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 – 13 January 2017**
Subject:	**Financial Monitoring 2016-17**
Classification:	**Unrestricted**

Summary:
The Policy & Resources Cabinet Committee is asked to note the October 2016-17 budget monitoring position which was presented to Cabinet on 12 December 2016**.**

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 October 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 third 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 October 2016, together with the movement in forecast from the September 2016 monitoring position.

2.2 Table 1

Budget Book Heading	Net Budget	Net Forecast Variance	Corporate Director adjustment	Revised Net Variance	Last Reported position	Movement
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Strategic & Corporate Services Directorate						
- Contact Centre, Digital Web Services & Gateways	5,174.0	108.5	0.0	108.5	84.6	23.9
- Local Democracy	5,314.5	-2.9	0.0	-2.9	-2.9	0.0
- Strategic Business Development & Intelligence	1,332.1	-98.3	0.0	-98.3	-53.6	-44.7
- Strategy, Policy, Relationships & Corporate Assurance	2,064.1	-233.4	0.0	-233.4	-236.4	3.0
- Democratic & Members	3,699.4	-89.9	0.0	-89.9	-44.9	-45.0
- Finance & Procurement	10,830.8	-339.7	0.0	-339.7	-348.8	9.1
- Engagement, Organisation Design & Development (HR,Comms & Engagement)	9,607.9	-275.2	0.0	-275.2	-235.8	-39.4
- Legal Services & Information Governance	-2,042.8	249.7	0.0	249.7	249.7	0.0
- 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 exc CLL)	15,935.8	85.7	0.0	85.7	133.8	-48.1
Corporate LandLord (reduced by Asset Utilisation saving of -£1,038)	20,346.0	621.0	0.0	621.0	574.3	46.7
Total S&CS	**69,848.3**	**25.5**	**0.0**	**25.5**	**120.0**	**-94.5**

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 -£0.095m to an underspend of -£0.487m, whilst the position on Asset Utilisation remains unchanged at +£0.513m, giving an overall small pressure of +£0.026m. All the Divisions within the control of the S&CS Directorate have moved by less than £0.050m each.

2.4 Directorate Variance of -£0.487m.
Finance & Procurement are reporting an underspend of -£0.340m 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 -£0.233m resulting from staff maternity and secondments together with unbudgeted project income from the NHS.
Engagement, Organisation Design & Development are reporting an underspend of -£0.275m primarily due to staffing vacancies.
Legal Services are reporting a pressure of +£0.250m primarily due to staff vacancies, recruitment and training of new staff which is impacting income generation. The Infrastructure Division has a small pressure of +£0.086m which consists of many variances across all areas of the Division, including the Business Services Centre. Corporate LandLord budgets have been reduced by the -£1.038m Asset Utilisation saving which is currently reporting an overspend of +£0.513m. There are other pressures within CLL relating to utilities and other one-off pressures from Total Facilities Management contracts, which are being partially off-set by one-off rates rebates, leaving an overall pressure of +£0.108m.
All other Divisions within the control of the S&CS Directorate have variances of less than +/- £0.100m.

2.5 Asset Utilisation Variance of +£0.513m.
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 £0.513m 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 is one variance of £0.120m which reflects using part of the grant within revenue as permitted under the grant conditions.

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 The Authority is forecasting a revenue pressure of £7.484m (after Corporate Director adjustments), increasing to £8.295m including roll forward requirements. Although we continue to urge budget managers to be less guarded with their forecasting, and after taking into account that all current anticipated management action is now included in this report, the residual position shows no real signs of improving and has in fact worsened again this month. The only 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 £2.136m from £8.295m to £6.159m. This compares to a residual pressure reflected in the September monitoring report of £4.850m, so a further underlying deterioration of £1.309m this month. This increase predominately relates to further pressure on the SEN transport and Waste budgets, partially offset by improvements within Financing Items, Children's Disability and GET management & support budgets. We therefore still remain a long way short of achieving a balanced position.

3.3 Senior management have worked 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.

4. 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 October monitoring to Cabinet.

5 Background Document

None

6. Contact details

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