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

To: **Policy & Resources Cabinet Committee – 8 March 2017**

Subject: **Financial Monitoring 2016-17**

Classification: **Unrestricted**

Summary:
The Policy & Resources Cabinet Committee is asked to note the December 2016-17 budget monitoring position which was dispatched to Cabinet on 3 February 2017**.**

Recommendation(s):
The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2016-17 that are in the remit of this Cabinet Committee, based on the December monitoring to Cabinet.

1. Introduction:

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

2. Background:

2.1 Cabinet recently agreed a revised format for the regular budget monitoring reports. The Policy & Resources Cabinet Committee noted and commented on the revised format at its meeting on the 22 July 2016, endorsing that in future a short commentary report for the Strategic & Corporate Services Directorate along with a summary of the overall position for the Authority, would be written and presented in a more timely manner than had previously been possible.

This is the fourth report to be presented to this Committee in the revised format.

2.2 Table 1 below shows the position for the Strategic & Corporate Services Directorate for December 2016, together with the movement in forecast from the November 2016 monitoring position.

2.2 Table 1

Budget Book Heading	Net Budget	Net Forecast Variance	Corporate Director adjustment	Revised Net Variance	Previous Month's position	Movement
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Strategic & Corporate Services Directorate						
- Contact Centre, Digital Web Services & Gateways	5,174.0	-127.3	0.0	-127.3	-31.9	-95.4
- Local Democracy	5,314.5	-2.9	0.0	-2.9	-2.9	0.0
- Strategic Business Development & Intelligence	1,332.1	-61.1	0.0	-61.1	-64.0	2.9
- Strategy, Policy, Relationships & Corporate Assurance	2,064.1	-214.5	0.0	-214.5	-213.9	-0.6
- Democratic & Members	3,699.4	-108.3	0.0	-108.3	-108.2	-0.1
- Finance & Procurement	10,830.8	-414.9	0.0	-414.9	-338.6	-76.3
- Engagement, Organisation Design & Development (HR,Comms & Engagement)	9,607.9	-279.3	0.0	-279.3	-248.7	-30.6
- Legal Services & Information Governance	-2,042.8	488.8	0.0	488.8	474.5	14.3
- S&CS Strategic Management & Directorate Support Budgets	-2,413.5	0.0	0.0	0.0	0.0	0.0
- Infrastructure - Property, ICT & Business Services Centre (CLL reduced by Asset Utilisation saving of -£1,038k)	37,141.8	619.5	0.0	619.5	673.1	-53.6
Total S&CS	**70,708.3**	**-100.0**	**0.0**	**-100.0**	**139.4**	**-239.4**

2.3 The Strategic & Corporate Services figures in Table 1 above contain both the forecast for the Directorate itself and the Corporate aspirational savings target of -£1,038k for the Asset Utilisation programme, held against the Corporate Landlord budgets within the Infrastructure Division. The Directorate forecast (excluding the Asset Utilisation target) has moved by -£0.239m to an underspend of -£0.838m, whilst the position on Asset Utilisation remains unchanged at +£0.738m, giving an overall underspend of -£0.100m as shown above.

2.4 The main movements for the Directorate controllable budgets are: -£0.095m for Contact Centre & Gateways where planned expenditure on project work within Gateways has re-phased to 2017/18; -£0.054m improvement in position for Infrastructure which includes Business Services Centre; -£0.076m Finance & Procurement further staffing efficiencies and income.

2.5 Directorate Variance of -£0.838m.
Finance & Procurement are reporting an underspend of -£0.415m most of which is coming from unbudgeted income opportunities which have arisen

in Procurement from work with the West Kent CCG and Revenue Finance for hosting the Better Care Fund.

Strategy, Policy, Relationships & Corporate Assurance are reporting an underspend of -£0.215m resulting from staff maternity and secondments together with unbudgeted project income from the NHS.

Engagement, Organisation Design & Development are reporting an underspend of -£0.279m primarily due to staffing vacancies.

Legal Services are reporting a pressure of +£0.489m primarily due to staff vacancies, recruitment and training of new staff which is impacting income generation.

The variance of +£0.619m against Infrastructure consists of an underspend of -£0.119m against Infrastructure controllable budgets, made up of many variances across all areas of the Division, including the Business Services Centre. This is off-set by the overspend of +£0.738m relating to the Corporate aspirational Asset Utilisation target.

All other Divisions within the control of the S&CS Directorate have variances of less than +/- £0.100m.

2.5 Asset Utilisation Variance of +£0.738m.

Property Group manages the Corporate Landlord estate which is occupied by front line services and has a savings target attached to it relating to the exiting of some buildings through the Asset Utilisation programme. It is not within Property's control to exit these operational buildings as these depend on operational service requirements and Member decisions reflecting the complex and challenging nature of this target. However, Property Group is working closely with service directorates and Members to identify potential buildings which could deliver the savings requirement. At present there is circa £0.738m of savings to be delivered from the closure of buildings, which are yet to be agreed.

2.6 The Strategic & Corporate Services capital budget is £20.502m. There are no major variances to report.

3.1 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.

3.2 We continue with our campaign to urge budget managers to be less guarded with their forecasting and question every pound of spend. As a result, the residual position is once again showing an improvement this month. All current anticipated management action is now included in the Corporate Directors adjustments reflected in this report. The only other potential outstanding adjustment relates to Asylum, so assuming that we receive funding from the Home Office to offset the Asylum pressure, and this is by no means certain, then the overall position would reduce by a further £1.865m from £5.218m to £3.353m. This compares to a residual pressure reflected in section 1.4 of the November monitoring report of £4.090m, so an underlying improvement of £0.737m this month. This predominately relates to improved positions within Adult Social Care, specifically nursing and residential care and support for carers, and within Strategic & Corporate Services directorate, particularly Finance & Procurement, Gateways, and Infrastructure & Business Services Centre. This further improvement in the position is once again very encouraging, but although we continue to move in the right direction, we still remain a long way short of achieving a balanced position. This situation is exacerbated further by the need to roll forward funds into 2017-18 to meet our commitments.

3.3 Senior management continue to work collectively to identify common areas where spend could be reduced and they remain committed to achieving a balanced position by year end without imposing a more draconian set of authority wide moratoria. Whilst we haven't introduced moratoria, we are:

- holding vacancies for non-essential posts and having director level authorisation for those posts that we do recruit to;
- ensuring rigorous contract management;
- running a PR campaign to all staff giving the message to stop all non-essential expenditure and increase income generation wherever possible;
- rigorously reviewing any external advertising for recruitment;
- promoting the message of "think before you print";
- stopping any external room hire wherever possible and practical.

3.4 Corporate Directors continue to look for further savings, however small, that we hope will be reflected in these forecasts in the coming months. Any residual overspend would need to be funded from reserves, which is a one-off solution, still requiring the underlying pressure to be dealt with by in-year management action in the very early part of 2017-18.

3. Recommendation(s):

The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2016-17 that are in the remit of this Cabinet Committee, based on the December monitoring to Cabinet.

4. Contact details

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