

TO: Policy and Resources Cabinet Committee – 27 September 2012

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 and Commercial Services (Environment, Highways Waste Portfolio) Financial Monitoring 2012/13

Classification: Unrestricted

Summary:

Members of the Cabinet Committee are asked to note the first quarter's full budget monitoring report for 2012/13 reported to Cabinet on 17 September 2012.

FOR INFORMATION

1. Introduction:

1.1 This is a regular report to this Committee on the forecast outturn for the Business Strategy and Support Directorate and Commercial Services (Environment, Highways Waste Portfolio).

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 Business Strategy and Support Directorate annex from the first quarter's monitoring report for 2012/13 is attached at Appendix 1. Also attached at Appendix 2 is an extract from the Enterprise and Environment Directorate showing the position for Commercial Services.

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 1 report.

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

4.1 There are no exceptional capital changes since the writing of the attached quarter 1 report.

5. **Note to Andy Wood regarding the new Finance support arrangements**

- 5.1 This note, attached at Appendix 3, was produced in August following the rollout of Phase 1 and Phase 2a to review the progress of the new finance support arrangements.

6. **Recommendations**

- 6.1 Members of the Policy and Resources Cabinet Committee are asked to:
- (a) 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 first quarter's full monitoring to Cabinet.
 - (b) note the progress of the new arrangements for finance support.

Jackie Hansen
Finance Business Partner - Business Strategy and Support
Tel 01622 69(4054)
Email jackie.hansen@kent.gov.uk

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

1. FINANCE

1.1 REVENUE

- 1.1.1 The cash limits that the Directorate is working to, **and upon which the variances in this report are based**, include adjustments for both formal virement and technical adjustments, the latter being where there is no change in policy. The Directorate would like to request formal virement through this report to reflect adjustments to cash limits for changes required in respect of the allocation of previously unallocated budgets, where further information regarding allocations and spending plans has become available since the budget setting process and to reflect adjustments required as a result of the finalisation of restructuring. This primarily relates to changes to Finance and Procurement, which increase both gross and income by £0.201m, and Property and Infrastructure, where gross and income budgets have been increased by £1.200m to reflect the recharging of costs to the Community Learning Service.

There have also been a number of corporate adjustments to cash limit to reflect the allocation of £1.079m roll forward from 2011-12 as approved by Cabinet on 9 July, and a number of other technical adjustments to budget i.e. where there is no change in policy, or where there has been a transfer of responsibilities between units where the effects of the Council restructure are still being refined. These adjustments total -£1.329m on gross and +£0.399m income.

Therefore, the overall movement in cash limits shown in table 1a below is an increase in the gross expenditure budget of £1.151m (+£0.201m + £1.200m + £1.079m - £1.329m from above) and an increase in the income budget of £1.002m (-£0.201m - £1.200m + £0.399 from above).

Table 1a shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with roll forward from 2011-12 as approved by Cabinet in July and the inclusion of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 to the executive summary,
- the total value of the adjustments applied to each A-Z budget line.

Cabinet is asked to approve these revised cash limits

Table 1b shows the latest monitoring position against these revised cash limits.

- 1.1.2.1 **Table 1a** below details the change in cash limits by A-Z budget since the published budget:

APPENDIX 1

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement		
	G	I	N	G	I	N	G	I	N
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Finance & Business Support portfolio									
Finance & Procurement	20,008	-7,644	12,364	18,866	-7,468	11,398	-1,142	176	-966
HR Business Operations	7,710	-5,666	2,044	0	0	0	-7,710	5,666	-2,044
Total F&BS portfolio	27,718	-13,310	14,408	18,866	-7,468	11,398	-8,852	5,842	-3,010
Business Strategy, Performance & Health Reform portfolio									
Strategic Management & Directorate Support budgets	2,969	-4,581	-1,612	2,897	-4,520	-1,623	-72	61	-11
Governance & Law	10,339	-12,470	-2,131	10,368	-12,470	-2,102	29	0	29
Business Strategy	3,362	-99	3,263	3,318	-139	3,179	-44	-40	-84
Property & Infrastructure	26,279	-2,931	23,348	27,416	-4,118	23,298	1,137	-1,187	-50
Human Resources	11,534	-3,115	8,419	19,287	-8,852	10,435	7,753	-5,737	2,016
Information & Communication Technology	31,643	-13,967	17,676	33,042	-13,967	19,075	1,399	0	1,399
Public Health - Local Involvement Network	533	-60	473	0	0	0	-533	60	-473
Total BSP&HR portfolio	86,659	-37,223	49,436	96,328	-44,066	52,262	9,669	-6,843	2,826
Democracy & Partnerships portfolio									
Finance - Internal Audit	854	-34	820	1,130	-34	1,096	276	0	276
Business Strategy - International, Partnerships & Cabinet Office	928	-223	705	998	-223	775	70	0	70
Democratic & Member Services	3,953	-3	3,950	3,942	-3	3,939	-11	0	-11
Local Democracy: - Member Grants incl. County Council Elections	1,273		1,273	1,273	0	1,273	0	0	0
Total D&P portfolio	7,008	-260	6,748	7,343	-260	7,083	335	0	335
Total BSS Controllable	121,385	-50,793	70,592	122,537	-51,794	70,743	1,152	-1,001	151

