

From: **John Simmonds, Deputy Leader and Cabinet Member for Finance & Procurement**
Gary Cooke, Cabinet Member for Corporate & Democratic Services
Bryan Sweetland, Cabinet Member for Commercial & Traded Services
David Cockburn, Corporate Director for Strategic & Corporate Services

To: **Policy & Resources Cabinet Committee – 11 December 2015**

Subject: **Financial Monitoring 2015-16**

Classification: **Unrestricted**

Past Pathway: **Cabinet 30 November 2015**

Summary:

The Cabinet Committee is asked to note the second quarter's full budget monitoring report for 2015-16 reported to Cabinet on 30 November 2015.

Recommendation(s):

The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2015-16 based on the second quarter's full monitoring to Cabinet.

1. Introduction:

1.1 This is a regular report to this Committee on the forecast outturn.

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 directorate together with key activity indicators. These quarterly reports also include financial health indicators, prudential indicators, the impact on revenue reserves of the current monitoring position and staffing numbers by directorate. In the intervening months a shorter report is made to Cabinet outlining the financial position for each directorate. A link to the second quarter's monitoring report for 2015-16 is provided below:

<https://democracy.kent.gov.uk/documents/s60948/Item%207%20-%20Budget%20Monitoring%202015-16%20Qtr%202.pdf>

(Please press down the control button and click on the link above, which will open the report)

- 2.2 Although the full Cabinet report is provided, each Cabinet Committee only needs to consider the items that are within its remit. For Policy & Resources Cabinet Committee, these items are contained within Annex 6 of the Cabinet report.
- 2.3 Annex 6 shows the Quarter 2 position for the Strategic & Corporate Services Directorate as an underspend of -£177k.

As in the previous financial year, there is a pressure within the Contact Centre which management action has continued to decrease to a figure now of +£233k. This is still driven by call volumes and length of calls. With the move to the new Agilisys contract in December 2015, the final reported pressure will be that attributable to the period 1st April 2015 through to 9th December 2015 as the new contract will be fully funded.

The Customer Relationships team is reporting a pressure of +£186k which primarily relates to the delayed delivery of the 2015-16 saving pending the restructure of the Engagement, Organisation Design & Development division. This restructure is currently in progress and will be completed by the end of the current financial year. In-year Management action is off-setting the overspend against other units of E,OD&D and the overall position will be resolved for 2016-17 budget build.

Communications & Consultation are forecasting an underspend of -£229k driven mainly from holding vacancies pending the in-progress restructure of E,OD&D and this is off-setting the Customer Relationships position referred to above.

The Business Services Centre is reporting an underspend of -£345k which primarily relates to staffing vacancies held pending the outcome of the back office procurement process. There is also additional income generated by the Teacher Recruitment team.

Information, Communications & Technology is forecasting an overspend of +£420k. The two main reasons for this are firstly an increase in one-off costs relating to the Managed Print Service implementation costs and secondly, increased maintenance charges for increased data storage. Within the Infrastructure division, this variance is being off-set by the Business Services Centre and Property Group underspends.

Property Group is forecasting an underspend of -£252k relating to some one-off rates rebates and the early delivery of some New Ways of Working savings.

Most other Divisions within the Directorate are reporting small underspends below £100k.

The Directorate capital outturn forecast is an underspend of -£356k and budgets are mainly green. The Electronic Document Management Solution is amber due to rephasing in to 2016-17. The Property Asset Management System and Swanley Gateway are also amber due to small additional funding requirements which have already been identified.

- 2.4 As the Policy & Resources Cabinet Committee has overview of the whole Authority, Members of the Committee are asked to note the overall revenue position for the Authority.

The net projected variance against the combined directorate revenue budgets is an overspend of £6.609m, before management action, but management action is expected to reduce the position to an overspend of £5.009m. However, there is some minor re-phasing of budgets which we will need to roll forward to 2016-17 to fulfil our legal obligations, which changes the position to an overspend of £5.301m. There is also some significant underspending within the forecast, relating to the Kent Youth Employment programme and the Troubled Families programme which we would ideally like to roll forward in order to continue with these initiatives in 2016-17, but these will be subject to Cabinet approval in June in view of the overall outturn position and the pressures facing the authority over the medium term. If we allow for this, then this changes the position to an underlying overspend of £6.586m.

2.5 The overall forecast overspend position, after management action and taking into account the requirements to roll forward, of £6.586m includes a residual Asylum pressure of £2.237m (after taking into account the most recent grant offer from the Home Office). A £6.586m forecast pressure, £4.349m excluding Asylum, at this stage of the financial year is still a very real cause for concern especially as:

- i. the delivery of the £1.6m management action is by no means certain,
- ii. we may still have not reached the peak of our adult social care forecast, as the pressure on domiciliary care and supported living has consistently increased month on month throughout this financial year.

2.6 Although it is not unusual for the early forecasts in the financial year to be on the pessimistic side, usually by the Quarter 2 monitoring report the position has improved significantly. Although our position this year, excluding Asylum and roll forward issues, has improved by £4.4m since the initial forecast for the year presented to Cabinet in July, the scale of improvement is not as high as we would have hoped, and we have not had a forecast residual pressure (including Asylum) of this magnitude (£6.586m) at this point in the year in, at least, any of the last 21 years. This all therefore paints a bleak outlook and it is essential that this is managed down to at least a balanced position before the end of the financial year, considering the further substantial budget savings required to balance the 2016-17 budget, and with further government funding cuts expected in the medium term. We are all aware that the easier savings options have already been taken, meaning that managing an in year pressure becomes harder and harder each year. By the time Cabinet considered this report we only had four months left of the financial year in which to turn this position around. Corporate Directors have urged their Directorate Management Teams to limit spend wherever possible. Managers have been, and will continue to be, kept informed on KNet. We have, so far, resisted any moratorium on specific activity, but this will be kept under constant review.

3. Recommendation(s):

The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2015-16, based on the second quarter's full monitoring to Cabinet.

4. Contact details

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STRATEGIC & CORPORATE SERVICES DIRECTORATE
SEPTEMBER 2015-16 MONITORING REPORT

REVENUE

	Cash Limit	Variance Before Mgmt Action	Mgmt Action	Net Variance after Mgmt Action	Roll forwards		Variance after Mgmt Action & Roll Fwd
					committed	uncommitted	
Total Directorate (£k)	+71,512	-177	-	-177	-	-	-177

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

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP/Budget Build
	Gross £'000	Income £'000	Net £'000	Net £'000		
Strategic & Corporate Services						
Strategic Management & Directorate Support Budgets	3,059.7	-5,168.2	-2,108.5	-50		
Community Services						
- Contact Centre & Citizens Advice Help Line	2,421.5	-387.3	2,034.2	+233	+186	A continuation from 2014-15 of the increased number and duration of calls to the Contact Centre, resulting in a need to increase staffing levels to maintain performance and delaying the ability to fully deliver savings.
					+148	Increased costs of Cloud telephony system and Workforce Management system
					-101	Other minor variances, each below £100k in value

Management Action identified includes a change to the telephony infrastructure which will increase functionality and promote efficiencies. Additionally, the Customer Service Design Programme is working with directorates to implement process changes which will help reduce call volumes and duration.

The costs of the Cloud telephony system will require addressing as part of the 2016-17 budget process.

ANNEX 6

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP/Budget Build
	Gross £'000	Income £'000	Net £'000	Net £'000		
- Gateways & Customer Relationship	1,315.0	-35.0	1,280.0	+186	+274 -88	Delivery of the 2015-16 saving of £0.390m has been delayed pending the restructure of the Engagement, Organisation Design & Development division. Other minor variances
Total Community Services	3,736.5	-422.3	3,314.2	+419		
<u>Local Democracy</u>						
- Community Engagement	328.0	0.0	328.0	+36		
- County Council Elections	570.0	0.0	570.0	0		
- Local Member Grants	2,704.4	0.0	2,704.4	0		
- Partnership arrangements with District Councils	2,163.2	0.0	2,163.2	0		
Total Local Democracy	5,765.6	0.0	5,765.6	+36		
<u>Support to Frontline Services</u>						
- Business Services Centre	40,993.6	-40,993.6	0.0	-345	-400 -142 +197	Staffing vacancies originally held pending the outcome of the back office procurement process Additional external income following increased demand for teacher recruitment Other minor variances including costs of project management, recruitment and legal fees, each below £100k in value
- Business Strategy	3,216.3	-82.0	3,134.3	-27		
- Communications & Consultation	3,055.1	-531.0	2,524.1	-229	-94 -135	Staffing vacancies held pending restructure of the Engagement, Organisation Design & Development division Other minor variances, each below £100k in value

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Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP/Budget Build
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Democratic & Members	3,793.1	-142.0	3,651.1	-26		
- Finance & Procurement	18,525.7	-8,192.6	10,333.1	-42	+97 Staffing overspend, which includes the use of additional senior finance staff on the Back Office Procurement project. This overspend is offset by other savings on non staffing and additional income which are included in the minor variances below. -139 Other minor variances, each below £100k in value	
- Human Resources	9,017.4	-1,301.9	7,715.5	-81		
- Information, Communications & Technology	16,847.4	-1,742.8	15,104.6	+420	+139 Increase in one-off Managed Print Service project implementation costs +158 Increased maintenance charge for data storage +123 Other minor variances, each below £100k in value	
- Legal Services & Information Governance	8,688.5	-10,872.2	-2,183.7	0	+386 Increased use of agency staff due to a number of unexpected vacancies and to provide cover for legal staff working on Facing the Challenge, together with an increased demand for legal services. -499 Anticipated increase in internal income based upon last year's income levels together with increased demand for legal services +113 Other minor variances, each below £100k in value	

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Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP/Budget Build
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Property & Infrastructure Support	33,018.3	-8,756.3	24,262.0	-252		Minor variances relating to Corporate Landlord each below £100k in value
- Transformation	0.0	0.0	0.0	0		see Financing Items (Annex 7) for details Service transformation costs are held here as a holding position and it is anticipated that these transformation costs, together with the matching drawdown from reserves, will be transferred to the relevant services at the end of the financial year.
Total Support to Frontline Services	137,155.4	-72,614.4	64,541.0	-582		
Total S&CS	149,717.2	-78,204.9	71,512.3	-177		
Assumed Management Action						
Total S&CS Forecast <u>after</u> mgmt action	149,717.2	-78,204.9	71,512.3	-177		