

BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY
BUSINESS STRATEGY AND SUPPORT (EXCL. PUBLIC HEALTH) SUMMARY
SEPTEMBER 2013-14 MONITORING REPORT

1. REVENUE

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	Total (£k)	+79,277	+280	-367	-87

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

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
Regeneration & Enterprise portfolio						
Directorate Management & Support	172.2	0.0	172.2	+3		
Development Staff & Projects	5,043.7	-1,333.7	3,710.0	-3		
Total R&E portfolio	5,215.9	-1,333.7	3,882.2	0		
Finance & Business Support portfolio						
Finance & Procurement	18,707.1	-7,375.8	11,331.3	-359	-585 Appointments to the structure made last year at bottom of grade, budget set at mid-point of grade; the Division is also carrying a number of vacancies. +145 Under-recovery of income by Schools Financial Services +81 Other minor variances	These budgets will be realigned in the 2014-17 MTFP
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		
Local Democracy:						
- Grants to District Councils	703.0	0.0	703.0	0		
- Other Local Democracy costs incl. County Council Elections	741.2	0.0	741.2	0		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
- Support for Local Council Tax Support Schemes	1,253.0	0.0	1,253.0	-3			
Total F&BS portfolio	21,404.3	-7,375.8	14,028.5	-362			
Business Strategy, Performance & Health Reform portfolio							
Strategic Management & Directorate Support budgets	3,093.3	-4,520.0	-1,426.7	0			
Governance & Law	10,245.1	-12,407.9	-2,162.8	0			
Business Strategy	3,254.1	-56.7	3,197.4	-199	-87	Rolled forward funding from 12-13 for Health Reform to support the development of seven new Health and Wellbeing Boards to be aligned with the NHS Clinical Commissioning Groups is to be spent over the period June 2013 to May 2015, therefore roll forward will be required.	
					-112	Other minor variances	
Property & Infrastructure	30,749.7	-5,074.8	25,674.9	+1,420	+1,665	New external property opportunities together with the need to protect and respond to the requirements of front line services and new service pressures, have resulted in a revised New Ways of Working programme plan. The revised plan, recognising service pressures, encompasses changes to the previously assumed timelines for moving out of some of our larger leasehold buildings, hence creating a pressure within the Corporate Landlord estate.	The revised timelines to the New Ways of Working programme plan including service pressures, have been costed and the related savings will need to be re-phased in the 2014-17 MTFP.
					+918	Statutory testing (primarily legionella, asbestos and electrical) and additional maintenance costs due to the poor state of repair of the buildings transferred across to Corporate Landlord.	This will need to be addressed as a pressure in the 2014-17 MTFP.

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					-750 Use of non-ringfenced DFE capital grant to fund revenue expenditure which cannot be capitalised	The use of this grant will need to be quantified each year dependent on expected eligible spend. The current year assumes £750k and any expected future variations from this will need to be addressed in the MTFP. This saving will be reflected in the 2014-17 MTFP
					-400 Additional income from Kent Commercial Services for leasing of property at commercial rates	
					-252 Additional demands to support the capital programme have resulted in additional capitalisation of staff time (eg ELS Basic Need Programme)	
					-107 Savings realised from the Park and Ride ticket scheme	
					+346 Other minor variances, incl. spend on utilities, cleaning, grounds maintenance & agency staff.	
Human Resources	16,883.1	-6,197.0	10,686.1	-352	-185 Underspend against training budget following approval of all directorate workforce development plans.	
					-112 Additional income generated through providing recruitment services to schools	
					-55 Other minor variances	
Information & Communication Technology	35,540.9	-16,399.1	19,141.8	-56	+1,875 Costs associated with the Integrated Children's System (ICS)	
					-1,875 Drawdown from the IT Asset Maintenance Reserve to fund the costs of ICS	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					+400 Pressure resulting from expenditure on Thin Client. Thin client computing essentially moves the point of processing from the end user device to a central server enabling users to access applications via any device capable of displaying an internet browser.	
					-400 Drawdown from IT Asset Maintenance Reserve for Thin Client costs.	
					-419 One off rebate from BT for changes to circuit use.	
					+400 Alternative provision of telephony through unified communications.	
					-37 Other minor variances	
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		
Total BSP&HR portfolio	99,766.2	-44,655.5	55,110.7	+813		
Democracy & Partnerships portfolio						
Finance - Internal Audit	1,175.9	-34.0	1,141.9	-74	-104 Taking time to recruit to staffing vacancies due to specialist nature of posts.	
					+30 Other minor variances	
Business Strategy - International & Partnerships	854.1	-173.0	681.1	-57		
Democratic & Member Services	3,865.9	-3.0	3,862.9	-40		
Local Democracy:				0		
- Other Local Democracy costs: County Council Elections	570.0	0.0	570.0	0		
Total D&P portfolio	6,465.9	-210.0	6,255.9	-171		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Total BSS Controllable (excl. Public Health)	132,852.3	-53,575.0	79,277.3	+280			
Assumed Management							
- R&E portfolio							
- F&BS portfolio							
- BSP&HR portfolio				-367		The Directorate is wholly committed to delivering a small underspend by the end of the financial year, to allow for the roll-forward within Business Strategy, and will continue to consider all options to ensure this happens. This includes Property Group Managers being tasked with delivering in year savings and efficiencies in non-critical areas of expenditure to reduce the overall pressure within the division.	
- D&P portfolio							
Total Forecast <u>after</u> mgmt action	132,852.3	-53,575.0	79,277.3	-87			

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts

The total forecast receipts expected to come in during 2013-14 is £17.047m. This is broken down between the various “pots” as detailed in the tables below.

2.2 Capital Receipts Funding Capital Programme

	2013-14
	£'000
Capital receipt funding required for capital programme	26,895
Banked in previous years and available for use	30,786
Receipts from other sources*	2,439
Requiring to be sold this year	0
Forecast receipts for 2013-14	<u>7,506</u>
Potential Surplus/(Deficit)	13,836

2.2.1 The total capital receipt funding required to fund projects in the capital programme per the latest forecasts for 2013-14 totals £26.895m. 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), there is already enough in the bank to fund the requirement from this year's capital programme.

2.2.2 Current forecasts show receipts expected in during 2013-14 will total £7.506m, which leaves a potential surplus on capital receipt funding in the capital programme of £13.836m. This will continue to be monitored over the remainder of the year. The three year capital programme is reliant on £71m of capital receipt funding, therefore any “surplus” receipts achieved in 2013-14 will be needed to fund projects in the future years capital programme.

PEF1

2.2.3 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.

2.2.4 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.

2.2.5 Forecast 2013-14 position

	2013-14
	£000
Opening deficit balance 1 April 2013	-5,560
Planned receipts	3,590
Costs	-210
Planned acquisitions	0
Reimbursement - Eurokent Access	5,092
Closing balance	<u>2,912</u>

2.2.6 The previous table shows the opening balance on the fund as being £5,560k deficit. With forecast PEF1 receipts of £3,590k, reimbursement re Eurokent Access of £5,092k and associated costs of £209.7k, this results in a forecast closing surplus balance of £2,912k.

Revenue Position

2.2.7 The deficit balance brought forward at the 1st April 2013 was £3,285k. The anticipated net income from managing the properties held within the fund is estimated at £0.045k, but with the need to fund costs of borrowing of £315k against the overdraft facility, the PEF1 is forecasting a £3,555k deficit on revenue, which will be rolled to be met from future income streams.

PEF2

2.2.8 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.

