



Agenda item:

**Decision maker:** Cabinet Member for Resources Portfolio

**Subject:** Monitoring of the Second Quarter 2014/15 Revenue Cash Limits and Capital Programme

**Date of decision:** 4th December 2014

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

**Wards affected:** ALL

**Key decision:** No

**Budget & policy framework decision:** No

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## 1. Introduction

- 1.1 This report compares the forecast revenue outturn 2014/15 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 reason 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 2014/15

	<b>£000's</b>
Net Requirement	26,697
Less;	
Capital Charges	(2,786)
Net Insurance Costs	(36)
FRS17	(859)
Employee Benefit Accruals	(468)
<b>Controllable Cash Limit 2014/15</b>	<b><u>22,548</u></b>

##### Forecast Outturn 2014/15

	<b>£000's</b>	<b>% of Budget</b>
Actual Net Expenditure 1 Apr 2014 to 30 Sep 2014	10,602	47.02%
Forecast Net Expenditure 1 Oct 2014 to 31 Mar 2015	11,871	52.65%
Total Forecast Controllable Expenditure 2014/15	<u>22,473</u>	99.67%
Controllable Cash Limit	22,548	
<b>Forecast Variance - (Under)/Overspend</b>	<b><u>(76)</u></b>	<b>0.33%</b>

##### 4.2 Appendices

4.3 Analysis of this portfolio's variations from the revenue cash limit is attached at Appendix A.

4.4 Analysis of the portfolio's capital expenditure for 2014/15 is attached at Appendix B.

#### 5. Revenue Expenditure

(Please read in conjunction with the attached Appendix A)

5.1 The provisional forecast outturn for the portfolio compared to the cash limit indicates a net underspend of £75,500

5.2 Within the portfolio there are services whose budgets are deemed 'windfall' budgets by the City Council. These services are, Rent Allowances, Rent Rebates, Discretionary Non-Domestic Rate relief, Land Charges and District Audit Fees (within Corporate Management). These 'windfall' budgets represent income and expenditure which is demand led and largely out of the control of budget managers. Consequently any under or overspending is absorbed

corporately. Excluding 'windfall' variances gives a net underspend on the portfolio of £175,500 i.e. 0.78%.

	<b>£'s</b>
Total Variance (underspend)	(75,500)
Excluding;	
Rent Allowances and Rent Rebates	117,400
Discretionary Non Domestic Rate Relief	0
Land Charges	(18,100)
Audit Fees	700
<b>Net 'controllable' (underspend)</b>	<b><u>(175,500)</u></b>

5.3 Item 2 HR, Legal and Performance - forecast underspend £28,600

The service has, where operationally possible, adopted a policy of holding posts vacant pending completion of significant restructuring. Consequently an under spend is forecast to accrue throughout 2014/15.

When fully implemented the new structure will achieve approved budget savings over the medium term without reliance on vacant positions.

5.4 Item 6 Financial Services - forecast underspend £52,900

Vacant posts have been held, where operationally possible, in anticipation of future efficiency requirements.

5.5 Item 9 Property Services - forecast overspend £165,000

5.6

The overspend is split into two elements. Of the £165,000, £100,000 was initially a recommended 2014/15 budget saving. This saving was based on the AMS Property Service creating Business Partners with other PCC Services' Property Departments, providing a more efficient service and creating a reduction in staff. However, following the splitting of AMS, this saving can no longer be achieved. The further overspend of £65,000 relates to the balance of the funding agreed for a 1 year project to review the property portfolio. This funding has spanned financial years and is currently held within the Resources Portfolio Reserve, but is anticipated be transferred into the budget by the end of this quarter.

5.7 Item 11 Spinnaker Tower - forecast underspend £50,000

An improvement in the Tower's trading activity is expected to generate additional income for the Council through its profit sharing arrangement with Heritage Projects.

5.8 Item 17 Local Welfare Assistance Scheme - forecast underspend £49,900

The Local Welfare Assistance Scheme replaced the Social Fund which was abolished as part of the government's Welfare Reform policy. The Scheme is a limited fund administered through a third party to support those in greatest need with the funding of emergencies and exceptional expenses.

Forecast expenditure has been based on the 2013/14 financial year which has to date been consistent with 2014/15.

5.9 Item 18 Benefits Administration – forecast underspend £34,500

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 underspend in the staffing budget.

5.10 Item 20 Land Charges - forecast underspend £18,100

Increased search volumes driven by an increase in housing market activity has led to higher than anticipated income.

5.10 Item 22 Corporate Management - forecast underspend £42,700

A vacant post is being held during the current year pending approval as a formal saving in 2015/16 and a secondment within the service has been made at a lower band than the current post holder. The combined effect is an underspend within the services overall staffing budget.

## 6. **Summary**

6.1 The overall forecast outturn position on the portfolio is a net underspend of £75,500 representing 0.33% 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 At the end of 2013/14 financial year the sum of £666,600 was transferred to the portfolio specific earmarked reserve to be used initially to cover future 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.

6.3 To date, there has been one in year contribution of £90,000 to the reserve from a predicted underspend in the Local Welfare Assistance scheme to provide match funding to the 'Fresh Start' lottery bid for this activity in 2015/16. This was approved at the meeting of this portfolio in July 2014.

- 6.4 There have been approvals totalling £379,900 against this reserve. These are detailed below:

	£'s
Policy hub upgrade	4,000
HR system developments	30,000
Review of Property portfolio assets	65,000
Contribution to fund two ex-apprentices	37,900
Continuation of funding for two ex apprentices into 2015/16	40,000
Telephony resilience	50,000
Initial funding for Market Research post 2015/16 (up to maximum)	43,000
Procure to Pay review	20,000
Local Welfare Assistance Scheme -lottery bid	90,000

After taking these into account, the balance remaining on the portfolio reserve is £376,700.

