

TO: Policy & Resources Cabinet Committee – 11th July 2012

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SUBJECT: Business Strategy & Support Directorate Financial Outturn 2011/12

Classification: Unrestricted

Summary:

This report summarises the 2011/12 financial outturn for each of the A-Z budget lines within the Business Strategy and Support Directorate.

FOR INFORMATION

1. Introduction:

- 1.1 This is the first round of financial performance reports to the new Cabinet Committees following the introduction of the new governance arrangements with effect from 1 April 2012.
- 1.2 It is important that committees receive timely information on actual costs in advance of considering options for future years' budgets during the autumn. This report therefore includes the final outturn for 2011/12 for each of the A-Z budget lines within the Business Strategy and Support Directorate in the same format as reported throughout the year in monitoring reports, together with an explanation of significant variances from the final cash limit.

2. Business Strategy and Support Directorate 2011/12 Financial Outturn-Revenue

- 2.1 The provisional revenue outturn was reported to Cabinet on 9th July together with recommendations on rollover for committed projects and contributions to reserves for uncommitted under spends. The overall position for the Business Strategy and Support Directorate was an under spend of £2.237m. In addition, Commercial Services, which is part of the Enterprise and Environment Directorate, over-recovered by £268k.

2.2 Table 1 sets out the original budget, final approved cash limit and spending for each A-Z budget line within the Business Strategy and Support Directorate. The changes between the original budget and final approved cash limit are all within KCC's "virement" rules as set out in Financial Regulations.

Service Unit	Original Budget £000s (Net)	Approved Cash Limit £000s (Net)	Final Outturn £000s (Net)	Variance from Cash Limit £000s (net)
<u>Finance & Business Support</u>				
Finance & Procurement	14,862.0	13,179.0	13,388.6	209.6
HR Business Operations	3,174.0	2,369.0	2,539.4	170.4
Portfolio Total	18,036.0	15,548.0	15,928.0	380.0
<u>Business Strategy, Performance & Health Reform</u>				
Strategic Management & Directorate Support Budgets	-7,667.0	-1,991.1	-2,013.8	-22.7
Governance & Law	-1,042.0	-1,423.9	-1,852.5	-428.6
Business Strategy	4,209.0	3,388.9	3,179.9	-209.0
Property & Infrastructure	20,730.0	20,221.2	20,132.7	-88.5
Human Resources (exc Business Operations)	9,065.0	9,713.8	8,928.7	-785.1
Information & Communication Technology	19,705.0	19,579.6	18,942.9	-636.7
Health Reform	0.0	180.0	33.8	-146.2
Portfolio Total	45,000.0	49,668.5	47,351.7	-2,316.8
<u>Democracy & Partnerships Portfolio</u>				
Audit & Risk	760.0	852.7	682.0	-170.7
International & Partnerships	1,114.0	835.7	803.0	-32.7
Democratic & Member Services	3,828.0	3,936.1	3,838.9	-97.2
County Council Elections	255.0	505.0	505.0	0.0
District Grants	0.0	703.0	703.0	0.0
Portfolio Total	5,957.0	6,832.5	6,531.9	-300.6
TOTAL Policy & Resources Cabinet Committee	68,993.0	72,049.0	69,811.6	-2,237.4

An extract from the Enterprise and Environment Table 1 showing the outturn position for Commercial Services is included below:

Service Unit	Original Budget £000s (Net)	Approved Cash Limit £000s (Net)	Final Outturn £000s (Net)	Variance from Cash Limit £000s (net)
Environment, Highways and Waste Portfolio				
Commercial Services (net contribution)	-7,261.0	-6,932.0	-7,200.0	-268.0
Extract Total	-7,261.0	-6,932.0	-7,200.0	-268.0