Note: Figures have been rounded

1.1.2.2 **Table 1b** below details the revenue position by A-Z budget against adjusted cash limits as shown in table 1a:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Finance & Business Support portfolio							
Finance & Procurement	18,866	-7,468	11,398	-150	0	-150	Many staff appointed at bottom of grade; budget based on mid-point of grade
HR Business Operations	0	0	0	0	0	0	
Total F&BS portfolio	18,866	-7,468	11,398	-150	0	-150	
Business Strategy, Performance & Health Reform portfolio							
Strategic Management & Directorate Support budgets	2,897	-4,520	-1,623	0	0	0	
Governance & Law	10,368	-12,470	-2,102	-986	1,060	74	Revised business objectives as a result of Units Evolution programme

APPENDIX 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Business Strategy	3,318	-139	3,179	0	0	0	
Property & Infrastructure	27,416	-4,118	23,298	1,351	-700	651	Extension to leasehold payments; more cautious approach to capitalising spend
Human Resources	19,287	-8,852	10,435	-60	355	295	Under recovery of income on Schools Personnel Services, partially offset by underspend on staffing; increased demand resulting staffing pressure on Employee Services
Information & Communication Technology	33,042	-13,967	19,075	0	0	0	
Public Health - Local Involvement Network	0	0	0	0	0	0	
Total BSP&HR portfolio	96,328	-44,066	52,262	305	715	1,020	
Democracy & Partnerships portfolio							
Finance - Internal Audit	1,130	-34	1,096	0	0	0	
Business Strategy - International, Partnerships & Cabinet Office	998	-223	775	0	0	0	
Democratic & Member Services	3,942	-3	3,939	-16	-58	-74	
Local Democracy:							
- Member Grants incl. County Council Elections	1,273	0	1,273	0	0	0	
Total D&P portfolio	7,343	-260	7,083	-16	-58	-74	
Total BSS Controllable	122,537	-51,794	70,743	139	657	796	
Assumed Management Action:							
- R&ED portfolio						0	
- F&BS portfolio						0	
- BSP&HR portfolio				-946		-946	P&I & HR action - see section 1.1.7
- D&P portfolio						0	
Forecast after Mgmt Action				-807	657	-150	

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 -£150k, Income Nil, Net -£150k

The projected under-spend against gross expenditure results from many appointments to the new finance structure being made at the bottom of grade, whereas the budget is set at mid-point of grade.

1.1.3.2 Human Resources – Business Operations

Following the transfer of Portfolio responsibilities in July this budget now forms part of the Human Resources heading within Business Strategy, Performance & Health Reform.

Business Strategy, Performance & Health Reform portfolio:

1.1.3.3 Governance & Law: Gross -£986k, Income +£1,060k, Net +£74k

There is a significant underspend on gross of -£1,025k and a corresponding +£1,025k under-recovery of income due to revised business objectives. In 2012/13 Governance and Law, as part of its 'Evolution, Efficiency, Enterprise' project, is seeking to reduce the cost of legal services to the Council, increase its external trading revenues, and deliver a net surplus of £2.1m. This is a change from the original budget assumption which sought to increase revenue receipts through increasing the team numbers to meet anticipated client service needs. Overall therefore, gross costs have reduced from the budget assumption as team numbers are not as high, but income has also reduced. The unit will shortly be re-profiling its budgets and will look for formal approval of these changes in the second quarter's report. There are also some smaller variances on gross and income totalling +£39k on gross and +£35k on income giving a small net pressure of £74k. This will be covered by a corresponding under-spend within Democratic and Member Services (as shown in table 1b).

