

Corporate Issues Overview and Scrutiny Committee

20 April 2015



Resources – Quarter 3: Forecast of Revenue and Capital Outturn 2014/15

Report of Don McLure, Corporate Director Resources

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 December 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 - £16.898m (original £18.371m)*
- *Capital Programme – £8.434m (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 +£200k
- Use of Discretionary Housing Payment Reserve +£91k
- Use of ICT Reserve +£50k
- Contribution to Welfare Reforms Reserve -£145k
- Contribution to Housing Benefit Subsidy Reserve -£39k
- 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 +£215k
- E-Learning - License Costs from Corporate Contingency +£18k
- Miscellaneous Adjustments to ACE -£5k
- Local Government Chronicle Subscription to ACE -£1k

- Items outside of Cash Limit - Welfare Assistance +£130k
- Items outside of Cash Limit - DHP -£130k
- Corporate MTFP Redundancy Reserve +£31k
- E-Learning (from Cash Limit) +£24k
- Legal System Costs (from Cash Limit) +£32k
- Use of Welfare Rights Reserve +£21k
- Contribution to HR Reserve -£65k
- Contribution to Welfare Reforms New Burdens Reserve -£21k
- Use of ICT Telephony Reserve +£3k
- Pay award +£315k
- Staff transfer from Registrars to Neighbourhoods(part year) -£9k
- Staff transfer to Revenues from CAS(part year) +£6k
- Capital charges adjustment -£2,687k
- Garden Waste – electronic payments +£34k

The revised General Fund Budget now stands at £16.898m.

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 **£1.438m** (excluding Centrally Administered Costs) against a revised budget of **£16.898m**. This compares with the cash limit underspend of **£1.161m** reported at Quarter 2.
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	40,540	30,485	40,190	(350)	(367)	(717)
Premises	6,583	129	6,586	3	0	3
Transport	1,018	622	862	(157)	0	(157)
Supplies and Services	18,526	15,084	19,212	687	(44)	643
Agency & Contracted	3,940	3,263	3,416	(524)	515	(9)
Transfer Payments	0	0	0	0	0	0
Central Costs	9,520	587	9,013	(467)	513	46
Gross Expenditure	80,127	50,170	79,319	(808)	617	(191)
Income	(62,971)	(21,166)	(64,762)	(1,791)	496	(1,295)
Net Expenditure	17,156	29,004	14,557	(2,599)	1,113	(1,486)
HB Transfer payments	190,695	143,321	190,603	(91)	91	0
HB Central Costs	217	0	217	0	0	0
HB Income	(191,170)	(2,175)	(191,170)	0	0	0
HB Net Expenditure	(258)	141,146	(350)	(91)	91	0
Total Net Expenditure	16,898	170,150	14,207	(2,690)	1,204	(1,486)
Excluding Centrally Administered Costs						(1,438)

Analysis by Head of Service (£000's)

	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Centrally Administered Costs	3,698	3,007	3,134	(563)	515	(48)
Central Estab. Recharges	(18,387)	0	(18,686)	(298)	298	0
Corporate Finance	2,495	3,007	2,198	(297)	0	(297)
Financial Services	6,554	6,125	5,384	(1,169)	769	(400)
Human Resources	5,966	4,480	6,463	497	(651)	(154)
ICT Services	8,370	6,716	8,173	(197)	185	(12)
Internal Audit and Insurance	1,704	1,248	1,617	(87)	0	(87)
Legal & Democratic Services	6,366	4,197	5,975	(391)	(3)	(395)
Service Management	390	223	296	(94)	0	(94)
Net Expenditure Excl HB	17,156	29,004	14,557	(2,599)	1,113	(1,486)
Housing Benefit	(258)	141,146	(350)	(91)	91	0
NET EXPENDITURE	16,898	170,150	14,207	(2,690)	1,204	(1,486)
Excluding Centrally Administered Costs						(1,438)

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 t £000's	Forecast Year End (Under) / overbudget t £000's
Centrally Administered Costs (C.A.C.)	C.A.C.	£49k overbudget on expenses associated with raising loans.	(48)	
	Welfare Assistance	Underbudget on bank charges £40k, audit fees £42k and subscriptions £16k. £645k underbudget on Welfare Assistance Scheme, £39k to fund overbudget on DHP in Housing Benefits and £606k to the Welfare Assistance Reserve.	0	(48)
Corporate Finance	Management	£165k managed underbudget against employees reflecting early achievement of 15/16 MTFP savings £27k underbudget on supplies and services available for 15/16 savings	(192)	
	Financial Systems	£55k underbudget on pay as a result of holding a vacancy £4k underbudget on supplies and services	(59)	
	Procurement	£26k overbudget on employees as a result of being fully staffed and agency. £53k additional income, majority from £31k SLA's including Academies	(27)	
	Strategic Finance	£4k overbudget on employees £19k managed over budget on supplies and services £42k over recovery of income for VAT work	(19)	(297)
Financial Services	Management	£256k managed underbudget for employees reflecting early achievement of 2015/16 MTFP savings	(256)	
	Financial Management	£18k underbudget on employees principally on training £65k managed underbudget against supplies and services £61k additional SLA income	(144)	
	Revenues and Benefits	£56k managed underbudget on employees from staff turnover £53k underbudget on car allowances £118k overbudget on work packages. £9k underbudget minor variances	0	(400)
Human Resources	Occupational Health	£22k underachieved income due to loss of CCG income £1k minor various overspends on Supplies and Services	23	
	Health and Safety	£4k minor variance	4	
	Pensions	£68k underbudget on employees due to restructure £5k overbudget minor variances	(63)	
	Human Resources	£175k underbudget on employees due to restructure £38k overbudget on dealing with Equal Pay cases £29k overbudget on Computing (Software and Support) £10k underbudget minor variances	(118)	(154)
ICT	ICT Services	£131k underbudget on employees	(12)	(12)

