

Corporate Issues Overview and Scrutiny Committee

21 November 2014



Resources – Quarter 2: Forecast of Revenue and Capital Outturn 2014/15

Report of Finance Manager – Azhar Rafiq

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 September 2014.

Background

2. County Council approved the Revenue and Capital budgets for 2014/15 at its meeting on 26 February 2014. These budgets have subsequently been revised to account for grant additions/reductions, budget transfers between service groupings and budget reprofiling between years. This report covers the financial position for the following major accounts maintained by the Resources service grouping:

- *Revenue Budget - £18.755m (original £18.371m)*
- *Capital Programme – £9.264m (original £8.799m)*

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

- Purchase of annual leave by staff -£96k (Corporate Saving)
- Reduction in car mileage allowance -£53k (Corporate Saving)
- Reduction in pensions budgets for staff not in pension scheme -£164k (Corporate Saving)
- Transfer of Direct Revenue Financing (DRF) Contribution for ICT Capital Scheme -£3k
- Reduction in Pension Deficit from Welfare Rights budget transfer -£4k
- Use of System Development Reserve +£340k
- Use of Revenues and Benefits Reserve +£20k
- Use of Discretionary Housing Payment Reserve +£91k
- Use of ICT Reserve +£50k
- Contribution to Welfare Reforms Reserve -£145k
- Contribution to Housing Benefit Subsidy Reserve -£116K
- Contribution to Welfare Rights Macmillan Grants Reserve -£22k
- Use of MTFP Redundancy Reserve +£396k
- Contribution from Cash Limit: Digital Durham +£65k
- Items Outside of Cash Limit: Coroners Costs +£13k
- E-Learning - License Costs from Corporate Contingency +£18k

- Transport charge -£5k
- Other minor budget transfers -£1k

The revised General Fund Budget now stands at £18.755m.

4. The summary financial statements contained in the report cover the financial year 2014/15 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.

Revenue - General Fund Services

5. The service is reporting a cash limit underspend of **£1.122m** (excluding Centrally Administered Costs) against a revised budget of **£18.755m**. This compares with the cash limit underspend of **£0.398m** as at Quarter 1.
6. 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.

Subjective Analysis (£000's)

	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Employees	40,196	21,194	39,744	(452)	10	(442)
Premises	6,565	86	6,581	16	0	16
Transport	1,016	393	882	(134)	0	(134)
Supplies and Services	18,142	11,136	18,949	807	(456)	351
Agency & Contracted	4,070	2,870	3,925	(145)	130	(15)
Transfer Payments	0	0	0	0	0	0
Central Costs	11,999	550	12,028	29	0	29
Gross Expenditure	81,988	36,229	82,109	121	(316)	(195)
Income	(62,975)	(17,032)	(63,980)	(1,005)	39	(966)
Net Expenditure	19,013	19,197	18,129	(884)	(277)	(1,161)
HB Transfer payments	190,564	97,932	190,694	130	(130)	0
HB Central Costs	425	0	425	0	0	0
HB Income	(191,247)	(1,371)	(191,170)	77	(77)	0
HB Net Expenditure	(258)	96,561	(51)	207	(207)	0
Total Net Expenditure	18,755	115,758	18,078	(677)	(484)	(1,161)
Excluding Centrally Administered Costs						(1,122)

Analysis by Head of Service (£000's)

	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Centrally Administered Costs	3,916	2,793	3,747	(169)	130	(39)
Central Establishment Recharges	(15,383)	0	(15,404)	(21)	21	0
Corporate Finance	2,145	2,244	1,893	(252)	0	(252)
Financial Services	6,107	3,343	5,945	(162)	(180)	(342)
Human Resources	5,956	2,725	5,704	(252)	41	(211)
ICT Services	8,163	4,281	8,295	132	(2)	130
Internal Audit and Insurance	1,638	896	1,605	(33)	(53)	(86)
Legal & Democratic Services	6,082	2,707	6,055	(27)	(234)	(261)
Service Management	389	208	289	(100)	0	(100)
Net Expenditure Excl HB	19,013	19,197	18,129	(884)	(277)	(1,161)
Housing Benefit	(258)	96,561	(51)	207	(207)	0
NET EXPENDITURE	18,755	115,758	18,078	(677)	(484)	(1,161)
Excluding Centrally Administered Costs						(1,122)

7. 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	Forecast Year End (Under) / overbudget £000's	Forecast Year End (Under) / overbudget £000's
Centrally Administered Costs (C.A.C.)	C.A.C.	£48k overbudget on expenses associated with raising loans Underbudget on bank charges (£30k), Audit Fees (£42k) and subscriptions (£15k)	(39)	
	Welfare Assistance	£130k underbudget on Welfare Assistance Scheme to be used to fund £130k over budget on DHP in Housing Benefits to leave zero variance	0	(39)
Corporate Finance	Management	£156k managed underbudget against employees reflecting early achievement of 15/16 MTFP savings £20k underbudget on supplies and services available for 15/16 savings	(176)	
	Financial Systems	£50k underbudget on pay as a result of holding a vacancy £3k under budget on supplies and services	(53)	
	Procurement	£31k overbudget on employees as a result of being fully staffed £12k underbudget on supplies and services £9k over recovery of income Community Right to Challenge Grant and £12k additional income to cover staff secondment	(2)	