2.2.9 Overall Forecast Position on the Fund:

	2013-14
<u>Capital</u>	£000
Opening deficit balance	-6,159
Properties to be agreed into PEF2	0
Purchase of properties	0
Forecast sale of PEF2 properties	5,951
Disposal costs	-108
Closing deficit balance	<u>-316</u>
<u>Revenue</u>	
Opening balance	-4,787
Net interest payments on borrowing	-270
Holding costs	-55
Closing deficit balance	<u>-5,112</u>
Overall deficit closing balance	<u><u>-5,428</u></u>

2.2.10 The forecast closing deficit balance on the fund is £5.428m, which is within the overdraft limit of £85m.

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

3. CAPITAL

3.1 The working budget for the Business Strategy & Support Directorate for 2013-14 is £71,622k. The forecast outturn against the 2013-14 budget is £69,507k giving a variance of - £2,115k.

3.2 **Table 2a** below details the Business Strategy, Performance & Health Reform Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status ¹	Explanation of Project Status	Actions
Rolling Programmes									
Corporate Property Strategic Capital	7,950	2,530	-750	-750	Real - Grant	Property group has used £750k of the DFE local authority capital maintenance grant currently shown here, to cover revenue expenditure as the grant rules allow us to do this.	Green		
Disposal Costs	910	250	0				Green		
Modernisation of Assets	9,521	4,888	0				Green		
Individual Projects									
Connecting with Kent	532	361	0	0			Green		
HR Recruitment Management System	125	125	0	0			Green		
HR System Development	226	113	-47	-47	Rephasing		Green		
Innovative Schemes Fund	3,000	1,000	0	0			Green		
New Ways of Working	24,000	19,934	0	0			Green		
Sustaining Kent - Maintaining the Infrastructure	270	1,917	0	0			Green		

Budget Book Heading	Three year cash limit (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status ¹	Explanation of Project Status	Actions
ORACLE Release 12	0	230	0	0			Green		
ORACLE Self Service Development	0	44	0	0			Green		
Property Asset Management System	0	297	0	0			Green		
Enterprise Resource Programme	0	877	35	35	Real - Prudential	To be funded from underspend in E&E capital programme.	Amber	Synchronised sign on and (elements of) remote access work streams cannot be delivered until server refresh has completed.	
Integrated Children's Systems	0	748	0	0			Green		
Total	46,534	33,314	-762	-762					

3.3 **Table 2b** below details the Regeneration and Economic Development Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status ¹	Explanation of Project Status	Actions
Individual Projects									
Dover Priory Station Approach Road	0	-3	0	0			Green		
Broadband	23,500	2,650	0	0			Green		
Empty Property Initiative	7,500	3,710	0	0			Green		
Eurokent Road (East Kent)	65	84	-69	-69	Rephasing		Green		
Folkestone Heritage Quarter	380	402	-300	-300	Rephasing	Re-alignment of budget to agree with updated project plan, this has not affected the completion date.	Green		
Incubator Development	0	262	0	0			Green		
LIVE Margate	6,800	6,508	0	0			Green		
Managed Work Space - The Old Rectory	160	174	0	0			Green		
Marsh Million	0	100	0	0			Green		
No Use Empty - Rented Affordable Homes	750	750	0	0			Green		
Old Town Hall	94	25	0	0			Green		
Regeneration Fund Projects	5,061	3,555	0	0			Green		
Regional Growth Fund, including Expansion East Kent	37,200	14,384	0	0			Green		

Budget Book Heading	Three year cash limit (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status ¹	Explanation of Project Status	Actions
Rural Broadband Demonstration Project	1,897	1,568	-984	-984	Re-phasing	Spend will be incurred on four or five local schemes this year with the remainder of the funding being kept as a contingency. The rephasing is not expected to impact on the completion date of the overall project.	Green		
Swale Parklands	0	65	0	0			Green		
TIGER	20,000	4,000	0	0			Green		
Tram Road/Tontine Street Road Works	0	74	0	0			Green		
Total	103,407	38,308	-1,353	-1,353					

1. Status:

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget