

TO: Policy and Resources Cabinet Committee – 15 March 2013

BY: Paul Carter, Leader
Alex King, Deputy Leader
John Simmonds, Cabinet Member for Finance and Business Support
Roger Gough, Cabinet Member for Business Strategy, Performance and Health Reform
David Cockburn, Corporate Director of Business Strategy and Support

SUBJECT: Business Strategy and Support Directorate, Commercial Services (Environment, Highways & Waste Portfolio), and Public Health LINK, Local Healthwatch and Health Reform (Families and Social Care Directorate) Financial Monitoring 2012/13

Classification: Unrestricted

Summary:

Members of the Cabinet Committee are asked to note the third quarter's full budget monitoring report for 2012/13 being reported to Cabinet on 18 March 2013.

FOR INFORMATION

1. Introduction:

- 1.1 This is a regular report to this Committee on the forecast outturn for Business Strategy and Support Directorate, Commercial Services (Environment, Highways Waste Portfolio), and Public Health LINK, Local Healthwatch and Health Reform (Families and Social Care Directorate).

2. Background:

- 2.1 A detailed quarterly monitoring report is presented to Cabinet, usually in September, December and March and a draft final outturn report in either June or July. These reports outline the full financial position for each portfolio and will be reported to Cabinet Committees after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The third quarter's monitoring report for 2012/13 is attached.

3. Business Strategy and Support Directorate and Commercial Services (Environment, Highways & Waste Portfolio) 2012/13 Financial Forecast - Revenue

- 3.1 There are no exceptional revenue changes since the writing of the attached quarter 3 report.

4. Business Strategy and Support Directorate and Commercial Services (Environment, Highways & Waste Portfolio) 2012/13 Financial Forecast - Capital

- 4.1 There are no capital movements from the attached quarter 3 report.

5. Recommendations

- 5.1 Members of the Policy and Resources Cabinet Committee are asked to note the revenue and capital forecast variances from budget for 2012/13 for the Finance and Business Support, Business Strategy Performance and Health Reform, Democracy and Partnerships and Environment, Highways Waste Portfolios based on the third quarter's full monitoring to Cabinet.

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BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY DECEMBER 2012-13 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits for the A-Z service analysis have been adjusted since the quarter 2 report to reflect a number of technical adjustments to budget including the centralisation of ICT budgets and further centralisation of property budgets to Corporate Landlord.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Regeneration & Enterprise portfolio							
Directorate Management & Support	166	0	166	-17	14	-3	
Development Staff & Projects	4,979	-1,492	3,487	3	0	3	
Total R&E portfolio	5,145	-1,492	3,653	-14	14	0	
Finance & Business Support portfolio							
Finance & Procurement	18,629	-7,303	11,326	-419	219	-200	Many staff appointed at bottom of grade, budget based on mid-point of grade; Edukent pressures offset with draw down from Reserve; relocation and accommodation costs
Total F&BS portfolio	18,629	-7,303	11,326	-419	219	-200	
Business Strategy, Performance & Health Reform portfolio							
Strategic Management & Directorate Support budgets	2,893	-4,520	-1,627	-87	0	-87	
Governance & Law	10,337	-12,470	-2,133	-191	317	126	Staffing vacancies; difficulties generating external work
Business Strategy	3,216	-139	3,077	-233	-21	-254	Staffing vacancies and delays in recruitment