2.3 The significant variations from the approved cash limits are as follows:

1. Finance and Procurement: +£210k. Pressure was due to the creation of a project team to work on the delivery of the Enterprise Resource Planning programme, together with a postponement in the delivery of restructure savings for a Directorate Finance team which transferred to BSS as part of the centralisation of support functions. This saving will now be delivered as part of the restructure of the whole Finance Function.
2. Human Resources Business Operations: +£170k. Schools Personnel Service were given an increased income target of £150k for 2011-12. However, this was without the knowledge that there was going to be a £300k loss of income from ELS as the responsibility for undertaking CRB checks and other support was delegated to Schools. The unit worked hard to sell CRB checks directly to Schools and ended the year only £105k short of its target.
Employee Services has had to postpone some savings from staff reductions until the introduction of Enterprise Resource Planning enables this to happen.
3. Governance and Law – Legal Services: -£429k. Throughout the year Legal Services experienced additional demand both internally and externally and were therefore able to generate income above that budgeted.
4. Business Strategy: -£209k. Staff turnover and reduced activity resulting from the unit restructure and interim arrangements in place for this area, together with additional income for work funded by the European Regional Development Fund.
5. Human Resources (non-Business Operations): -£785k. Much of the underspend happened in the Adult Learning Resource Team, mainly due to delays to planned activities such as developing new training strategies and future planned commissioning requirements. Further underspends on providing social work professional training due to a reduction in external commissioning and reduced venue costs. The Social Work Professional team also benefited from these savings. The Workforce Professional Development team also secured additional income.
6. Information and Communication Technology: -£637k. The majority of this underspend is the result of projects needing re-phasing (£570k) to 2012/13. ICT runs the Kent Public Services Network and placed orders with the External Provider for large circuit upgrades which, due to delivery

constraints, could not be completed before 31st March 2012. ICT also contains Education IT Services (EiS) who have taken over the contract for providing IT services to BSF schools. The contract start date was re-phased until early 2012-13 and is therefore part of the roll-forward requests to Cabinet.

7. Audit and Risk: -£171k. Underspend on salaries due to delayed recruitment in order to help mitigate overspend elsewhere within the Finance function. Also work commissioned from external provider will not be completed until 2012-13.
8. Commercial Services: -£268k. Trading generated a greater than forecasted contribution following better than expected demand in the final quarter of the year.

- 2.4 The approved budget for 2012/13 was set on the basis of known/forecast activity as at December 2011. All of the above variations from the 2011/12 approved cash limit, relate to one-off issues for 2011/12 and should not impact on the 2012/13 budget. The impact of any ongoing variations into 2012/13 will be reported as part of the in-year budget monitoring together with progress on delivering the savings needed to balance the budget.
- 2.5 The first exception report for 2012/13 budget monitoring was also reported to Cabinet on 9th July. That report shows that there are no revenue issues coming out of the 2011/12 outturn which are expected to impact in 2012/13 and hence no revenue variance is currently reported for the Business Strategy and Support Directorate. However the report does show a forecasted capital overspend of £115k. This is simply a technical timing adjustment where we have received additional external income to fund the expenditure but this cannot be reflected in cash limit adjustments until agreed by Cabinet at the meeting.
- 2.6 The full monitoring as at the first quarter is scheduled to be reported to Cabinet on 17th September. The timing of this Cabinet means reports to the September round of Cabinet Committees may have to be dispatched late in order to include the latest position considered by Cabinet, in a similar way to the papers for this July round of Cabinet Committee meetings have had to be (in some cases).
- 2.7 The under spend for 2011/12 includes a number of areas of committed expenditure which Cabinet agreed to roll forward into 2012/13 as per table 2 below.

Table 2	Amount
Reason for Rollover	£000s
Business Strategy, Performance and Health Reform	
<i>Governance & Law - County Returning Officer Review</i> Part of the 2011-12 underspend in Legal relates to net income received as a result of the County Returning Officer (CRO) Review. A further £20k worth of work is necessary to complete the Review in 2012-13 and this amount is therefore required to be rolled-forward to meet these commitments.	20
<i>Property & Infrastructure - Workplace Transformation</i> Workplace Transformation activity has been significantly re-phased as a result of the need to revise strategic priorities such as the shaping of One Council/Bold Steps for Kent. Roll forward of £297k is required in order to fund this re-phasing into 2012-13.	297
<i>HR - East Kent Partnership Payroll Project</i> £92k is required to fund the Project Manager post for the East Kent Partnership Payroll project which has re-phased to 2012-13	92
<i>- HR - CPD Programme</i> Early Years funding was received for CPD programmes running over the academic year, many of which are ongoing and will complete by August 2012. Of the £97k received, £40k (5/12ths) is to fund activity already planned for the summer terms and therefore needs to be carried forward to fund those commitments.	40
<i>BSP&HR portfolio - ICT - KPSN</i> Orders have been placed with the External Provider, but due to delivery constraints, these were not completed before 31st March 2012. Consequently, a roll forward is required to fund this commitment in 2012-13.	378
<i>ICT - EiS</i> Delay in release date of Microsoft System Centre	16
<i>ICT - EiS</i> Centrally managed IT solution contract agreed but installation not completed by 31 March 2012	49
<i>ICT - EiS</i> Re-phasing of implementation of the contract to take over the IT services for BSF schools. This was due to complete in February 12 but has been postponed until the start of 2012-13 due to legal complications. One-off funding for the set up costs of this contract was available in 2011-12 and needs to roll forward to 2012-13 to fund this re-phasing.	127