Head of Service	Service Area	Description	Forecast Year End (Under) / overbudget t £000's	Forecast Year End (Under) / overbudget t £000's
		£100k underbudget on transport £51k overbudget on supplies and services £89k underachieved on income £76k overbudget on the Digital Durham project that is managed within ICT £3k overbudget minor variances		
Internal Audit and Risk	Insurance and Risk	£5k overbudget on employees (fully staffed so no turnover savings)	5	
	Internal Audit	£92 underbudget on employees through close management and control of vacancies and secondments £2k over budget minor variances	(90)	
	Corporate Fraud	£11k overbudget on employees (fully staffed) £13k underbudget on staff travel and supplies and services	(2)	(87)
Legal and Democratic Services	Corporate and Democratic Core	£28k underbudget on employees £43k underbudget on supplies and services - future MTFP savings £7k overbudget on minor variances	(64)	
	Democratic Services	£49k underbudget on employees £98k overachieved Income - Registrars £59k underbudget on Democratic Services supplies and services £22k overbudget on Elections supplies and services	(184)	
	Legal Services	£92k underbudget - early achievement of MTFP Savings 2015-16 £68k underbudget on employees £13k overbudget minor variances	(147)	(395)
Service Management	Service Management	£94k income from SLA with Northumberland for ICT / Legal and HR support	(94)	(94)
Benefits Payments and Subsidy	Benefits	£39k overbudget on DHP to be met from under budget on Welfare Assistance Scheme to leave zero balance.		0
Central Establishment Recharges	Central Establishment Recharges			0
TOTAL				(1,486)
Excluding Centrally Administered Costs				(1,438)

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 net MTFP savings required in 2014/15 which amount to £2.535m, after use of £0.358m of cash limit reserves (budgeted in 2014/15 – to delay / defer MTFP savings).

Capital Programme

14. The Resources capital programme comprises 19 schemes, 18 of which are managed within ICT.
15. 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 £7.178m.

16. Summary financial performance to the end of December 2014 is shown below.

Service	Original Annual Budget 2014/15 £'000	Revised Annual Budget 2014/15 £'000	Profiled Budget £'000	Actual Spend to 31 December 2014 £'000	Remaining Budget £'000
ICT	8,799	6,845	4,454	4,329	2,516
Human Resources	0	333	197	213	120
Total	8,799	7,178	4,651	4,542	2,636

17. The revised Resources capital budget is £7.178m with a total expenditure to 31 December 2014 of £4.542m (63%). The profiled budget for this period is £4.651m, therefore spend is broadly in line with the profiled / expected spend in year. A full breakdown of schemes and actual expenditure to 31 December 2014 is given in Appendix 2.
18. 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:

26. 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 Capital Programme 2014/15

Scheme	Revised Budget 2014/15	Profiled Budget	Actuals to 31/12/14	Remaining Budget
	£'000	£'000	£'000	£'000
Desktop Replacement	1,119	783	971	148
Dark Fibre Networking	54	38	26	28
GIS Architecture	71	50	71	0
Infrastructure Environment Monitoring	107	75	107	0
NHS Datacentres	3	2	0	3
Digital Durham	4,574	2,858	2,621	1,953
Tanfield Datacentre LAN Switching Replacement	17	13	0	17
Tanfield Datacentre Core Switching Replacement	9	6	9	0
Ongoing Server Replacement	129	90	76	53
Councillor Replacement of ICT Equipment	1	1	1	0
Homeworking	89	67	6	83
Public Internet Access Portal	37	26	0	37
Dark Fibre Installations and Circuit/ Microwave Upgrades	315	221	221	94
ICT Business Continuity	176	123	144	32
Langley Park Institute Internet Provision	1	1	0	1
Desktop Mailing Solution	100	70	59	41
Payment Card Industry (PCI) Code of Compliance	43	30	17	26
ICT Total	6,845	4,454	4,329	2,516
Civica Pension Fund Administration System	333	197	213	120
Human Resources Total	333	197	213	120
Resources Capital Programme Total	7,178	4,651	4,542	2,636