1.1.3.4 Property & Infrastructure: Gross +£1,351k, Income -£700k, Net +£651k

Property Group is forecasting a £1,351k gross pressure with a compensating increase in income of £700k in 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. Additionally, revisions to Authority-wide service plans have impacted on the demands for property estate requirements, resulting in a pressure in the current year. Delivery of these savings is a top priority for management action and therefore a full review of all 'Total Place' potential savings, alongside current service plans, is being undertaken to determine the revised phasing of the savings to be reflected in the 2013-16 MTFP.

Additionally, 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 £700k of the DFE Local Authority Capital Maintenance Grant, currently shown within their capital budget, to cover this expenditure, as the grant rules allow us to fund revenue expenditure from it.

1.1.3.5 Human Resources: Gross -£60k, Income +£355k, Net +£295k

The Schools Personnel Service has 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. Consequently SPS are forecasting an under-delivery of income of **+£515k**, but also a partially compensating underspend, mainly on salaries of **-£360k**. 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 **+£151k**, mainly on staffing, which is partially offset by increased income of £63k. There are a number of smaller pressures against the rest of Human Resources, including Health and Safety, the Divisional budget and the 'Grads Kent' website, although the latter is more than offset with extra income. There is also a small over-recovery in income generated through the Teacher Recruitment & Retention Team.

The Division continues to review all HR processes including the Employee Services Centre. In the wider context, it may be possible to find savings and efficiencies from elsewhere within HR, possibly from on-going restructures within the unit. However, at present Learning and Development is still in the process of centralising training budgets across the Authority and does not yet have the results of the Authority-wide training requirements. Further clarity on the budgets and aspirations in this area are therefore being sought and an update will be provided in the second quarter's report.

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 - extension to leasehold payments; more cautious approach to capitalising expenditure	+1,351	BSPHR	Governance & Law Gross - revised business objectives	-1,025
BSPHR	Governance & Law Income - revised business objectives	+1,025	BSPHR	Property and Infrastructure Income - Use of Local Authority Capital Maintenance Grant to fund revenue expenditure previously categorised as capital	-700
BSPHR	Human Resources Income - under-recovery of income target by Schools Personnel Service	+515	BSPHR	Human Resources Gross - underspend on Schools Personnel Service mainly on salaries, partially off-setting under delivery of income target	-360
BSPHR	Human Resources Gross - pressure on Employee Services budget mainly on staffing	+151	F&BS	Finance & Procurement Gross - staffing underspend	-150
		+3,042			-2,235

1.1.4 Actions required to achieve this position:

None

1.1.5 Implications for MTFP:

The MTFP assumes a breakeven position for 2012-13. However Property may need to flag an ongoing pressure once the review of all potential 'Total Place' savings and their phasing has been completed. Once quantified, the impact of the changes in our accounting for capitalisation of expenditure will also need to be reflected in the MTFP.

1.1.6 Details of re-phasing of revenue projects:

None

1.1.7 Details of proposals for residual variance:

The Directorate is wholly committed to delivering a balanced outturn position by the end of the financial year and will continue to consider all options to ensure this happens. Robust arrangements are in place on a monthly basis to ensure that forecasts and expenditure are closely monitored and where necessary challenged.

1.1.7.1 Property and Infrastructure

Property are undertaking an urgent and robust review of all savings deliverable through the rationalisation of the property estate, both in respect of the phasing of these savings and whether

there are additional costs involved in delivering these savings, and the impact of changes to service plans. This information will be reflected in the MTFP for 2013-16.

APPENDIX 1

1.1.7.2 Human Resources

The Division continues to review all HR processes and it is anticipated it will find savings and efficiencies from elsewhere within HR. The Division will also look at the findings of the recent Lean efficiency review to provide options to achieve other savings.

