

**Corporate Overview and Scrutiny
Management Board**

13 September 2019



**Resources – Quarter 1 June 2019:
Forecast of Revenue and Capital
Outturn 2019/20**

Ordinary Decision

Report of John Hewitt, Corporate Director Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the forecast outturn budget position for the Resources service grouping, highlighting major variances in comparison with the budget based on the position to the end of June 2019.

Executive summary

- 2 The updated position shows that the service is forecasting a cash limit variance (underspend) of £0.465 million against a revised budget of £19.433 million.
- 3 The revised Resources capital budget is £10.112 million with a total expenditure to 30 June 2019 of £0.636 million (6%). The profiled budget for this period is £0.269 million, therefore spend is above profiled / expected spend in the year to date.

Recommendation

- 4 Corporate Overview and Scrutiny Management Board is recommended to note the forecast of outturn position.

Background

5 County Council approved the Revenue and Capital budgets for 2019/20 at its meeting on 20 February 2019. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major accounts maintained by the Resources service grouping:

- *Revenue Budget - £19.433 million (original £21.268 million)*
- *Capital Programme - £10.112 million (original £10.787 million)*

6 The original Resources General Fund budget has been revised in year to incorporate a number of budget adjustments as follows:

| | <u>£000s</u> |
|---|--------------|
| • Transfer to TAP – Business Support review | 1,835 |

The revised General Fund Budget for Resources is £19.433 million.

7 The summary financial statements contained in the report cover the financial year 2019/20 and show:

- The approved annual budget;
- The actual income and expenditure as recorded in the council's financial management system;
- The variance between the annual budget and the forecast outturn;
- For the Resources revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

8 The service is reporting a cash limit variance (underspend) of £0.465 million against a revised budget of £19.433 million.

9 The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Type of Expenditure (Subjective Analysis) (£000's)

| | 2019/20 Budget | YTD Actual | Forecast of outturn | Variance (under) / over spend | Total Items Outside Cash Limit | Cash Limit Variance |
|-----------------------------------|-------------------|---------------|------------------------|--|--|---------------------------|
| Employees | 44,025 | 10,849 | 44,570 | 545 | (184) | 361 |
| Premises | 5,127 | 61 | 5,116 | (11) | - | (11) |
| Transport | 624 | 133 | 602 | (22) | (1) | (23) |
| Supplies and Services | 15,618 | 4,554 | 15,315 | (303) | (317) | (620) |
| Third Party Payments | 48 | 12 | 48 | - | - | - |
| Central Support and Capital | 7,529 | 10 | 7,554 | 25 | - | 25 |
| Gross Expenditure | 72,971 | 15,619 | 73,205 | 234 | (502) | (268) |
| Income | (53,538) | (11,378) | (54,068) | (530) | 333 | (197) |
| Net Expenditure | 19,433 | 4,241 | 19,137 | (296) | (169) | (465) |
| HB Transfer payments | 130,050 | 34,578 | 130,257 | 207 | (207) | - |
| HB Central Support and Capital | 400 | - | 400 | - | - | - |
| HB Income | (130,450) | (963) | (130,450) | - | - | - |
| HB Net Expenditure | 0 | 33,615 | 207 | 207 | (207) | - |
| Total Net Expenditure | 19,433 | 37,856 | 19,344 | (89) | (376) | (465) |

By Head of Service (£000's)

| | 2019/20 Budget | YTD Actual | Forecast of outturn | Variance (under) / over spend | Total Items Outside Cash Limit | Cash Limit Variance |
|---|-------------------|---------------|---------------------------|--|--|---------------------------|
| Central Establishment Recharges | (20,740) | - | (20,740) | - | - | - |
| Corporate Finance & Commercial Services | 3,630 | 1,196 | 3,537 | (93) | (4) | (97) |
| Financial & Transactional Services | 10,208 | 37 | 9,778 | (430) | 289 | (141) |
| Digital & Customer Services | 17,112 | 1,202 | 16,955 | (157) | (140) | (297) |
| Internal Audit and Insurance | 1,087 | 242 | 1,098 | 11 | (4) | 7 |
| Legal & Democratic Services | 7,204 | 1,369 | 7,243 | 39 | 11 | 50 |
| Service Management / Central Charges | (659) | 58 | (600) | 59 | (59) | - |
| People & Talent Management | 1,591 | 137 | 1,866 | 275 | (262) | 13 |
| Net Expenditure Excluding HB | 19,433 | 4,241 | 19,137 | (296) | (169) | (465) |
| Housing Benefit | 0 | 33,615 | 207 | 207 | (207) | 0 |
| Net Expenditure | 19,433 | 37,856 | 19,344 | (89) | (376) | (465) |

- 10 The table below provides a brief commentary on the variances against the revised budget analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

| Head of Service | Service Area | Description | Year End (under) / overbudget £000s | Year End (under) / overbudget £000s |
|---|---------------------------------|--|-------------------------------------|-------------------------------------|
| Central Establishment Recharges | Central Establishment Recharges | No material variance | 0 | 0 |
| Corporate Finance & Commercial Services | Management | No material variance | 0 | (97) |
| | Management Priority | £20,000 underbudget on employees | (20) | |
| | Financial Systems | £19,000 underbudget on employees £110,000 underbudget on supplies and services | (129) | |
| | Procurement | £7,000 overbudget on employees | 7 | |
| | Pensions | £39,000 overbudget on employees | 39 | |
| | Strategic Finance | £1,000 overbudget on employees | 1 | |
| | Occupational Health | £62,000 underbudget on employees £4,000 overbudget on supplies and services £50,000 underachieved income | (8) | |
| | Health and Safety | £20,000 overbudget on employees £2,000 underbudget on supplies and services £5,000 overachieved on income | 13 | |
| People & Talent Management | People & Talent Management | £29,000 overbudget on employees. £29,000 overbudget on supplies and services £45,000 overachieved on income | 13 | 13 |
| Finance & Transactional Services | Management | No material variance | 0 | (141) |
| | Operations & Data | £37,000 overbudget on employees | 37 | |
| | Financial Management | £56,000 underbudget on employees £55,000 underbudget on supplies and services | (111) | |
| | Revenues and Benefits | £44,000 overbudget on employees £11,000 underbudget on supplies and services £100,000 overachieved on income | (67) | |

