



Agenda item:

Decision maker: Cabinet Member for Resources Portfolio

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

Date of decision: 6th March 2014

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. It also sets out the principles to be applied for the future use of this portfolios underspends transferred to the earmarked Reserve.

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.

3.2 That the principles outlined in Appendix c , paras 3.1-7 regarding the future use of this portfolios underspends be approved

4. Background

4.1 Cash Limit 2013/14

	£'000s
Net Requirement	27,809
Less - Capital Charges	2,785
- Net Insurance Costs	(53)
- FRS17	860
- Employee Benefit Accruals	468
Controllable Cash Limit 2013/14	<u>23,749</u>

Forecast Outturn 2013/14

	£'000s	% of Budget
Actual Net Expenditure 1 Apr 2013 to 31 Dec 2013	17,889	75.33%
Forecast Net Expenditure 1 Jan 2013 to 31 Mar 2014	5,506	23.18%
Total Forecast Controllable Expenditure 2013/14	<u>23,395</u>	98.51%
Controllable Cash Limit	23,749	
Forecast Variance - (Under)/Overspend	<u>(354)</u>	1.49%

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.

4.5 Principles for future use of this portfolio's underspends are set out in Appendix C

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 £353,800.

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 underspend on the Portfolio of £337,000 i.e. 1.42%.

Total Variance (under spend)	£ (353,800)
<u>Less</u>	
Rent Allowances and Rent Rebates	(19,200)
Land Charges	2,900
Audit Fees	(500)
<u>Net 'controllable' (under spend)</u>	<u>(337,000)</u>

5.2 The main areas of variance are as follows:

5.3 Item 1 Miscellaneous Expenses - forecast under spend £40,223

This budget heading includes the following items of expenditure which have contributed to the forecast underspend position:

- The profile of Trade Union secondments in terms of staff time and cost is lower than the maximum allowable within the overall budget.
- The City Council's subscription to PUSH has reduced.
- There has been limited call on the budget set aside for feasibility works for this portfolio in the current year.

Item 2 HR, Legal and Performance – forecast overspend £39,400

5.4 Legal Services income is forecast to be lower than anticipated due to a shift in resource towards the provision of corporate project feasibility work rather than income generating work from outside of the general fund. Although this suggests an overspend in the short term, as work is undertaken on the displaced projects forecast income levels may improve in the future.

5.5 The forecast overspend reported here is largely offset by underspendings in other areas under the control of the Head of HR, Legal & Performance but reported elsewhere in the portfolio (Strategy underspend £14,300 & Trade Union secondments £18,100) The overall forecast overspend for the Service is therefore £7,000.

A full service review to increase efficiency, generate savings and thereby reduce the budget shortfall is in progress but the full impact will not materialise until 2014/15. Current remedial action has frozen any non-urgent expenditure to the end of the year.

Item 6 Financial Services - forecast underspend £86,500

5.6 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.

5.7 Item 7 Information Services - forecast underspend £50,000

Information Services has experienced a high number of staff vacancies throughout 2013/14. A recruitment campaign to replace key staff is proving successful but the service has decided to retain a proportion of the accrued staff saving to support other cost pressures within the portfolio.

5.8 Item 8 AMS Design & Maintenance - forecast underspend £41,800

Allowance was made in the 2013/14 budget for the purchase of a new despatch van. Due to pending legislation changes introducing free school meals for all infant schools the purchase has been delayed to allow a review of how this may affect future vehicle requirements. Further savings have accrued within the service due to the holding of vacant post in order to meet future years saving targets.

5.9 Item 9 Property Services - forecast under spend £22,400

Difficulties associated with the recruitment of staff to review the Investment Property portfolio has resulted in a forecast underspend in the 2013/14 year. An appointment has now been made but the saving accrued to date will remain for the year.

5.10 Item 18 Local Welfare Assistance Scheme - forecast under spend £42,400

The Local Welfare Assistance Scheme replaced the Social Fund abolished as part of the government's Welfare Reform policy. The Scheme is a limited fund used to support those in greatest need with the funding of emergencies and exceptional expenses. The current forecast underspend has reduced since the last report reflecting the claimant rate to date. However given that the number and value of claims is subject to significant variation this position is kept under detailed review.

Item 19 Benefits Administration – forecast under spend £87,100

5.11 Due to on-going saving requirements vacant posts will, where operationally possible, be held in anticipation of future efficiency requirements. This has resulted in a forecast under spend in the staffing budget.

Item 20 Discretionary Non-Domestic Rate Relief - forecast underspend £56,200

- 5.12 Due to new non domestic rate regulations any award for discretionary relief is split 50:50 between the council and the government. Previous rules required the council to meet 75% of these cost.

6. Summary

- 6.1 The overall forecast outturn position on the portfolio is a net underspend of £353,800 representing 1.49% of the total cash limited budget. Within this net position there are various other less significant under and overspendings as shown in Appendix A.
- 6.2 The Quarter 2 monitoring report noted the update to Budget guidelines and Financial Rules which enable portfolios to retain in-year underspending in a Portfolio specific earmarked reserve to be used initially to cover; year end overspendings, budget pressures, contingent items and spend to save schemes. Once these instances have been satisfied, the reserve may be used for other developments or initiatives. The portfolio holder is responsible for approving any releases from their earmarked reserve in consultation with the Head of Finance & S151 Officer. A sum of £196,000 has been transferred to the portfolio earmarked reserve as part of the annual Budget approved by City Council on 11 February 2014. Should the current portfolio forecast outturn remain underspent at the year end, this balance will also be transferred to the Portfolio earmarked reserve.
- 6.3 The principles for the future treatment of this Portfolio's underspends and Earmarked Reserve are set out in Appendix C

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 11th November 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 added since 11th November 2013 are as follows:

Scheme Name	£,000
Landlords Maintenance (item 5)	53
Civic Duct Work Cleaning (item 31)	30

- 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 5 Landlords Maintenance

Landlords Maintenance comprises a number of schemes critical to maintaining operational buildings. A major component of the 2013/14 budget is the replacement of the Civic offices chiller units. Further to a recent inspection by the Health and Safety Executive it was decided to install a dry system as opposed to wet since this reduces the risk of legionella developing within the system. A revenue contribution from the Landlord Maintenance revenue budget of £53,000 has been made to fund this aspect of the works. Further contributions of £123,000 have been made from underspends within the Major repairs to Corporate Property Portfolio (item 9) budget, bringing the total resource of this scheme to £728,000.

7.5 Item 9 Major repairs to Corporate Property Portfolio.

This budget comprises a number of miscellaneous repairs to Portsmouth City Council properties. Significant schemes in the 2013/14 budget include Cumberland House structural repairs, Victoria Pier works, Flanking Battery casemates and the Square Tower parapets. Underspends of £123,000 in respect of the Carnegie Library roof, PCMI roof and the Cenotaph walls have been transferred to Landlords Maintenance (item 5) to bolster the Civic Offices chiller unit replacement project. A contribution from the carbon management reserve of £65,000 has been used to fund works on the Norrish Library water distribution system.

7.6 Item 31 Civic Duct Work Cleaning.

Duct work within the Civic Offices has not been cleaned since construction of the building. A build-up of dirt has affected the performance of the buildings ventilation system through clogging mechanisms and heat exchangers.

A further contribution of £30,000 from the Landlords Maintenance revenue budget has been made to fund a survey and pilot clean. The results of this work will improve the overall project delivery and effectiveness.

7.7 The re-phasing of expenditure and the changes reported above have resulted in the revised estimate for 2013/14 decreasing from £5,225,911 to £5,174,674.

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 December 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 6th March 2013

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Signed by: Cabinet Member for Resources