<p><i>Health Reform</i> Of the original £180k Health Reform budget, £146k has re-phased into 2012-13. In order to implement the corporate activities this funding was identified to deliver, roll forward is required to implement the second phase of the Kent Health Commission; support the establishment of HOUSE projects in Districts across the County and work with mental health issues in communities.</p>	146
Democracy and Partnerships	
<p><i>Internal Audit</i> To fund remainder of contract with external consultants (Deloitte & Touche Public Sector) to deliver the work in the 2011-12 audit plan, which has re-phased to 2012-13</p>	60

2.8 The balance of the uncommitted under spend (£5.316m) for the County Council will be transferred to the Economic Downturn reserve in accordance with the recommendation to be agreed by Cabinet on 9 July 2012.

3. Business Strategy and Support Directorate 2011/12 Financial Outturn – Capital

3.1 Table 3 identifies the planned and actual spend on all capital projects in 2011/12 and the total approved and forecast spending over the lifetime of these projects.

Table 3	2011/12 Expenditure				Total Scheme Cost		
	Original Budget £000	Approved Cash Limit £000	Final Outturn £000	Variance from Cash Limit £000	Approved Cash Limit £000	Forecast Spending £000	Variance from Cash Limit £000
<u>Rolling Programmes</u>							
Modernisation of Assets	1811	335	468	133	9243	9248	5
Disposal Costs	250	120	120	0	1120	1120	0
Corporate Property Strategic Capital	0	2653	2452	-201	5303	5303	0
Subtotal	2061	3108	3040	-68	15666	15671	5
<u>Schemes with Approval to Spend</u>							
Connecting Kent		4	4	0	1212	1212	0
Connecting with Kent	247	472	499	27	2413	2413	0
Oracle Release 12	300	394	184	-210	1733	1733	0
Oracle Self Service Development	125	119	117	-2	633	633	0
Property Asset Management System	94	35	14	-21	324	324	0
Sustaining Kent - Maintaining the Infrastructure (incl Energy Efficiency & Energy Reduction Investment Fund vired from E&E in 2011/12)	2926	2206	1913	-293	10845	10845	0
Better Workplaces / Work Place Transformation		24	0	-24	1054	1054	0
Connecting Kent	270	270	255	-15	1129	1244	115
Enterprise Resource Programme (PHASE 1)		774	164	-610	1398	1398	0
Integrated Childrens System		150	12	-138	1326	1326	0
Subtotal	3962	4448	3163	-1285	22067	22182	115
<u>Schemes with Approval to Plan</u>							
Better Workplaces / Work Place Transformation	4000	0	0	0	8807	8807	0
Subtotal	4000	0	0	0	8807	8807	0
BSS Total	10023	7556	6202	-1354	46540	46661	121

3.2 The movements from the original budget and the approved cash limit have been reported in monitoring during the year and the cash limits were changed when the capital programme in the 2012/15 Medium Term Financial Plan was approved in February. The variance from approved cash limit represents the final actual spending for 2011/12 (and forecast spending for future years) since the capital programme was published and includes the following significant issues:

1. Variances from cash limits in 2011/12 are as a result of final quarter re-phasing of projects in to 2012/13, hence there are no funding issues for total final scheme projections. The most significant variance, Enterprise Resource Programme -£610k was primarily due to the purchase of Oracle Business Intelligence licences. These licences were planned to be procured in 2011/12 but because of a last minute change to the purchasing route, which improved KCC's cash flow, the formal contract date moved to 1st April 2012.
2. Connecting Kent received some additional funding triggered by an agreement with BT relating to use of Broadband. This will enable additional Broadband connectivity grants to be made to 'not-spots' in future years.

3.3 Re-phrasings from 2011/12 will be included in the budget monitoring reports to Cabinet in July and September together with any other issues affecting capital projects which have arisen during 2012/13 so far.

4. Recommendations

4.1 Members of the Policy and Resources Cabinet Committee are asked to note the revenue and capital financial outturn for 2011/12 including rollovers for committed projects and changes to the capital programme due to re-phrasings.

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