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 £34.085m (see table 1 below). The forecast outturn against this budget is £33.385m, 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	Business Strategy, Performance & Health Reform	
	£m	£m	
Approved budget last reported to Cabinet	28.088	28.088	
Approvals made since last reported to Cabinet	5.997	5.997	e.g. roll forwards, additional fund & virements
Revised approved budget	34.085	34.085	

- 1.2.5 Table 2 – Further changes to budget for Cabinet to approve
- 1.2.6 Cabinet is asked to approve that the underspend of £0.193m on solar panels is moved back to the Energy Efficiency & Renewable Energy in the KCC Estate project which is in approval to plan.
- 1.2.6 Table 3 – Summary of Variance

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

Main reasons for variance

- 1.2.8 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.

1.2.9 Table 4 – Scheme Progress

Scheme name	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	
	(a) = b+c+d	(b)	(c)	(d)	(e)	(f)	(g) = (e-c)	h)=(b+e+f)-a	
BSSHP									
Modernisation of Assets	17.973	0.000	13.232	4.741	13.232	4.741	0.000	0.000	
Disposal Costs	1.000	0.000	0.750	0.250	0.750	0.250	0.000	0.000	
Corporate Property Strategic Capital	2.851	0.000	2.851	0.000	2.151	0.000	-0.700	-0.700	
Connecting Kent	1.208	1.208	0.000	0.000	0.000	0.000	0.000	0.000	
Connecting with Kent	1.914	1.154	0.760	0.000	0.760	0.000	0.000	0.000	
Oracle Release 12	1.549	1.199	0.350	0.000	0.350	0.000	0.000	0.000	
Oracle Self Service Development	0.516	0.449	0.067	0.000	0.067	0.000	0.000	0.000	
Property Asset Management System	0.310	0.000	0.310	0.000	0.310	0.000	0.000	0.000	
Sustaining Kent - Maintaining the Infrastructure	8.932	5.962	2.970	0.000	2.970	0.000	0.000	0.000	
Better Workplaces / Work Place Transformation	1.054	1.030	0.024	0.000	0.024	0.000	0.000	0.000	
Connecting Kent	0.874	0.000	0.874	0.000	0.874	0.000	0.000	0.000	
Enterprise Resource Programme (PHASE 1)	1.234	0.000	1.234	0.000	1.234	0.000	0.000	0.000	
Energy Efficiency & Renewable Energy in the KCC Estate - solar panels (spend)	0.321	0.000	0.321	0.000	0.128	0.000	-0.193	-0.193	
Integrated Childrens System	1.314	0.000	1.314	0.000	1.314	0.000	0.000	0.000	
Faversham Family Centre	0.026	0.000	0.026	0.000	0.026	0.000	0.000	0.000	
Energy Efficiency & Renewable Energy in the KCC Estate (plan)	0.182	0.000	0.182	0.000	0.375	0.000	0.193	0.193	
Enterprise Resource Programme (PHASE 2)	0.500	0.000	0.500	0.000	0.500	0.000	0.000	0.000	
Better Workplaces / Work Place Transformation	8.807	0.487	8.320	0.000	8.320	0.000	0.000	0.000	
BSSHP Total	50.565	11.489	34.085	4.991	33.385	4.991	-0.700	-0.700	

1.2.10 Status:

Green – Projects on time and budget

Amber – Projects either delayed or over budget

Red – Projects both delayed and over budget

1.2.11 Assignment of Green/Amber/Red Status

1.2.12 As this is the first of the new capital monitoring formats, the red/amber/green statuses are assigned from the current position. A project will not show as amber or red if they have been delayed or over budget in the past but this has now been resolved. Any such issues would have been reported on in previous monitoring reports to Cabinet.

1.2.13 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.

1.2.14 Projects are deemed to be delayed if the forecast completion date is later than what is in the current project plan.

Significant variances

- 1.2.15 Corporate Property Strategic Capital – 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.
- 1.2.16 Energy Efficiency & Renewable Energy in the KCC Estate - solar panels – the underspend of -£0.193m is due to a decision to reduce the number of buildings from 6 to 3, and also due to the cost of the solar panels having decreased in price. It is requested that the underspend is transferred back to the Energy Efficiency main budget in approval to plan in order to keep the total Energy Efficiency budget in tact. Plans are currently being worked up to use these monies for lighting upgrades and bio mass boilers.

Key issues and Risks

- 1.2.17 No key issues or risks have been identified.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

2.1.2 The total forecast receipts expected to come in during 2012-13 is £19.89m. This is broken down between the various “pots” as detailed in the tables below.