Head of Service	Service Area	Description	Forecast Year End (Under) / overbudget £000's	Forecast Year End (Under) / overbudget £000's
	Strategic Finance	£11k overbudget on employees. £14k managed over budget on supplies and services. £46k over recovery of income for VAT work	(21)	(252)
Financial Services	Management	£256k managed underbudget for employees reflecting early achievement of 2015/16 MTFP savings	(256)	
	Financial Management	£5k overbudget on employees £2k overbudget on car allowances £51k managed underbudget against supplies and services £54k over recovery from SLA income	(98)	
	Revenues and Benefits	£64k underbudget on car allowances £100k over budget on work packages £24k additional income from Job Centre Plus	12	(342)
Human Resources	Occupational Health	£14k overbudget on Employees (no staff turnover) £21k underachieved income due to Clinical Commissioning Group SLA	35	
	Health and Safety	£5k under budget on employees £5k overbudget on transport	0	
	Pensions	£66k underbudget on employees due to restructure £2k underbudget on transport £7k underbudget on computer software	(75)	
	Human Resources	£202k underbudget on employees due to restructure in anticipation of 15/16 MTFP savings £31k underbudget on other expenses	(171)	(211)
ICT	ICT Services	£54k underbudget on employees £2k underbudget on premises £67k underbudget on transport £177k underbudget on supplies and services £359k underbudget on income (£102k Design & Print & £257k ICT) £71k overbudget on the Digital Durham project	130	130
Internal Audit and Risk	Insurance and Risk	£6k overspend on employees (fully staffed so no turnover savings)	6	
	Internal Audit	£86k underbudget on employees through close management and control of vacancies and secondments £7k underbudget on staff mileage £5k under recovery of schools SLA income	(88)	
	Corporate Fraud	£5k overbudget on employees (fully staffed) £9k underbudget on staff travel	(4)	(86)
Legal and Democratic Services	Corporate and Democratic Core	£43k underbudget on supplies and services £10k overbudget on Members telephones £60k underbudget on employees while vacancies held open pending service restructure £16k underbudget on Members Allowances	(109)	

Head of Service	Service Area	Description	Forecast Year End (Under) / overbudget £000's	Forecast Year End (Under) / overbudget £000's
	Democratic Services	£11k overbudget on employees £6k underbudget on transport £8k overbudget on supplies and services £16k overbudget on Registrars premises £93k overachieved income from Registrars	(64)	
	Legal Services	£92k underbudget due to early achievement of 15/16 MTFP savings £11k underbudget on employees £15k overbudget on supplies and services	(88)	(261)
Service Management	Service Management	Income from SLA with Northumberland for ICT / Legal and HR support	(100)	(100)
Benefits Payments and Subsidy	Benefits	£130k overbudget on DHP to be met from under budget on Welfare Assistance Scheme to leave zero variance	0	0
Central Establishment Recharges	Central Establishment Recharges	No variance to date	0	0
TOTAL				(1,161)
Excluding Centrally Administered Costs				(1,122)

9. In summary, the service grouping is on track to maintain spending within its cash limit. It should also be noted that the estimated outturn position incorporates the MTFP savings required in 2014/15 which amount to £2.535m, after use of £0.358m of cash limit reserves.

Capital Programme

10. The Resources capital programme comprises 21 schemes, 20 of which are managed within ICT.
11. The original Resources capital programme was £8.799m and this has been revised for additions/reductions, budget transfers and budget reprofiling. The revised budget now stands at **£9.264m**.
12. Summary financial performance to the end of September 2014 is shown below.

Service	Original Annual Budget 2014/15 £'000	Revised Annual Budget 2014/15 £'000	Actual Spend to 30 September 2014 £'000	Remaining Budget £'000
ICT	8,799	8,865	2,380	6,485
Human Resources	0	399	67	332
Total	8,799	9,264	2,447	6,817

13. The revised Resources capital budget is £9.264m with a total expenditure to date of £2.447m (26%). The budget expenditure profiled to 30 September 2014 was £3.269m and most of the underbudget to date relates to the

Tanfield Data Centre. A full breakdown of schemes and actual expenditure to 30 September 2014 is given in **Appendix 2**.

14. 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.

Recommendations:

15. The Corporate Issues and Overview Scrutiny Committee is requested to note and comment on the contents of this report.

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Appendix 1: Implications

Finance

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

Staffing

None.

Risk

None.

Equality and Diversity / Public Sector Equality Duty

None.

Accommodation

None.

Crime and disorder

None.

Human rights

None.

Consultation

None.

Procurement

None.

Disability Issues

None.

Legal Implications

None.

APPENDIX 2 – Resources 2014/15 Capital Scheme Breakdown

Scheme	Revised Budget 2014/15 £'000	Profiled Budget £'000	Actual Spend to 30/09/2014 £'000	Remaining Budget £'000
Archiving of obsolete systems based on non-supported hardware.	381	152	0	381
Councillor Replacement of ICT Equipment	55	22	2	53
Dark Fibre installations and Circuit/Microwave Upgrades	615	246	128	487
Dark Fibre Networking	54	22	21	33
Desktop Mailing	100	40	0	100
Digital Durham	4,573	1,263	1,263	3,310
GIS Architecture	71	28	71	0
Homeworking	289	116	4	285
ICT Business Continuity	159	64	99	60
ICTSS Vehicles	25	10	0	25
Infrastructure Environment Monitoring	188	75	97	91
Langley Park Institute Internet Provision	1	0	0	1
Payment Card Industry (PCI) Code of Compliance	80	32	0	80
NHS Datacentres	3	1	0	3
Public Internet Access Portal	37	15	0	37
Replacement Desktop	1,319	528	643	676
Ongoing Server Replacement	110	44	43	67
Tanfield Datacentre Core Switching Replacement	73	29	9	64
Tanfield Datacentre LAN Switching Replacement	482	482	0	482
Tanfield Power Upgrade	250	100	0	250
ICT Total	8,865	3,269	2,380	6,485
Civica Pension Fund Administration System	399	0	67	332
Human Resources Total	399	0	67	332
Resources Capital Programme Total	9,264	3,269	2,447	6,817