

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

1. REVENUE

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	Total (£k)	+80,225	-735	-	-735

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	-199	-397 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. -294 Reduction in specialist fees within Financial Management +129 Increased cost of asset valuations +120 Under-recovery of income by Schools Financial Services +100 Contribution to reserves to fund further rollout of Collaborative Planning and Business Intelligence in future years +143 Other minor variances	
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Local Democracy:							
- Grants to District Councils	703.0	0.0	703.0	0			
- Other Local Democracy costs	741.2	0.0	741.2	+1			
- 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	-201			
Business Strategy, Performance & Health Reform portfolio							
Strategic Management & Directorate Support budgets	3,093.3	-5,089.3	-1,996.0	-9			
Governance & Law	10,245.1	-12,407.9	-2,162.8	+188	+139	Reduction in external income	
					+49	Increased agency costs	
Business Strategy	3,254.1	-56.7	3,197.4	-242	-125	The Division is carrying a number of vacancies.	
					-87	Rolled forward funding from 2012-13 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.	
					-30	Other minor variances	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Property & Infrastructure	31,017.5	-5,247.3	25,770.2	+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 have been 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 has been reflected as a pressure in the 2014-17 MTFP.
					+258	Additional overspend against Corporate Landlord budgets, in particular on building maintenance and repairs.	
					-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 grant has been included in the 2014-15 capital budget at present.
					-357	Additional income from Kent Commercial Services for leasing of property at commercial rates	
					-350	Additional demands to support the capital programme have resulted in additional capitalisation of staff time (eg ELS Basic Need Programme)	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					-210	Savings realised from the Park and Ride ticket scheme
					-100	Anticipated savings from rates rebates
					+346	Other minor variances, incl. spend on utilities, cleaning, grounds maintenance & agency staff.
Human Resources	16,805.1	-6,197.0	10,608.1	-1,136	-581	Underspend against training budget as a result of directorates only recently finalising their workforce development plans.
					-258	Small underspends primarily resulting from vacancies in a number of units including Health and Safety, Learning and Development, Schools Personnel Service and the Kent Graduate Programme
					-141	Re-phasing of training programmes funded from the Independent Sector, rolled forward from 2012-13, which is being spent over the period July 2013 to January 2015, therefore roll forward will be required again to 2014-15.
					-101	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	-138	+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 £'000	Income £'000	Net £'000	Net £'000		
					£'000 +429 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. -429 Drawdown from IT Asset Maintenance Reserve for Thin Client costs. -419 One off rebate from BT for changes to circuit use. +404 Alternative provision of telephony through unified communications. -137 One off refund on circuits spend relating to Unisys contract. +14 Other minor variances	
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		
Total BSP&HR portfolio	99,956.0	-45,397.3	54,558.7	+83		
Democracy & Partnerships portfolio						
Finance - Internal Audit	1,175.9	-34.0	1,141.9	-141	-155 Taking time to recruit to staffing vacancies due to specialist nature of posts. +14 Other minor variances	
Business Strategy - Facing the Challenge	1,500.0	0.0	1,500.0	-258	-258 Re-phasing of costs into 2014-15 will require the underspend to be rolled forward.	
Business Strategy - International & Partnerships	854.1	-173.0	681.1	-81		
Democratic & Member Services	3,937.6	-74.7	3,862.9	-137	-90 Schools appeals income -37 Other minor variances	

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Local Democracy:				0			
- Other Local Democracy costs: County Council Elections	570.0	0.0	570.0	0			
Total D&P portfolio	8,037.6	-281.7	7,755.9	-617			
Total BSS Controllable (excl. Public Health)	134,613.8	-54,388.5	80,225.3	-735			
Assumed Management							
- R&E portfolio							
- F&BS portfolio							
- BSP&HR portfolio							
- D&P portfolio							
Total Forecast <u>after</u> mgmt action	134,613.8	-54,388.5	80,225.3	-735			

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 £13.544m. 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	19,670
Banked in previous years and available for use	30,786
Receipts from other sources*	273
Requiring to be sold this year	0
Forecast receipts for 2013-14	<u>5,672</u>
Potential Surplus/(Deficit)	17,061

2.2.1 The total capital receipt funding required to fund projects in the capital programme per the latest forecasts for 2013-14 totals £19.67m. 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 £5.672m, which leaves a potential surplus on capital receipt funding in the capital programme of £17.061m. 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	2,451
Costs	-210
Planned acquisitions	0
Reimbursement - Eurokent Access	5,092
Closing balance	<u>1,773</u>

2.2.6 The previous table shows the opening balance on the fund as being -£5.560m. With forecast PEF1 receipts of £2.451m, reimbursement re Eurokent Access of £5.092m and associated costs of £0.210m, this results in a forecast closing balance of +£1.772m.