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Property & Infrastructure	29,484	-4,686	24,798	327	-312	15	Extension to leasehold payments; more cautious approach to capitalising spend; use of Capital Grant to fund revenue expenditure; re-phasing of New Ways of Working; management action against central budgets; small variances in income
Human Resources	16,684	-5,645	11,039	169	-323	-154	Under recovery of income on Schools Personnel Services, partially offset by underspend on staffing; additional training costs partially offset by extra income; increased demand to support restructures resulting in staffing pressure on Employee Services; i
Information & Communication Technology	34,087	-13,250	20,837	767	-767	0	IT pay as you go activity funded by additional income
Total BSP&HR portfolio	96,701	-40,710	55,991	752	-1,106	-354	
Democracy & Partnerships portfolio							
Finance - Internal Audit	1,103	-34	1,069	-64	-44	-108	
Business Strategy - International & Partnerships	1,007	-223	784	-104	46	-58	
Democratic & Member Services	3,865	-3	3,862	58	-81	-23	
Local Democracy:							
- Member Grants incl. County Council Elections	1,273	0	1,273	-14	0	-14	
Total D&P portfolio	7,248	-260	6,988	-124	-79	-203	
Total BSS Controllable	127,723	-49,765	77,958	195	-952	-757	
Assumed Management Action:							
- R&E portfolio						0	
- F&BS portfolio						0	
- BSP&HR portfolio						0	
- D&P portfolio						0	
Forecast after Mgmt Action				195	-952	-757	

1.1.3 Major Reasons for Variance: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Finance & Business Support portfolio:

1.1.3.1 Finance & Procurement: Gross -£419k, Income +£219k, Net -£200k

Within the gross underspend is **-£302k** relating to staffing as many appointments to the new finance structure have been made at the bottom of grade, whereas the budget is set at mid-point of grade; the division is also carrying a number of vacancies. There is a pressure of **+£249k** against Edukent resulting from reduced income, and a further pressure of **+£281k** primarily resulting from additional costs relating to the Contractor Services Billing system. This net pressure will be funded via a drawdown of **-£530k** against gross expenditure from the Dedicated Schools Grant – Central Expenditure Reserve. The centralisation of finance has resulted in additional one-off relocation and accommodation costs causing a pressure of **+£140k**. There are also a number of small variances below £100k totalling **-£8k** against gross and **-£30k** against income.

Business Strategy, Performance & Health Reform portfolio:

1.1.3.2 Governance & Law: Gross -£191k, Income +£317k, Net +£126k

The underspend on gross expenditure of **-£191k** primarily consists of **-£154k** on staffing budgets as the unit has been carrying vacancies; non-staffing budgets are underspending by **-£37k**. There is a reduced income forecast of **+£317k** as there have been difficulties in generating new external work. The forecast remains volatile as demand for the service will inevitably move in the final quarter.

1.1.3.3 Business Strategy: Gross -£233k, Income -£21k, Net -£254k

There is currently an underspend of **-£124k** against staffing resulting from vacancies and delays in recruitment. There are also a number of small variances against non-staffing budgets totalling **-£109k** and a small income variance of **-£21k**.

1.1.3.4 Property & Infrastructure: Gross +£327k, Income -£312k, Net +£15k

Property Group is forecasting a **+£327k** gross pressure with a compensating increase in income of **-£312k** against their revenue budget.

The Property revenue budget has been reduced by **£3.56m** over the past two years in respect of 'Total Place' savings. It was expected that these savings would primarily be generated by coming out of leasehold properties as soon as leases came to an end. Service transformations and restructures throughout the Council, together with the formulation of the new Work Place Transformation Strategy, have resulted in the requirement to extend a number of leases and thus push delivery of some savings to later years. Delivery of these savings is a top priority and therefore a full review of all 'Total Place' potential savings, alongside current service plans, has been undertaken to determine the revised phasing of the savings reflected in the 2013-15 MTFP. Also, dedicated resources have been put in place to programme manage the New Ways of Working initiative (formerly the Work Place Transformation Programme) which will give greater clarity on timelines for coming out of properties. Additionally, in accordance with accounting requirements, many items of expenditure which have traditionally been capitalised, must be charged to and funded through revenue. This, together with issues outlined above have resulted in a **+£996k** gross pressure against Corporate Landlord budgets.

As a consequence Property Group is planning to use **-£580k** of the DFE Local Authority Capital Maintenance Grant, currently shown within their capital budget, to cover the expenditure that was previously capitalised, as the grant rules allow us to fund revenue expenditure from it. Also a number of centrally held budgets within Property Group have been subject to management action and the resulting under-spend of **-£505k** will be used to offset the pressures within Corporate Landlord. Additional clarity around the New Ways of Working initiative has identified a gross underspend of **-£164k** resulting from delays in office moves which have re-phased into 2013-14. This will require a roll forward to 2013-14 in order fund the re-phasing of these one off costs.

Although income is forecast to be **-£312k** more than budget, **-£580k** relates to the use of the capital grant referred to above. There are small (under £100k) under-recoveries in income across a number of budgets within Property Group which total **+£268k**.

1.1.3.5 Human Resources: Gross +£169k, Income -£323k, Net -£154k

The Schools Personnel Service continues to have extremely challenging income targets which, with further delegations of funding and responsibilities to schools, require business to be secured on a school by school basis. As a result, SPS are forecasting an under-delivery of income of **+£327k**, but also a partially compensating underspend, mainly on salaries of **-£285k**. In addition, HR is continuing to face increased demand to support many Divisional restructures and transformation programmes throughout this year, which is putting pressure on many units, and as a result Employee Services are forecasting a gross pressure of **+£299k**, mainly on staffing, which is partially offset by increased income of **-£256k**. There is a further pressure of **+£187k** on the cost of providing training, especially professional training for social workers, but this is largely offset by an additional **-£177k** of income. The Kent Graduate programme is showing an underspend of **-£121k** due to staff finding permanent jobs and leaving the scheme early. A pressure of **+£100k** also exists within the Reward Team mainly due to increased payments to the rewards providers to reflect above budgeted take up; this is more than offset by extra income of **-£122k**. There are a number of smaller gross and income variances against the rest of Human Resources, including Health and Safety, the Divisional budget and the 'Grads Kent' website. These in total add up to a gross of **-£11k** and income of **-£95k**.

1.1.3.6 Information & Communication Technology: Gross +£767k, Income -£767k, Net Nil

Variances of **+£767k** and **-£767k** on gross and income respectively reflect the increased demand for additional IT Pay-as-you-go services. Ad hoc demand for services is difficult to predict during budget setting.

Democracy & Partnerships portfolio:

1.1.3.7 Business Strategy – International & Partnerships: Gross -£104k, Income +£46k, Net -£58k

There is an underspend of £104k on gross resulting from reduced spend on a number of non-staffing budgets, primarily specialist fees, rents, and other running costs.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
BSPHR	Property & Infrastructure Gross - extensions to leasehold payments; and more cautious approach to capitalising expenditure	+996	BSPHR	ICT Income: Information Systems income from additional pay as you go activity	-767
BSPHR	ICT Gross: Information Systems costs of additional pay as you go activity	+767	BSPHR	Property and Infrastructure Income - Use of Local Authority Capital Maintenance Grant to fund revenue expenditure previously categorised as capital	-580
BSPHR	Human Resources Income - under recovery of income target by Schools Personnel Service	+327	F&BS	Finance & Procurement Gross: draw down of Dedicated Schools Grant - Central Expenditure reserve to offset pressure within Edukent	-530
BSPHR	Governance & Law Income - difficulties in generating new external work	+317	BSPHR	Property & Infrastructure Gross - management action/underspend on central budgets	-505

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
BSPHR	Human Resources Gross - pressure on Employee Services budget mainly on staffing	+299	F&BS	Finance & Procurement Gross - staffing underspend	-302
F&BS	Finance & Procurement Gross: additional Edukent costs, primarily for the Contractor Services Billing system	+281	BSPHR	Human Resources Gross - underspend on Schools Personnel Service mainly on salaries, partially off-setting under delivery of income target	-285
F&BS	Finance & Procurement Income: reduced income for Edukent	+249	BSPHR	Human Resources Income - increased Employee Services income	-256
BSPHR	Human Resources Gross - pressure on providing training	+187	BSPHR	Human Resources Income - additional training income	-177
F&BS	Finance & Procurement Gross: relocation and accommodation costs following centralisation	+140	BSPHR	Property & Infrastructure Gross - re-phasing of New Ways of Working initiative	-164
BSPHR	Human Resources Gross - increased spend relating to Rewards	+100	BSPHR	Governance & Law Gross - vacancies on staffing	-154
			BSPHR	Business Strategy Gross - staffing underspend	-124
			BSPHR	Human Resources Income - increased income relating to Rewards	-122
			BSPHR	Human Resources Gross - underspend on Kent Graduate Programme	-121
		+3,663			-4,087

1.1.4 Actions required to achieve this position:

None

1.1.5 Implications for MTFP:

Property Division has submitted new phasing for their Total Place savings, moving £1.3m to future years and the 2013-15 MTFP has been updated accordingly. The Division will also continue to need to utilise some of its DFE capital grant to fund revenue expenditure which cannot be capitalised – this will need to be quantified each year dependent on the spend incurred.

In HR – Schools Personnel Service have realigned their gross and income budgets within the 2013-15 MTFP to reflect their Business Plans for 2013-14.

1.1.6 Details of re-phasing of revenue projects:

Property & Infrastructure

New Ways of Working activity will need to be re-phased following delays in office moves (as detailed in section 1.1.3.4). Roll forward of £164k to 2013-14 will be required in order to fund the re-phasing of this programme.

1.1.7 Details of proposals for residual variance: *[eg roll forward proposals; mgmt action outstanding]*

Of the -£757k underspend shown in table 1, revenue project re-phasing accounts for +£164k (as detailed in section 1.1.6 above), leaving an underlying underspend of -£593k, which is contributing towards the £5m underspend from 2012-13 being used to support the overall 2013-14 KCC budget, as approved by County Council on 14 February 2013.

ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY DECEMBER 2012-13 FULL MONITORING REPORT (EXTRACT)

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits for the A-Z service analysis have been adjusted since the quarter 2 monitoring report to reflect technical adjustments to budget, including the centralisation of the ICT budgets to BSS directorate.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
Commercial Services	0	-6,879	-6,879	0	1,220	1,220	Reduced contribution
Total E, H & W portfolio	0	-6,879	-6,879	0	1,220	1,220	
Total E&E controllable	0	-6,879	-6,879	0	1,220	1,220	
Assumed Management Action							
- EHW portfolio						0	
Forecast after Mgmt Action				0	1,220	1,220	

1.1.3 **Major Reasons for Variance:** *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 **Commercial Services:** Gross Nil, Income +£1,220k, Net +£1,220k

A £1,220k shortfall in the Commercial Services contribution is forecast. This relates to £640k of approved costs of restructure and reorganisation, £150k of one-off restructuring costs and a re-phasing of £430k of the increased income target built into the current year budget, now expected to be achieved in 2013-14.

A compensating underspend is forecast against the Financing Items budgets, as funds were being held back in anticipation of this shortfall.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Commercial Services - shortfall in contribution due to approved costs of restructure and reorganisation to implement consultants' recommendations	+640			
EHW	Commercial Services - rephasing of delivery of increased income target into 2013-14	+430			
EHW	Commercial Services - shortfall in contribution due to one off restructuring costs	+150			
		+1,220			0

1.1.4 Actions required to achieve this position:

None

1.1.5 Implications for MTFP:

Commercial Services

The re-phasing of the income target and full year effect of agreed costs of restructuring and reorganisation have been reflected in the 2013-15 MTFP.

1.1.6 Details of re-phasing of revenue projects:

None

1.1.7 Details of proposals for residual variance: [eg roll forward proposals; mgmt action outstanding]

The forecast underspend for the Enterprise and Environment Directorate is £592k (including the +£1,220k pressure relating to Commercial Services), which contributes to the £5m underspend from 2012-13 to be used to support the overall 2013-14 KCC budget, as approved by County Council on 14 February.