Capital Receipts

	2012-13
	£m
Capital receipt funding required for capital programme	16.385
Banked in previous years and available for use	3.202
Receipts from other sources*	4.558
Requiring to be sold this year	8.625
Forecast receipts for 2012-13	7.670
Potential Surplus/(Deficit)	-0.955

2.1.3 The total capital receipt funding required per the latest forecasts for 2012-13 totals £16.385m. 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 £8.625m.

2.1.4 Current forecasts show receipts expected in during 2012-13 will total £7.670m, which leaves a potential deficit on capital receipt funding in the capital programme of -£0.955m. This will be monitored over the coming months to ensure there will be adequate funding to meet the demands.

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	0.910
Costs	-0.343
Planned acquisitions	0.000
Closing balance	-5.000

2.1.8 The above table shows the opening balance on the fund as being -£5.567m. With forecast PEF1 receipts of £0.910m and associated costs of £0.343m this results in a forecast closing balance of -£5.000m, 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 -£0.492m against the overdraft facility, the PEF1 is forecasting a £2.785m 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
Forecast sale of PEF2 properties **	11.097
Disposal costs	-0.413
Closing balance	-3.512
<u>Revenue:</u>	
Opening balance	-4.231
Interest on borrowing	-0.426
Holding costs	-0.046
Closing balance	-4.703
Overall closing balance	-8.215

** 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 -£8.215m, 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.

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

1. FINANCE

1.1 REVENUE

Table 1a shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with roll forward from 2011-12 as approved by Cabinet in June and July and the inclusion of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 to the executive summary,
- the total value of the adjustments applied to each A-Z budget line.

Cabinet is asked to approve these revised cash limits

Table 1b shows the latest monitoring position against these revised cash limits.

Table 1a below details the change in cash limits by A-Z budget since the published budget:

Table 1a

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement		
	G	I	N	G	I	N	G	I	N
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Environment, Highways & Waste portfolio									
Commercial Services		-7,761	-7,761	0	-7,761	-7,761	0	0	0

Table 1b below details the revenue position by A-Z budget against adjusted cash limits as shown in table 1a:

Table 1b

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Commercial Services	0	-7,761	-7,761			0	

To: Andy Wood
From: Jackie Hansen
Subject: New Finance Support Arrangements

We have now completed both Phase 1 and Phase 2a rollout of ERP. Phase 1 budget managers have completed 2 rounds of forecast monitoring using Collaborative Planning whilst Phase 2a managers have just completed their first return.

The changes which budget managers are seeing are significant, for Finance staff themselves it is huge. The new ERP system is new for all. Finance are doing everything in their power to make the transition as smooth as possible, whilst attempting to instil some cultural change.

Since March 2012, Finance have delivered Budget Manager and Finance Administration training to over 490 people. More than 170 budget managers have received training on the actual Collaborative Planning system. Additionally, quick reference guides, timetables, contact details and help facilities have been developed and provided to everyone trained.

There have been a number of issues which have hindered the success of the planned new world, both from a finance perspective and a budget manager's. As with any change of this magnitude teething problems were expected. The best way forward is to identify where things haven't gone to plan and why, and find alternative solutions, some will be immediate and some will take longer so Finance will have to find an interim.

Two significant changes made already have been to divide Phase 2 planned rollout in to two parts and to move some of the more complex budgets to Phase 3. Secondly, Finance have listened to feedback from some senior managers who have asked if they can 'delegate' some of their Collaborative Planning work to their direct reports. This has been accommodated, where senior managers meet a set of agreed criteria and is being rolled out currently ready for 'go-live' in September.

Corporate Directors have been asked to 'encourage' their budget managers to make this transition work, in partnership with their finance support colleagues. Finance are continually revising their delivery plans in response to feedback. There is however, no Plan B.

This has been a difficult process for everyone but it was never going to be easy. The change is unprecedented. However, Finance have developed and are continuing to develop systems and processes that they believe will work more effectively and efficiently in the future than they have done in the past. Many of the problems being encountered now were there before, but finance would have developed a work around or an additional spreadsheet. They are no longer in a position to do this. The critical point is to recognise that finance can't support budget managers without their buy in and a desire to make this work.