



Decision maker: Cabinet Member for Resources Portfolio

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

Date of decision: 7th March 2013

Report by: Head of Financial Services
(Written by Andrew Parry)

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	28,459
Less - Capital Charges	2,409
- Net Insurance Costs	(5)
- FRS17	860
- Employee Benefit Accruals	468
Controllable Cash Limit 2012/13	<u>24,727</u>

Forecast Outturn 2012/13

	£'000s	% of Budget
Actual Net Expenditure 1 April 2012 to 31 December 2012	18,804	76.05%
Forecast Net Expenditure 1 January 2012 to 31 March 2013	<u>5,925</u>	23.96%
Total Forecast Controllable Expenditure 2012/13	24,729	100.01%
Controllable Cash Limit	<u>24,727</u>	
Forecast Variance - (Under)/Overspend	<u>2</u>	0.01%

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 £1,900.

5.1 This sum includes a forecast overspend of £1,900 on Council Tax Benefits, a net under-recovery of income of £75,100 for Housing Benefit Rent Allowances and Rebates, a forecast under-recovery of income of £11,700 from Land Charges and a saving of £100,500 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 £1,866 including at this stage the over and underspends within these windfall areas. If these windfall items, which represent a combined net £11,800 underspend, are excluded, the portfolio would be overspent by £13,700

5.2 The main areas of variance are as follows:

- Legal Services – Increased costs of locum cover and less income than anticipated
- Internal Agency – reduced demand resulting in less income received
- 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.
- Financial Services – vacancies are being held where possible to prepare for future years savings
- AMS – under recovery of fee income from capital projects with capped fee limits
- Landlords Repairs & Maintenance – reduced level of planned and reactive maintenance
- 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
- Land Charges – reduced income as no longer able to charge for personal searches
- Corporate Management – reduction in District Audit fees and vacancies within the Strategy unit

Item 2 HR, Legal and Performance – forecast net overspend £105,600

- 5.3 Legal Services have employed a number of Locum staff to cover for vacancies, staff sickness and secondments. Income is currently forecast to be lower than anticipated due to a reduction in the volume of work for external services to date 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.

Due to the current economic climate and the drive to make savings there has been a reduction in demand for agency staff through the internal agency. This has reduced forecast income by £29,000 in the current year. Work is continuing to identify additional opportunities for the provision of internal agency staff, particularly with other local authorities and the NHS.

The forecast overspend on the service reported here is partially offset by an underspending in the Strategy service which is included in the Corporate management budget in para 5.11. Taking this into account, the net overspend on the HR, Legal and Performance service is forecast at £55,000. The Head of Service is continuing to identify remedial action to reduce this overspend.

Item 3 Transformation Workstream Investment - forecast overspend £355,300 (to be met in full by a transfer from the MTRS reserve)

- 5.4 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.

Item 6 Financial Services – forecast underspend £16,000

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

Item 8 Asset Management Design and Maintenance - forecast overspend - £220,000

- 5.6 The overall service budget is reliant upon charging a significant proportion of its time to Capital projects. However, previous management decisions led to the service capping and in some instances waiving fees for a number of capital projects. As a result where such schemes have required additional AMS work

over and above the agreed capped limit, this has not been charged and therefore remains as a cost to the service. Further work is now being carried out to identify these particular circumstances which will aim to both identify the reason for the cap being set up and the cause of the additional spend, with a view to ascertain whether there is scope to continue to make the charge and reduce the reported overspend.

Item 10 Landlords Repairs & Maintenance – forecast underspend £100,000

- 5.7 A lower level of planned and reactive maintenance is now forecast for the current year and Repairs and Maintenance activity is being reviewed further in order to achieve savings which will contribute to mitigate the effect of the Service overspend reported in Para 5.6 above.

Item 11 Spinnaker Tower - forecast surplus income £95,000

- 5.8 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 15 and 16 – Housing Benefit Rent Rebates and Rent Allowances – net forecast under recovery of £75,100

- 5.9 These variances represent the difference between Housing Benefit paid out to private and Council House tenants and the government subsidy received for this purpose.

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 compared to the original budget.

The total value of benefits paid exceeds £100m, therefore subtle variations in factors such as this can result in material change in the overall variance

Item 20 – Land Charges - forecast overspend £11,700

- 5.10 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

Item 22 – Corporate Management – forecast underspend £139,100

- 5.11 The main variances in this budget are :

- A reduction in District Audit fees of £100,000 per annum following the abolition of the Audit Commission
- One off vacancies and additional income within the Strategy team

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net overspending of £1,866 representing 0.01% of the total cash limited budget. Within this net position there are various other smaller under and overspendings as shown in Appendix A. Should the portfolio outturn remain overspent at the year end, the net overspending will be clawed back from the approved 2013/14 budget as outlined in the annual Budget report to the City Council on 12 February 2013 (para 8.3)