## 7. Capital Programme

(Please read in conjunction with the attached Appendix B)

- 7.1 The capital programme has been updated to reflect the impact of new schemes, further approved amendments, re-phasing of expenditure and the removal of completed schemes.

7.2	<b><u>Forecast Outturn 2014/15</u></b>	<b>£000's</b>	<b>£000's</b>
	Total Revised Budget 2014/15		10,210
	Actual Net Expenditure 1 Apr 2014 to 30 June 2014	1,994	
	Forecast Net Expenditure 1 Jul 2014 to 31 Mar 2015	<u>8,082</u>	
	Total Forecast Expenditure 2014/15		10,076
	<b>Forecast Variance - (Under) / Overspend</b>		<u><u>(134)</u></u>

- 7.3 Additions since the start of 2014/15 year:

<b>Scheme Name</b>	<b>£000's</b>
IS Data Centre Phase 2 (item 12)	120
Super Connected Cities (item 27)	2,287
Guildhall Capital Works - operational area (item 28)	80
LGA Bonds Agency (item 29)	150

- 7.4 The provisional 2014/15 forecast outturn for the portfolio compared to the revised budget is a net underspend of £133,800.

Schemes which have materially altered the capital programme since the last quarterly report are described in more detail below.

- 7.5 Items 8 and 9 Merefield House and Dame Judith Relocation - forecast underspend £85,000

After allowing for retention costs and final finishing works it is estimated that the schemes will have a combined forecast underspend of £85,000. Both projects reached a stage of practical completion in late 2013/14, they involved the relocation of staff and services, disposal of vacant premises and refurbishment of the customer access area within the Civic Offices.

- 7.6 Item 12 IS Data Centre Phase 2 - additional approval £120,000

A further contribution from the Information Service revenue budget of £120,000 has been made to the original budget of £150,000. The scheme comprises two main elements, the re-modelling of accommodation space and the construction of a dedicated server room for the Brunel wing. The original budget was only sufficient to cover basic accommodation and preliminary works.

An additional server room is necessary to comply with security accreditation requirements of central government. These prevent the Council from providing IT facilities to Non-Public Service Network compliant organisations from existing data centre infrastructure. Therefore to facilitate commercial letting of the Brunel wing separate data centre provision is required.

Existing accommodation space is being re-modelled to provide both an improved working environment and infrastructure to facilitate the main server room construction.

- 7.7 Item 18 Guildhall Capital works - 13/14 amendment £800,000

Significant capital works were undertaken in the 2013/14 financial year and are scheduled to continue into 2014/15. This expenditure was initially accounted for within the general fund revenue budget, but due to the nature of works it was defined as capital during the year end accounting process. It is funded through contributions of £400,000 from the Guildhall maintenance reserve and £400,000 from the landlords maintenance revenue budget.

Works include;

- Electrical and lighting improvements
- Refurbishment of changing rooms
- Window replacements
- Roof replacements
- Boiler replacements
- Mechanical works.

All improvements are timetabled to complete in 2014/15 with final retention payments due in 2015/16.

7.8 Item 25 Replacement Emergency Generator - transfer £45,000

Following completion of the projects tendering stage estimated costs have increased to £190,000 from the original estimate of £145,000. A transfer of residual budget from the recently completed Civic Office Ducting (item 26) will be used to make up this shortfall.

7.9 Item 27 Super Connected Cities - additional approval £2,287,000

Portsmouth City Council has secured grant funding of up to £3.876m from central government to enhance internet access within the city. The project has two strands, the provision of WiFi in council owned public buildings and a voucher scheme to enable small and medium size enterprises to access superfast broadband.

Current grant conditions allow all expenditure incurred to 31<sup>st</sup> March 2015 to be met from grant funding. This is in line with the expected project completion date.

7.10 Item 28 Guildhall Capital Works - operational areas - new scheme £80,000

Responsibility for the internal space within the Guildhall was transferred to Portsmouth Cultural Trust through a lease agreement in 2011. The Council retained responsibility for the overall structure and some internal areas including the Council Chamber, Executive Meeting room, Lords Mayors Suite and Coroner's office.

The Trust is developing plans for a significant investment to improve the overall visitor experience. Due to the nature of these works it provides an opportunity to develop the Council controlled areas alongside the Trust's improvements.

These improvements are to be funded via an £80,000 revenue contribution to capital from the Planning Regeneration and Economic Development revenue budget.

7.11 Item 29 LGA Bonds Agency Equity Holding Account - new scheme £150,000

Currently 97% of the City Council's borrowing is undertaken through the Public Works Loan Board (PWLB). Rates offered are driven by gilts which follow government borrowing plus a margin to cover risk.

The Local Government Association (LGA) has proposed establishing a bonds agency to sell bonds within capital markets. These will be tradable debt instruments, whereby investors will lend to the agency in exchange for bonds. Funds raised will then be lent onto local authorities. Increased competition between the PWLB and the bonds agency should then reduce the cost of local authority borrowing.

To support the establishment of this organisation the council has subscribed for £150,000 of shares in the Local Capital Finance Company Limited which will operate the bonds agency. This was approved at the Cabinet meeting of 25 September 2014.

- 7.12 Completed schemes have incurred a cumulative underspend of £48,800. This comprises a £38,100 underspend on the Central Library photovoltaic scheme funded from the carbon management reserve and several smaller underspends on projects financed through corporate reserves. All underspends will be returned to their respective funding sources.

## **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 September 2014.

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Signed by: 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:

<b>Title of document</b>	<b>Location</b>
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 4th Dec 2014

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Signed by: Cabinet Member for Resources