Revenue Position

2.2.7 The balance brought forward at the 1st April 2013 was -£3.285m. The anticipated net income from managing the properties held within the fund is estimated at £0.045m, but with the need to fund costs of borrowing of -£0.340m against the overdraft facility, the PEF1 is forecasting a £3.580m 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	5,421
Disposal costs	-143
Closing deficit balance	<u>-881</u>
 <u>Revenue</u>	
Opening balance	-4,787
Net interest payments on borrowing	-280
Holding costs	-43
Closing deficit balance	<u>-5,110</u>
 Overall deficit closing balance	<u><u>-5,991</u></u>

2.2.10 The forecast closing balance on the fund is -£5.99m, 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 £58,209k giving a variance of -£13,413k.

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 per budget book (£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 >£100k	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				Green		
HR Recruitment Management System	125	125	0				Green		
HR System Development	226	113	-47	-47	Rephasing		Green		
Innovative Schemes Fund	3,000	1,000	0				Green		

Budget Book Heading	Three year cash limit per budget book (£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 >£100k	Project Status ¹	Explanation of Project Status	Actions
New Ways of Working	24,000	19,934	-3,534	-3,534	Rephasing	Delay due to the forecast being prepared at the start of the year based on broad un-tested assumptions. The NWW business case, approved in June 2013, developed the strategy and timings of capital expenditure but had not been reflected in an updated capital profile.	Green		
Sustaining Kent - Maintaining the Infrastructure	270	1,917	-1,067	-1,067	Rephasing	Technical difficulties during the unified communications implementation has resulted in significant delays.	Amber	Technical difficulties during the unified communications implementation has resulted in significant delays.	
ORACLE Release 12	0	230	0				Green		
ORACLE Self Service Development	0	44	0				Green		
Property Asset Management System	0	297	-76	-76	Rephasing		Amber	The project contract was signed in November and the implementation programme has been rephased with a clear delivery plan.	
Enterprise Resource Programme	0	877	-41	35 -76	Real - prudential Rephasing		Green		
Integrated Children's Systems	0	748	0				Green		
Total	46,534	33,314	-5,515	-5,515					

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

Budget Book Heading	Three year cash limit per budget book (£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 >£100k	Project Status ¹	Explanation of Project Status	Actions
Individual Projects									
Broadband	23,500	2,650	-2,567	-2,567	Rephasing	Whilst delivery is currently ahead of schedule, the claim payment process means that the supplier is only entitled to the first agreed milestone payment before the end of this financial year.	Green		
Dover Priory Station Approach Road	0	-3	0				Green		
Empty Property Initiative	7,500	3,710	0				Green		
Eurokent Road (East Kent)	65	84	-64	-64	Rephasing		Green		
Folkestone Heritage Quarter	380	402	-402	-402	Rephasing	Re-alignment of budget to agree with updated project plan, this has not effected the completion date.	Green		
Incubator Development	0	262	-186	-186	Rephasing	Re-phasing of £100k on one project is due to changes in negotiations with landlords that has led to a review of the proposed property options. We are in the process of securing alternative locations which will give the project a stronger strategic position.	Green		

Budget Book Heading	Three year cash limit per budget book (£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 >£100k	Project Status ¹	Explanation of Project Status	Actions
LIVE Margate	6,800	6,508	-3,400	-3,400	Rephasing	KCC have decided to undertake a strategic review of the project, shifting away from the redevelopment of existing properties to acquiring key sites and promoting those sites for development. This has led to rephasing on the project.	Green		
Managed Work Space - The Old Rectory	160	174	0				Green		
Marsh Million	0	100	0				Green		
No Use Empty - Rented Affordable Homes	750	750	-360	-360	Rephasing	Projects have been identified but delays in planning, legal and settling finance packages have resulted in the rephasing.	Green		
Old Town Hall	94	25	0				Green		
Regeneration Fund Projects	5,061	3,555	0				Green		
Regional Growth Fund (Expansion East Kent)	32,200	12,884	2,909	2,909	Rephasing	Forecast adjusted to align with loans committed.	Green		
Regional Growth Fund (Journey Time Improvement JTI)	5,000	1,500	-1,500	-1,500	Re-phasing	Delays due to changes made to the drawdown rules affecting our claims.	Green		

Budget Book Heading	Three year cash limit per budget book (£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 >£100k	Project Status ¹	Explanation of Project Status	Actions
Rural Broadband Demonstration Project	1,897	1,568	-1,288	-1,288	Rephasing	First payments of £35K has been made to all projects. Additional payment of £140k is envisaged this financial year, but unlikely third payment will be achieved due to slippage as a result of UK Power Network needing to deploy resources elsewhere.	Green		
Swale Parklands	0	65	0				Green		
TIGER	20,000	4,000	-1,000	-1,000	Rephasing	Forecast adjusted to align with loans committed.	Green		
Tram Road/Tontine Street Road Works	0	74	-40	-40	Rephasing		Green		
Total	103,407	38,308	-7,898	-7,898					
BSS Directorate	149,941	71,622	-13,413	-13,413					

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget