



Decision maker: Cabinet Member for Resources Portfolio

Subject: Monitoring of the First Quarter 2013/14 Revenue Cash Limits and Capital Programme

Date of decision: 3rd October 2013

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

Wards affected: ALL

Key decision: No

Budget & policy framework decision: No

1. Summary

- 1.1 This report compares the forecast revenue outturn 2013/14 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 mitigate 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 2013/14

	£'000s
Net Requirement	27,599
Less - Capital Charges	2,409
- Net Insurance Costs	(53)
- FRS17	860
- Employee Benefit Accruals	468
Controllable Cash Limit 2013/14	<u>23,915</u>

Forecast Outturn 2013/14

	£'000s	% of Budget
Actual Net Expenditure 1 Apr 2013 to 30 Jun 2013	6,424	26.86%
Forecast Net Expenditure 1 Jul 2013 to 31 Mar 2014	17,533	73.31%
Total Forecast Controllable Expenditure 2013/14	<u>23,957</u>	100.0%
Controllable Cash Limit	23,915	
Forecast Variance - (Under)/Overspend	<u>42</u>	0.18%

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 2013/14 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 £42,500.

- 5.1 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are, Rent Allowances, Rent Rebates, Land Charges, Discretionary Non Domestic Rate relief and District Audit Fees. These 'windfall' budgets represent income and expenditure which is demand led and largely out of the control of budget managers. Consequently

any under or over spending is absorbed corporately. Excluding 'windfall' variances gives a net overspend on the Portfolio of £21,900, i.e. 0.18%.

	£
Total Variance (over spend)	42,500
<u>Less</u>	
Rent Allowances and Rent Rebates	0
Spinnaker Tower	0
Land Charges	21,100
Audit Fees	(500)
<u>Net 'controllable' (under spend)</u>	<u>21,900</u>

5.2 The main areas of variance are as follows:

Item 2 HR, Legal and Performance – forecast overspend £110,152

5.3 At this stage of the year, Legal Services income is currently forecast to be lower than anticipated due, in part, to a shift towards corporately based enabling initiatives as opposed to income generating work from outside of the general fund such as through the Housing Revenue Account. Although this suggests an overspend in the short term, as work is undertaken on the displaced projects forecast income levels should improve in the future.
The service has also required additional locum cover for vacancies, staff sickness and secondments.

A full service review to increase efficiency, generate savings and thereby reduce the budget shortfall is currently in progress. Within legal services this process is complete and appointments underway thereby removing the need for locum staff within the service.

Item 17 Local Taxation – forecast under spend £36,307

5.4 Due to ongoing saving requirements vacant posts will where operationally possible be held in anticipation of future efficiency requirements. This has resulted in a forecast under spend attributable to the staffing budget.

Item 19 Benefits Administration – forecast under spend £76,841

5.5 Due to ongoing saving requirements vacant posts will where operationally possible be held in anticipation of future efficiency requirements. This has resulted in a forecast under spend attributable to the staffing budget.

Item 21 Land Charges – forecast overspend £21,100

- 5.6 Local Authorities are no longer able to charge for personal searches through the Local Land Charges register. Prior to 2011/12 authorities received a specific grant to offset any loss of income as a result of this change. Since the withdrawal of funding the service has incurred an overspend, which has been considered an adverse windfall item within the Portfolio. This could be absorbed within the overall Portfolio should its financial position improve.

Item 22 Democratic Representation & Management - forecast overspend - £24,506

- 5.7 This budget heading comprises Twinning, Committee Meetings, Members Expenses, Members Support, Democratic Services, Monitoring Officer and Corporate Subscription Services.

An over spend of £16,300 is forecast against Members Expenses. Members qualify for only one responsibility payment even if multiple positions are held by an individual. During 2013/14 one additional regulatory chair and one additional opposition group spokesperson allowance has become payable since these posts are held by Members not already in receipt of allowance payments. In previous years variances in this area have been managed through under spends within other service areas. Work to identify similar action will be undertaken in 2013/14.

Currently legal costs associated with a village green application have been allocated to the Monitoring Officer function, resulting in a forecast overspend of £10,200. Approval is being sought to fund this cost by a release from contingency.