| Head of Service | Service Area | Description | Year End (under) / overbudget £000s | Year End (under) / overbudget £000s |
|-------------------------------|-------------------------------|--|-------------------------------------|-------------------------------------|
| Digital and Customer Services | Customer Services | £60,000 underbudget on employees £11,000 underbudget on transport £20,000 underbudget on supplies and services £1,000 overachieved on income | (92) | (297) |
| | ICT Services | £50,000 overbudget on employees £15,000 underbudget on transport £566,000 underbudget on supplies and services £26,000 overbudget on central expenses. £300,000 underachieved income | (205) | |
| Internal Audit and Risk | Insurance and Risk | £4,000 overbudget on employees | 4 | 7 |
| | Internal Audit | £11,000 overbudget on employees | 11 | |
| | Corporate Fraud | £8,000 overbudget on employees £2,000 overbudget on transport £18,000 overachieved on income | (8) | |
| Legal and Democratic Services | Corporate and Democratic Core | £42,000 underbudget on employees £6,000 underbudget on supplies and services | (48) | 50 |
| | Legal and Other Services | £370,000 overbudget on employees £11,000 underbudget on premises £1,000 overbudget on transport £117,000 overbudget on supplies and services £379,000 overachieved income | 98 | |
| Service Management | Service Management | No material variance | 0 | 0 |
| Benefits Payments and Subsidy | Benefits | | 0 | 0 |
| TOTAL | | | | (465) |

11 In summary, the service grouping is on track to maintain spending within its cash limit.

Capital Programme

- 12 The original Resources capital programme was £10.787 million, and this has been revised for additions/reductions, budget transfers and budget profiling. The revised budget now stands at £10.112 million.
- 13 Summary financial performance to the end of June 2019 is shown below:

| | Original Annual Budget 2019/20 | Revised Annual Budget 2019/20 | Profiled Budget 2019/20 | Actual Spend 30/06/2019 | Remaining Budget |
|--|---------------------------------------|--------------------------------------|--------------------------------|--------------------------------|-------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Digital & Customer Services | 10,642 | 9,967 | 258 | 629 | 9,338 |
| Corporate Finance & Commercial Services and Finance & Transactional Services | 145 | 145 | 11 | 7 | 138 |
| Total | 10,787 | 10,112 | 269 | 636 | 9,476 |

- 14 The revised Resources capital budget is £10.112 million with a total expenditure to 30 June 2019 of £0.636 million (6%). The profiled budget for this period is £0.269 million, therefore spend is above profiled / expected spend in the year to date. A full breakdown of schemes and actual expenditure to 30 June 2019 is given in Appendix 2.
- 15 At year end the actual outturn performance will be compared against the revised budgets and at that time service and project managers will need to account for any budget variance.

Background papers

- County Council Report (20 February 2019) – Medium Term Financial Plan 2019/20 to 2022/23 and Revenue and capital Budget 2019/20.

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the council in February 2019 in relation to the 2019/20 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report.

Appendix 2: Resources Capital Programme 2019/20 – Detailed Monitoring Statement to 30 June 2019

| Resources | Revised Annual Budget | Profiled Budget | Actual Spend | Remaining Budget |
|---|-----------------------|-----------------|--------------|------------------|
| | 2019/20 | 2019/20 | 30/06/19 | 2019/20 |
| | £000 | £000 | £000 | £000 |
| Big Data | 149 | - | - | 149 |
| Broadband / Digital Durham | 5,043 | 15 | - | 5,043 |
| Code of Connection Compliance | 25 | - | - | 25 |
| Corporate Mail Fulfilment | 180 | - | - | 180 |
| Dark Fibre installations and Circuit/Microwave Upgrades | 23 | - | - | 23 |
| Homeworking | 1,169 | 8 | 14 | 1,155 |
| ICT Business Continuity | 17 | - | - | 17 |
| Mobile Device Management | 172 | - | - | 172 |
| Ongoing Server replacement | 55 | - | - | 55 |
| Replacement of Desktop ICT Equipment | 1,340 | 190 | 102 | 1,238 |
| Sharepoint Architecture | 23 | - | - | 23 |
| Tanfield Datacentre LAN Switching Replacement | 30 | - | - | 30 |
| Applications and Development | 16 | - | - | 16 |
| Archiving Of Obsolete Systems Based On Non Supported Hardware | 2 | - | - | 2 |
| Customer Relation Management System | 799 | 0 | 7 | 792 |
| Remote Access – Central Solution | 9 | - | - | 9 |
| LAN Switching Replacement – Ageing Hardware | 540 | - | 486 | 54 |
| Middleware Software – Enterprise Application Integration | 250 | - | - | 250 |
| Integrated Customer Service Programme | 125 | 45 | 20 | 105 |
| Digital & Customer Services Total | 9,967 | 258 | 629 | 9,338 |
| Migration of HR/Payroll functionality | 118 | 11 | 4 | 114 |
| Civica Pension Fund Administration System | 27 | - | 3 | 24 |
| Corporate Finance & Commercial Services and Financial & Transactional Services Total | 145 | 11 | 7 | 138 |
| RESOURCES Total | 10,112 | 269 | 636 | 9,476 |