**FAMILIES & SOCIAL CARE DIRECTORATE SUMMARY
ADULTS SERVICES SUMMARY
DECEMBER 2012-13 FULL MONITORING REPORT (EXTRACT)**

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits for the A-Z service analysis have been adjusted for a number of technical adjustments to budget.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Business Strategy, Performance & Health Reform portfolio							
- Public Health (LINK, Local Healthwatch & Health Reform)	758	-60	698	16	-16	0	
Total FSC ADULTS controllable	758	-60	698	16	-16	0	
Assumed Management Action							
- BSP&HR portfolio						0	
Forecast after Mgmt Action				16	-16	0	

1.1.3 **Major Reasons for Variance:** *[provides an explanation of the ‘headings’ in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Business Strategy, Performance & Health Reform portfolio:

1.1.3.1 There is no significant variance to report.

1.1.4 **Actions required to achieve this position:**

None

1.1.5 **Implications for MTFP:**

All pressures and savings have been addressed in 2013-15 MTFP approved by County Council on 14th February 2013.

1.1.6 **Details of re-phasing of revenue projects:**

None.

1.1.7 **Details of proposals for residual variance:** *[eg roll forward proposals; mgmt action outstanding]*

None

BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY DECEMBER 2012-13 FULL MONITORING REPORT

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

1.2.2 The Business Strategy and Support directorate has an approved budget for 2012-15 of £33.340m (see table 1 below). The forecast outturn against this budget is £32.640m, giving a variance of -£0.700m.

1.2.3 Tables 1 to 3 summaries the Directorate's approved budget and forecast.

1.2.4 Table 1 – Revised approved budget

	Total £m	Business Strategy, Performance & Health Reform £m	
Approved budget last reported to Cabinet	33.476	33.476	
Approvals made since last reported to Cabinet	-0.136	-0.136	Virement from MOA to C&C
Revised approved budget	33.340	33.340	

1.2.5 Table 2 – Funded and Revenue Funded Variances

Scheme	Portfolio	Amount £m	Reason
Cabinet to approve cash limit changes			
No cash limit changes to be made			
Total		0.000	

1.2.6 Table 3 – Summary of Variance

Reason	Total £m	Business Strategy, Performance & Health Reform £m
Unfunded variance		
Funded variance (from table 2)	0.000	
Variance funded by revenue (from table 2)	0.000	
Project underspend	-0.700	-0.700
Rephasing (beyond 2012-15)	0.000	
Total variance	-0.700	-0.700

1.2.7 Main reasons for variance

Table 4 below, details each scheme indicating all variances and the status of the scheme. Each scheme with a Red or Amber status will be explained including what is being done to get the scheme back to budget/on time.

Table 4 – Scheme Progress

	Total Cost	Previous Spend	2012-15 Approved Budget	Later Years Approved Budget	2012-15 Forecast Spend	Later Years Forecast Spend	2012-15 Variance	Total Project Variance	Status (Red / Amber / Green)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
BSP&HR	(a)	(b)	(c)	(d)	(e)	(f)	(g) = (e - c)	(h) = (b+e+f)-a	
Modernisation of Assets	17.602	0.000	12.861	4.741	12.861	4.741	0.000	0.000	Green
Disposal Costs	1.000	0.000	0.750	0.250	0.750	0.250	0.000	0.000	Green
Corporate Property Strategic Capital	2.851	0.000	2.851	0.000	2.151	0.000	-0.700	-0.700	Green
Connecting Kent	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Green
Connecting with Kent	2.413	1.653	0.760	0.000	0.760	0.000	0.000	0.000	Green
Oracle Release 12	1.613	1.383	0.230	0.000	0.230	0.000	0.000	0.000	Green
Oracle Self Service Development	0.633	0.566	0.067	0.000	0.067	0.000	0.000	0.000	Green
Property Asset Management System	0.310	0.000	0.310	0.000	0.310	0.000	0.000	0.000	Amber - Delayed
Sustaining Kent - Maintaining the Infrastructure	10.845	7.875	2.970	0.000	2.970	0.000	0.000	0.000	Green
New Work Spaces	1.030	1.030	0.000	0.000	0.000	0.000	0.000	0.000	Green
Connecting Kent	0.255	0.255	0.000	0.000	0.000	0.000	0.000	0.000	Green
Enterprise Resource Programme (PHASE 1)	2.018	0.164	1.854	0.000	1.854	0.000	0.000	0.000	Amber - Delayed
Energy Efficiency and Renewable Energy in the KCC Estate - Solar Panels (spend)	0.321	0.000	0.321	0.000	0.135	0.000	-0.186	-0.186	Green
Integrated Childrens System	1.326	0.012	1.314	0.000	1.314	0.000	0.000	0.000	Amber - Delayed
Faversham Family Centre	0.026	0.000	0.026	0.000	0.026	0.000	0.000	0.000	Green
Energy Efficiency and Renewable Energy in the KCC Estate - (plan)	0.182	0.000	0.182	0.000	0.368	0.000	0.186	0.186	Green
Enterprise Resource Programme (PHASE 2)	0.500	0.000	0.500	0.000	0.500	0.000	0.000	0.000	Amber - Delayed
New Work Spaces	8.831	0.487	8.344	0.000	8.344	0.000	0.000	0.000	Green
BSP&HR Total	51.756	13.425	33.340	4.991	32.640	4.991	-0.700	-0.700	

- 1.2.8 Status:
Green – Projects on time and budget
Amber – Projects either delayed or over budget
Red – Projects both delayed and over budget

1.2.9 Assignment of Green/Amber/Red Status

- 1.2.10 Projects with variances to budget will only show as amber if the variance is unfunded, i.e. there is no additional grant, external or other funding available to fund.
- 1.2.11 Projects are deemed to be delayed if the forecast completion date is later than what is in the current project plan.

Amber and Red Projects – variances to cost/delivery date and why.

Business Strategy, Performance and Health Reform Portfolio:

- 1.2.12 **Integrated Childrens System:** -£0.207m re-phasing within the three year period. The original project timeline with the practical completion date of 31 March 2013, was optimistic and once the project team started working through the detail it became evident that it was not achievable. It has been agreed to phase the roll out, which would see the main part of ICS going live at the end of May 2013.
- 1.2.13 **Enterprise Resource Programme (Phase 1):** This project was originally planned to be completed by 31st March 2013. Synchronised sign on and elements of remote access work streams cannot be delivered until server refresh has completed. This has resulted in a small amount of re-phasing (-£0.114m) into 2013-14.
- 1.2.14 **Enterprise Resource Programme (Phase 2):** -£0.500m re-phasing within the three year period. Sufficient funding remains from phase 1 to cover initial stages of phase 2. Plans are being developed for the phase 2 money and are likely to be utilised in the first few months of 2013-14.
- 1.2.15 **Property Asset Management System:** -£0.280m re-phasing within the three year period. The specification for the system was drawn up when the business was very different. A business analysis is being undertaken to double check suitability of the preferred system and to ensure that Atrium delivers what is required. This has delayed implementation of the new system from March 2013 to December 2013. The impact of this is that the current Atrium system will now be retired by September and the Enterprise system by December.

Other Significant Variances

- 1.2.16 **Corporate Property Strategic Capital (BSP&HR)** – underspend of -£0.700m. In accordance with accounting requirements many items of expenditure which have traditionally been capitalised must be charged to and funded through revenue. As a result, property group is planning to use £0.700m of the DFE local authority capital maintenance grant currently shown here, to cover revenue expenditure as the grant rules allow us to do this.
- 1.2.17 **New Work Spaces (BSP&HR)** – re-phasing of -£3.694m from 12-13 to 13-14. The New Work Spaces programme is currently finalising proposals for three office hubs and localised hubs. Negotiations are being finalised so that the necessary arrangements can be put in place before the end of the year but the payment is likely to fall in the 1st quarter for 2013-14.
- 1.2.18 **Modernisation of Assets (BSP&HR)** – re-phasing of -£1.000m from 12-13 to 13-14. Some works due to commence this financial year will run into 2013-14 for completion.
- 1.2.19 **Sustaining Kent (BSP&HR)** – re-phasing of -£0.470m from 12-13 to 13-14. Part of this project was to be a planned full roll out before year end but due to the purchasing of software licences

this has been delayed until the first part of 2013-14. This has not impacted on the planned overall completion date of this project which is 31st March 2014.