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net overspending of £42,500 representing 0.18% of the total cash limited budget. Within this net position there are various other less significant 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 new starts approved at the City Council budget meeting on 12th February 2013, slippage in scheme expenditure from 2012/13, 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/updated since approval of the programme on 12th February 2013 are as follows:

Scheme Name	£,000
Landlords Maintenance Capitalised repairs (item 2) (increase)	129
Guildhall Capital Works (item 7)	745
Major Repairs to Corporate Property Portfolio (item 10) (increase)	59
Merefield House Relocation & Civic Access Refurbishment (item 11) (increase)	16
Revenue and Benefits Software (item 21)	75

- 7.3 The new schemes and increases in 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

Currently all the 2013/14 budget is allocated to either the Civic Offices Plant upgrade or Electrical Distribution Board replacement.

As part of works to upgrade the Civic Offices plant, problems were identified with heat and air distribution through existing ductwork. A revenue contribution to capital from the Landlords Maintenance budget of £35,000 has been approved to redirect ductwork and replace sticking dampers. Resources have been further increased through a transfer of £44,000 from the carbon management reserve in respect of expenditure initially classified as revenue but now included within the capital scheme.

During the electricity shutdown in February 2013 associated with the IS data centre works it became apparent that existing electrical distribution boards required replacement. A revenue contribution to capital from the Landlords Maintenance budget of £50,000 has been approved to replace this potentially unsafe equipment.

7.5 Item 7 Guildhall Capital Works

During 2012/13 significant works were undertaken on the Guildhall. This included new water storage tanks, refurbished toilets, new theatre lighting, repairs to entrance steps, boiler replacement, increased security and window maintenance. These costs were included within the approved 2012/13 General Fund revenue budget. However since the nature of work both extends the life and enhances the use of the Guildhall the expenditure has been treated as capital funded via a revenue contribution to capital of £744,800.

7.6 Item 10 Major Repairs to Corporate Property Portfolio

Significant schemes include; Repairs to the Carnegie Library windows, roof and doors, replacement of the Portsmouth Craft and Manufacturing Centre roof, new Civic Offices heating coils, works to Victoria Pier, remedial works on the Square Tower parapets and waterproofing in the Yellow Kite cafe. All of the schemes within this programme are anticipated to be completed in the current year within budget.

A sum of £99,600 has been transferred from this budget to fund additional works to lifts in core 3 within the Landlords Maintenance Capital Contingency programme. This reduction has been achieved through the removal of contingency provision to cover any delays or problems within the overall works programme.

The Yellow Kite Cafe trades in part of Southsea Castle through a lease arrangement with the council. It is a condition of the lease that the council retains liability for the external structure. During winter months water has penetrated the walls and run over electrical fittings, creating both an operation and safety concern within the cafe. A revenue contribution to capital from the Landlords Maintenance budget of £45,000 has been approved for waterproofing works.

In September 2012 approval was given for repairs to Victoria Pier. During remedial works the level of corrosion was greater than initial survey work suggested. A revenue contribution to capital from the Landlords Maintenance budget of £14,000 has been approved to for replacement handrails, balustrades and lead paint removal.

7.7 Item 11 Merefield House Relocation and Civic Offices Customer Access Refurbishment.

An additional budget allocation of £16,400 has been included 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.

7.8 Item 21 Revenue and Benefits EDMS replacement / Comino upgrade.

Revenue and Benefits utilise an Electronic Documents Management System provided by Comino. It is a vital tool enabling the efficient tracking and recording of thousands of documents associated with benefits claims. Upgrade works are required in order to maintain software support arrangements and replace obsolete hardware. An approved revenue carry forward of £75,000 from the 2012/13 financial year has been utilised as a contribution to capital to fund this scheme.

7.9 The re-phasing of expenditure and the changes reported above have resulted in the original estimate for 2013/14 decreasing from £7,769,911 to £5,567,124.

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 represents the forecast outturn position on the Resources portfolio's approved revenue and capital budgets as at the end of June 2013.

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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 3rd October 2013

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Signed by: Cabinet Member for Resources