible in preparation to meet savings targets in future years.

Item 11 – Internal Agency - forecast under-recovery of £72,300

- 5.7 Due to the current economic climate and the drive to make savings there has been a significant reduction in demand for agency staff which has resulted in greatly reduced income. Work is continuing to identify additional opportunities for the provision of internal agency staff, particularly with other local authorities and the NHS.

Item 13 – Asset Management Service (AMS) - forecast underspend - £100,800

- 5.8 Property and Maintenance staffing budgets are forecasting an underspend due to the proactive holding of vacant posts in order to help meet future years savings targets

Item 16 – Spinnaker Tower - forecast surplus income £100,000

- 5.9 The Tower is forecasting an improvement in trading activity for the current year which has resulted in the City Council's share of the income increasing over and above the amount originally budgeted for.

Items 20 and 21 – Housing Benefit Rent Rebates and Rent Allowances – net forecast under recovery of £293,600

- 5.10 These variances represent the difference between Housing Benefit paid out to private tenants and Council House tenants and the government subsidy received for these purposes.
At this point in the financial year the level of new debt raised to claw back benefits paid to clients whose change in circumstances has 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.
Benefits change throughout the year and as such this variance may change further as the year progresses.

Item 23 - Benefits Administration - forecast underspend £27,000

- 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.

Item 25 – Land Charges - forecast overspend £18,000

- 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 which will have to be absorbed within the portfolio.

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net overspending of £21,623 representing 0.09% 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 2011/12, new starts approved at the City Council budget meeting on 14th February 2012, 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 approved at the City Council meeting and those added since 14th February 2012 are as follows:

Scheme Name	£,000
Landlords Maintenance Capital Contingency 2012/13 (item 5)	350
Major Repairs to Corporate Property Portfolio (item 9)	520
Review of Business Software windows 7 (item 20)	1,584
HR Self Serve and I expenses (item 21)	618
IS Data Centre Chillers (item 15)	134

7.3 These new schemes have been incorporated into the latest capital monitoring statement (Appendix B) and are set out in more detail below together with details of any material changes to existing schemes.

7.4 Item 2 Landlords Maintenance – capitalised repairs

Work on the Civic Offices Electrical Distribution system cannot be completed until construction of the IS Data Centre (item 15) has been finished. Due to the phasing of these works, £42,500 has been slipped into 2013/14 to align with the estimated completion dates of the scheme.

7.5 Item 5 Landlords Maintenance – Capital Contingency

The 2012/13 Landlords Maintenance Capital Contingency sum of £350,000 was approved to fund essential works critical to maintain operational buildings or for urgent Health & Safety works. To date, this specific budget has not been called upon and has been rephased into 2013/13. If however, any urgent works are required in the current year this funding can be drawn down into 2012/13.

The remaining budget of £1,625,800 includes schemes which are anticipated to complete by the end of 2012/13 including; Southsea Castle Walls and Windows, Point Battery Walls and Gun Battery Walls. A review of the overall works programme has resulted in slippage of £354,800 into 2013/14 in respect of the Square Tower roof repair, Bowls Pavilions and the Central Library Boiler and Heating system.

7.6 Item 8 Asset Management System

The original specification for this project was to deliver an asset management system which met the business reporting needs of the service and compliance with statutory financial and legal requirements. Further development work is required on the implementation of the software purchased to enhance its interface with the Financial Reporting requirements of the statutory accounts. This has resulted in slippage of £156,900 in the overall £300,000 budget into 2013/14.

7.7 Item 9 Major Repairs to Corporate Property Portfolio

The total approved budget is £1,375,600 most of which is anticipated to be spent in the current year. The main schemes in progress or completed to date are the Norrish Library lift, repairs to the Round Tower roof and replacement of the Stamshaw and Tipner Leisure centre boiler.

New schemes funded by the 2012/13 approved budget of £520,000 (included in the above total) include; Somerstown Sure Start Centre roof, Cenotaph Walls and Paving, Central and Carnegie Library windows, Portsmouth Craft and Manufacturing Centre roof and the Civic Offices heating coils. £48,600 has been slipped into 2013/14 as a contingency against any delays in the overall programme.

7.8 Item 15 IS Data Centre

Now that the programme of works for this scheme has been agreed the budget has been rephased between 2012/13 & 2013/14 to reflect the revised expenditure profile of the works.

The Carbon Management Board has approved a scheme to upgrade the Data Centre chiller units with more energy efficient dry air coolers. This will reduce the annual energy cost of the Data Centre. This scheme is funded from the Carbon Management Reserve.

7.9 Item 16 Update of Oracle E-Business Suite (EBS) to Release 12

For operational purposes, this scheme and Item 21 HR Self Serve /iexpenses are being managed as one project.

7.10 Item 17 Transformation Programme – Customer Management

This scheme is progressing through the initial tender stages. A review of anticipated progress has resulted in slippage of £92,500 into early 2013/14.

7.11 Item 19 Libraries Photovoltaics

The scheme was completed in 2011/12 but retention and further AMS fees are estimated at £17,000. As this scheme is funded from the Carbon Management Reserve, any underspend on the final cost will be returned to the Carbon Management reserve for other carbon reduction schemes.

7.12 Item 20 – Review of Business Software (windows 7).

A new scheme approved as part of the 14th February 2012 Capital Programme with a budget of £1,800,000. The general fund allocation is £1,584,000 with the balance of £216,000 funded directly by the Housing Revenue Account. Expenditure of £513,300 has been incurred to date and the remaining work to upgrade all computers to Windows 7 will be completed in 2013/14. Slippage of £304,800 into 2013/14 has been made to reflect the revised expenditure profile.

7.13 Item 21 HR Self Serve and I Expenses

A new scheme to improve the availability and accessibility of information for managers and staff was approved by the Transformation Board in October 2011. It is anticipated that this scheme will be complete during 2013/14. The scheme is being managed as a together with item 16, Upgrade of E Business suite.

7.14 The re-phasing of expenditure and the changes reported above have resulted in the original estimate for 2012/13 decreasing from £8,204,900 to £5,924,500.

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 September 2012.

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Signed Head of Financial Services

Appendices:

- A Revenue Outturn Statement**
- B Capital Monitoring Statement**

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 29th November 2012

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Signed by: Cabinet Member for Resources