



Decision maker: Cabinet Member for Resources Portfolio

Subject: Budget Outturn 2012/13 - Revenue Cash Limits and Capital Programme

Date of decision: 04 July 2013

Report by: Head of Financial Services

Wards affected: ALL

Key decision: No

Budget & policy framework decision: No

1. Summary

1.1 This report compares the Resources Portfolio revenue expenditure outturn for 2012/13 with its controllable cash limit for that year, and the outturn capital expenditure to the approved capital programme. It provides information to enable an understanding of the reasons for variances.

2. Purpose of report

2.1 To inform the Cabinet Member and Opposition Spokespersons of:

- The outturn revenue expenditure for the year compared with the cash limited budget.
- The outturn capital expenditure against the capital programme for the Resources portfolio.

3. Recommendations

3.1 The content of this report be noted.

4. Background

Outturn 2012/13

	£'000	% of Budget
Total Actual Controllable Expenditure 2012/13	23,918	97.8%
Controllable Cash Limit 2012/13	24,448	
Variance	<u>(530)</u>	(2.2%)

4.1 Appendices

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

4.3 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

5.1 The Resources Portfolio revised cash limit reflects changes approved during the year including transfers to and from reserves, carry forward requests and adjustments to inflation.

5.2 The outturn of £23,917,600 compared to a revised cash limit of £24,447,900 indicates a net underspend of (£530,300). This represents a variance of (2.2%) against the revised budget.

5.3 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are Council Tax Benefits, Rent Allowances, Rent Rebates, Spinnaker Tower, Land Charges, Discretionary Non Domestic Rate relief and District Audit Fees. These 'windfall' budgets represent income and expenditure which is demand led and is largely out of the control of the budget managers. Consequently any under or over spending is absorbed corporately. Excluding 'windfall' variances gives a net underspend on the Portfolio of £199,700 (0.82%). i.e.

Total Variance (under spend)	£ (530,300)
<u>Less</u>	
Council Tax Benefits	9,800
Rent Allowances and Rent Rebates	(176,300)
Spinnaker Tower	(41,000)
Land Charges	16,000
Audit Fees	<u>(139,100)</u>
Net 'controllable' (under spend)	<u>(199,700)</u>

5.4 The main areas of variance are as follows:

Miscellaneous Expenses - Under spend £23,688

5.5 The budget provision for Trade Union secondments was underspent as not all of the posts budgeted for were filled in 2012/13.

AMS Design, Maintenance and Property Services -Combined Overspend £30,121

5.6 Currently all new build design work is awarded on a fixed fee or capped charge basis. However, it is recognised that any subsequent change in the design or change from the original specification required to deliver a project can result in work that the service is unable to recover, leaving the service with a shortfall in income. This variance related to unavoidable contractor issues with one particular scheme that required a detailed redesign at the request of the client.

Landlords Repairs and Maintenance – Under spend £91,962

5.7 The milder than average winter resulted in a lower than anticipated number of reactive works being required. In addition, a number of measured term contracts were renegotiated during the year which will deliver longer term savings in the future and ensure the Repairs and Maintenance service delivers better value for money going forward.

Local Taxation - Under spend £20,912

5.8 Due to ongoing saving requirements vacant posts have been held in anticipation of future efficiency requirements. This has resulted in a modest underspend attributable to the staffing budget.

Revenue & Benefits Rent Allowances and Rebates – Under Spend £176,342

5.9 Although this variance is a windfall item as noted within paragraph 5.3 it represents the largest overall variance within the Resources portfolio, as such an explanation of the underspend is given below.

The overall budget for this service is a net credit or income of £815,600. During 2012/13 the credit achieved by the council was £991,900. £176,300 more than budgeted.

Analysis of the specific variances within this service show that overall benefit payments were less than budgeted and subsidy received was higher. Subsidy rates were higher due to a reduced level of overpayments for which full subsidy is not reclaimable. Lower overpayments resulted in less income compared to the budget for this activity but was mitigated through a reduced bad debt provision in response to these lower overpayments.

Audit Fees – Under Spend £139,056

- 5.10 During 2012/13 audit arrangements moved from the Audit Commission to Ernst and Young. The underspend represents a combination of lower overall fees and a rebate received from the Audit Commission to cover transfer arrangements.
- 5.11 The remaining variations relating to non windfall items are attributable to various differences on other budget heads that totalled a net over spend of £45,797.

6. Summary

- 6.1 The overall revenue budget outturn position on the portfolio, excluding 'windfall' items is a net underspending of £199,700 representing 0.82% of the total cash limited budget.

7. Capital Programme

- 7.1 The approved revised capital estimates and actual outturn costs for 2012/13 are summarised in Appendix B. The revised capital estimate for 2012/13 was £6,930,334, actual expenditure incurred was £5,256,116, an under spend of £1,674,218. This reduction in expenditure is mostly attributable to slippage in estimated phasing of expenditure from 2012/13 to 2013/14 and some changes in the final costs of projects compared to the approved capital estimate
- 7.2 The higher value schemes where the estimated phasing of expenditure has slipped from 2012/13 to 2013/14 are as follows:

	£
Project Management	94,500
Landlords Maintenance Capitalised Contingency	433,800
Major Repairs to Corporate Property Portfolio	400,500
Update of Oracle EBS to R12	106,200
Transformation Programme CRM	76,900
IS Road Map	220,000
Review of Business Software windows 7	342,000
Sub Total:	<u>1,673,900</u>

The main reasons for these schemes slipping into the following financial year are as follows:

Project Management (item 3) – slippage £94,500.