Key issues and Risks

1.2.20 None

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts

2.1.1 The total forecast receipts expected to come in during 2012-13 is £17.369m. This is broken down between the various "pots" as detailed in the tables below.

2.1.2 Capital Receipts Funding Capital Programme

	2012-13
	£m
Capital receipt funding required for capital programme	6.255
Banked in previous years and available for use	3.202
Receipts from other sources*	1.880
Requiring to be sold this year	1.173
Forecast receipts for 2012-13	7.290
Potential Surplus / (Deficit)	6.117

2.1.3 The total capital receipt funding required to fund projects in the capital programme per the latest forecasts for 2012-13 totals £6.255m. Taking into account receipts banked in previous years which are available for use and receipts from other sources* (such as loan repayments from the Empty Property Initiative), the required level of receipts to achieve in 2012-13 is £1.173m.

2.1.4 Current forecasts show receipts expected in during 2012-13 will total £7.290m, which leaves a potential surplus on capital receipt funding in the capital programme of £6.117m. This will continue to be monitored over the remainder of the year. Any "surplus" receipts achieved in 2012-13 will be needed to fund projects in the future years capital programme.

PEF1

2.1.5 County Council approved the establishment of the Property Enterprise Fund 1 (PEF1), with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:

- the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
- the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

2.1.6 Any temporary deficit will be offset as the disposal of assets are realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

2.1.7 Forecast 2012-13 position

	2012-13
	£m
Opening balance 1st April 2012	-5.567
Planned receipts	0.532
Costs	-0.021
Planned acquisitions	0.000
Closing balance	-5.056

2.1.8 The previous table shows the opening balance on the fund as being -£5.567m. With forecast PEF1 receipts of £0.532m and associated costs of £0.021m, this results in a forecast closing balance of -£5.056m, which is within the permitted £10m overdraft limit.

Revenue position

2.1.9 The balance brought forward at the 1st April 2012 was -£2.328m. The anticipated net income from managing the properties held within the fund is estimated at £0.035m, but with the need to fund costs of borrowing -£0.494m against the overdraft facility, the PEF1 is forecasting a £2.787m deficit on revenue, which will be rolled to be met from future income streams.

PEF2

2.1.10 County Council approved the establishment of PEF2 in September 2008 with a maximum permitted overdraft limit of £85m, but with the anticipation of the fund broadly breaking even over a rolling five year cycle. However, due to the slower than expected recovery, breakeven, is likely to occur over a rolling seven to eight year cycle. The purpose of PEF2 is to enable Directorates to continue with their capital programmes as far as possible, despite the downturn in the property market. The fund will provide a prudent amount of funding up front (prudential borrowing), in return for properties which will be held corporately until the property market recovers.

2.1.11 Overall Forecast Position on the Fund:

	2012-13
	£m
<u>Capital</u>	
Opening balance	-14.196
Properties to be agreed into PEF2	0.000
Purchase of properties	-1.104
Forecast sale of PEF2 properties	**9.547
Disposal costs	-0.388
Closing Balance	-6.141
<u>Revenue</u>	
Opening balance	-4.231
Net interest on borrowing	-0.478
Holding costs	-0.046
Closing balance	-4.755
Overall closing balance	-10.896

** Figure is net of contributions required to pay out of disposal value of £0.213m.

2.1.12 The forecast closing balance on the fund is -£10.896m, within the overdraft limit of £85m.

2.1.13 The forecast position on both PEF funds show that the funds are operating well within their acceptable parameters.