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 12th February 2013, 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/updated since 12th February 2013 are as follows:

Scheme Name	£,000
Landlords Maintenance 2013/14 (item 4)	1,050
Landlords Maintenance Capital Contingency (item 5)	196
Merefield Hse Relocate and Civic Access Refurbishment (item 10)	16
Dunsbury Hill Farm (item 22)	8,250
Legal Case Management Software (item 23)	96
Replace Oldest Quay Tugs MMD (item 24)	100
Purchase of Haulage Trailers MMD (item 25)	63
Voltage Reduction & Power Cleaning MMD (item 26)	130

- 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 4 Landlords Maintenance – Capitalised repairs

The Landlords Capitalised Maintenance provision has been increased by £142,900 to fund repairs to additional lifts within core 3. Funding to cover these works has been identified from under spends and the unallocated provision

within this budget and from the capital budget provision for Major Repairs to Corporate Property Portfolio.

Capital expenditure incurred on the Civic Offices Plant upgrade works includes £44,000 that had initially been considered as revenue funded from the carbon management reserve. These costs will remain in the capital budget and continue to be funded from the Carbon Reserve. Of the remaining works a forecast underspend of £43,300 has been identified and allocated to additional lift upgrade works identified above.

7.5 Item 5 Landlords Maintenance - Capital Contingency

This budget was established to fund the cost of essential works critical to maintaining operational buildings or urgent Health & Safety improvements. Additional resources of £196,000 were approved in the February 2013 budget. £134,000 has been allocated from the 2012/13 capital contingency to fund urgent works to the Civic Offices Boilers. The residual sum remains in the 2013/14 period but can be drawn down into 2012/13 if required.

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

Significant schemes include; the Norrish Library lift, Round Tower roof repairs, restoration of Cenotaph Walls and Paving, Central and Carnegie Library window replacement, Portsmouth Craft and Manufacturing Centre roof and the Civic Offices heating coils. All of the schemes within this programme are anticipated to be completed in the current year within budget.

A £99,600 reduction has been made to the overall budget to fund additional works to lifts in core 3 within the Landlords Maintenance Capital programme as noted in para 7.4 above.

This reduction has been achieved through the cancellation of works to Somerstown Sure Start Centre roof saving £30,000 and the removal of contingency provision of £69,600 to cover any delays or problems within the overall works programme.

7.8 Item 10 Merefield House Relocation and Civic Offices Customer Access Refurbishment.

An additional budget allocation of £16,400 has been included within the 2013/14 period to cover the cost of an external electrical engineering design service.

This has been funded through a revenue contribution to capital from the Landlords Maintenance revenue budget.

7.9 Item 18 IS Road Map

To facilitate a rolling programme of IT infrastructure renewal the Information Service have identified £350,000 from the IS revenue budget to transfer to the Road Map capital scheme. This resource already supported projects associated with infrastructure, its inclusion within the capital programme will improve planning across financial years and minimize the need for additional funding through future capital programmes or budget pressures.

7.10 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.

7.11 Item 22 Dunsbury Hill Farm

Approved on the 12th February 2013 as part of the 2013/14 budget, this project is an enabling scheme to assist in providing infrastructure required to unlock a key development site with the help of a development partner. The objective is to assist in delivering an access road from the A3 and develop the site as a high tech business park with quality hotel provision.

7.12 Item 23 Legal Case Management Software

The development of an online legal case management system within the Legal Services Team is estimated to achieve on going annual revenue savings of £30,000. As this is a Spend to Save scheme, the initial capital investment will be funded from the MTRS Reserve.

7.13 Item 24 Replace Oldest Quay Tugs (MMD)

MMD currently run a fleet of 21 quay tugs. Due to age, these vessels are becoming obsolete and require frequent repair. This capital grant to MMD will allow them to replace 5 of the worst effected tugs with 5 replacement second hand models. Estimated annual revenue savings of £16,900pa should be achieved. As this is a Spend to Save scheme, the initial capital investment will be funded from the MTRS Reserve

7.14 Item 25 Purchase of Haulage Trailer (MMD)

MMD currently lease 9 haulage trailers at a cost of £33,000pa. This capital grant to MMD will allow them to purchase 9 second hand units. Estimated annual savings of £16,000pa should be achieved. As this is a Spend to Save scheme, the initial capital investment will be funded from the MTRS Reserve

7.15 Item 26 Voltage Reduction & Power Cleaning (MMD)

Existing temperature control sheds used at MMD operate from a 238 volt supply. This capital grant to MMD will allow them to install three new transformers with a lower 220 volt output and improved energy efficiency. Estimated annual savings give a pay back period within four years. As this is a Spend to Save scheme, the initial capital investment will be funded from the MTRS Reserve

7.16 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 £6,185,595

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 2012.

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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 7th March 2013

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Signed by: Cabinet Member for Resources