- 7.3 This item was included in the capital programme approved in February 2012. It represents a general provision to address any project management shortfall in resources which could inhibit major project delivery particularly those that support the transformation agenda. All allocations from this budget are subject to approval through the Strategic Directors Board. During 2012/13 no such additional resource was required.

Landlords Maintenance Capital Contingency (item 5) –slippage £433,800

- 7.4 Landlords Maintenance Capital Contingency (item 5). This budget was established to fund the cost of essential works critical to maintaining operational buildings or urgent Health and Safety improvements.

Three major schemes described in more detail below account for the majority of the £433,800 slippage into 2013/14.

Work to replace Civic Offices lifts 3 and 4 within core 2 incurred limited expenditure in 2012/13 despite significant parts of the project being underway, resulting in slippage of £184,400 into 2013/14. Due to contractual arrangements payment was delayed until May and June of the following financial year during which a majority of these works were completed and payment made to relevant contractors.

Replacement of the Civic Offices Boiler incurred slippage of £127,600 into 2013/14. The Civic Offices has three separate boilers but by Dec 2012 only one remained operational. Amid concerns that this equipment was failing approval was given for its replacement. During the design and specification stage it became apparent that a cheaper and more reliable long term solution was to maintain the existing equipment into 2013/14 and then replace with three new boilers. These boilers will also deliver improved reliability and energy efficiency.

Repairs to the Square Tower roof incurred slippage of £99,500 into 2013/14. An overall budget of £172,500 is available for these works. Due to the final tender sum being significantly under budget approval was given to extend the project to include improvements to parapets. This impacted adversely on the original timetable of works and has resulted in a greater proportion of expenditure forecast to be incurred in 2013/14.

Major Repairs to Corporate Property Portfolio (item 11) – slippage £400,500

- 7.5 Schemes within this budget are identified based on priority of need with a degree of re prioritisation in year to accommodate unforeseen requirements. Major schemes which comprise the slippage are described below.

Works to the Carnegie Library roof windows and doors incurred slippage of £81,700 into 2013/14. Despite being approved for inclusion within 2012/13 priorities within the property services team were focused onto other schemes many of which reached completion in 2012/13. These included the Round Tower roof repairs, Cenotaph paving and the Central library windows. Similarly a reprioritisation of staff time to other schemes delayed the Civic Offices heating coils replacement resulting in slippage of £56,300 into 2012/13. This scheme was completed in May 2013 within budget.

A reprioritisation of work has also resulted in slippage of £81,700 on the roofing works at the Portsmouth Craft and Manufacturing Centre.

Works to replace Flanking Battery Casemates, and repair the Round Tower Roof incurred a combined slippage of £82,700. These schemes comprise two out of four projects managed as one scheme to upgrade the Round Tower and surrounding historic fortifications in old Portsmouth. The other two projects are Point Battery and Gun Battery Walls within the Landlords Maintenance Capital Contingency budget. All works were completed in 2012/13. The combined variance on all four projects is an underspend of £16,000, which is split between an overspend in Landlords maintenance and an underspend or slippage in Major Repairs to Corporate property portfolio.

Update of Oracle E-Business Suite to Release 12 (item18) – slippage £106,300

- 7.6 The initial timetable for this project included a completion date of mid 2012/13. During the testing stage of this system a number of anomalies were identified within the test environment. Although these could be resolved by the project contractors in conjunction with the Oracle support team it extended the implementation timescale towards financial year end.

Since this upgrade would represent a major change to the councils financial system it was agreed to postpone implementation until after financial year end processes were completed in April and May 2013, thereby ensuring the council could comply with its statutory financial reporting requirements

Transformation Programme Customer Management (item 19) – Slippage £76,900

- 7.7 Although the main system specification and software development work is complete contractual arrangements mean that payment is made in a staged

approach as the full functionality is made available. Consequently the major expenditure on this project will occur in 2013/14.

IS Road Map (item 20) – Slippage £220,000

- 7.8 This scheme is a five to ten year rolling programme of hardware replacement to ensure a secure infrastructure for the Council to continue its business into the future. The budgeted phasing of this expenditure has been delayed in 2012/13 pending completion of the IS data centre. The centre was completed at the end of 2012/13 and this will allow a more accurate profiling of budget requirements to be made in future years. Overall the project is on budget.

Review of Business Software Windows 7 (item 22) – Slippage £342,000

- 7.9 This is a rolling programme of upgrade work across all council machines using windows software. It was always intended that this work would be completed over a two year period and Information Services are on target to complete all works by the end of 2013/14 within budget. Since each upgrade requires an assessment of specific service requirements it is difficult to estimate the exact profile of expenditure across financial years at the start of the project.

- 7.10 Schemes that have incurred expenditure earlier than forecast against their approved budget in 2012/13 are as follows:

	£
Merefield House Relocation	168,600
IS Data Centre	154,300
Sub Total:	<u>322,900</u>

This expenditure was financed in 2012/13 from the resources approved for these schemes in future years. No overspend is currently anticipated for these projects.

- 7.11 A number of other schemes have completed during the financial year resulting in an under spend of £30,700. These savings will either return to corporate resources or the specific reserve that they were financed from.

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 final position on the revenue and capital budgets for the Resources portfolio as at 31st March 2013.

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Signed for: 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 04th July 2013.

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Signed by: Cabinet Member for Resources