

Digital Innovation & Efficiency Committee

Item No.

Report title:	Finance Monitoring
Date of meeting:	11 May 2018
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services, Simon George – Executive Director, Finance & Commercial Services
Strategic impact <p>This report provides the Committee with information on the budget position for services reporting to Digital Innovation & Efficiency Committee for 2017-18. It provides information on the revenue budget outturn for 2017 – 18, and the revenue budget value for 2018 – 19. It also provides an update on the use of reserves and details of the capital programme.</p>	

Executive summary

The services reporting to this Committee are delivered by Community & Environmental Services, and Finance & Commercial Services.

The 2017-18 net revenue budget for this committee was £14.876m, and for 2018 -19 is £13.197m. Details of the 2017 – 18 revenue outturn position are shown in Table 1 of this report.

The capital programme relating to this Committee for the years 2017 – 18 to 2019 / 20 is £47.963m. Details of the capital programme are shown in Table 2 of this report.

The balance of reserves and provisions relating to this Committee as of 01 April 2018 is £0.857m. Details are shown in Table 3 of this report.

Recommendations:

Members are recommended to note:

- a) **The 2017 -18 revenue outturn for this Committee, and the 2018 – 19 revenue budget values**
- b) **The capital programme for this Committee**
- c) **The actual use of reserves in 2017 – 18 and the balance of reserves carried forward to 2018 - 19**

1. Proposal

- 1.1. Members have a key role in overseeing the financial position for the services under the direction of this committee, including reviewing the revenue and capital position and reserves held by the service. Although budgets are set and monitored on an annual basis, it is important that the ongoing position is understood and the previous year's position, current and future plans and performance are considered.
- 1.2. This report reflects the budgets and outturn position as at the end of March 2018, and the revenue budget for 2018 – 19.

2. Evidence

Revenue budget 2017-18

- 2.1. The services reporting to this Committee are delivered by Community & Environmental Services, and Finance & Commercial Services.
- 2.2. This report reflects the forecast outturn position for the Services that are relevant to this Committee, which are:
 - Information Management Technology (IMT)
 - Better Broadband for Norfolk
- 2.3. The 2017-18 net revenue budget for this Committee was £14.876m, the outturn is a balanced position, in line with the previous forecast. The use of reserves to support this position is £0.423m (previous forecast £0.638m), and is shown in Table 3 of this report.
- 2.4. **IMT** - continues to allocate available budget to changing activities and demands.

The principal activities supported by the IMT budget lines are as follows –

- Infrastructure – the Infrastructure budget supports the delivery of services relating to Voice and Data, and the Managed Print Service, in addition to the provision and support of the corporate servers.
- Technical Programme, DNA – this budget supports the programme and project staff, in addition to the current payments due within the HP contract, due to terminate in November 2018.
- Applications, Places, People – this budget supports key corporate applications, eg Oracle, Liquid Logic, IMT services to Schools, key external customers, and also holds the budget for the IMT Management Team.
- Information Management – this budget is almost entirely staff costs relating to compliance management and the development of improvements to information access by way of portals.

During 2017 – 18 IMT made significant savings in excess of those planned resulting in a small addition to reserves at year end, when a usage of £0.824m was budgeted. The most notable savings related to licencing costs, contractor costs and overall salary costs (£0.254m).

The principal areas of variance between 2017 – 18 outturn and the previously reported forecast are as follows –

- Infrastructure – the contingency for additional expenditure relating to the implementation of the new Voice & Data contract is no longer needed, some costs relating to the implementation of Skype for Business have been delayed
- Applications, Places, People – Services to Schools income was reduced due to the loss of significant clients. A headcount reduction is planned to ensure future budget targets are able to be met
- Information Management – a review of year end expenditure resulted in some costs relating to Portals development to be capitalised

The revenue budget reduction of £0.898m in 2018 – 19 will be managed through the termination of the existing DNA contract in autumn 2018, and the additional savings to be realised via the Voice & Data contract in a full operational year.

2.5 Better Broadband for Norfolk – the programme is funded by both NCC funding and government grant funding, allocated over the life of the programme. The 2017 – 18 net revenue expenditure of £3.999m comprises £4.195m BT costs, £0.234m relating to staff and overheads, and income represented by a transfer from reserves of £0.430m.

The BT costs are revenue expenditure funded by capital budget, hence this line of the revenue account shows no variance from budget.

The underspend on other (non BT) costs was £0.070m, which was transferred to reserves to support the future Programme, hence this line of the revenue account also shows no variance to budget.

Table 1: Digital Innovation & Efficiency Committee: Net revenue budget and outturn 2017 – 18, net revenue budget value 2018 - 19

	2017 - 18 Budget	2017 – 18 Outturn	2017 – 18 Outturn variance	2017-18 Forecast variance
	£m	£m	£m	£m
Information Management				
Technology				
Infrastructure	4.720	3.770	(0.950)	(0.460)
Technical Programme, DNA	1.524	1.479	(0.045)	(0.084)
Applications, Places, People	2.914	3.081	0.167	(0.383)

Information Management	1.149	1.145	(0.004)	0.284
Capital charges	1.395	1.395	-	-
Use of reserves	(0.825)	0.007	0.832	0.643
	10.877	10.877	0.000	0.000

IMT 2018 – 19
Net Budget - £9.979m
Better Broadband for
Norfolk

Agency & Contracted Services	4.196	4.196	0.000	(0.002)
Grants / Other costs	(0.197)	(0.197)	0.000	0.002
	3.999	3.999	0.000	0.000
	14.876	14.876	0.000	0.000

Better Broadband 2018 – 19
Net budget - £3.218m

Committee total 2018 – 19
Net budget - £13.197m

3. Capital Programme

The capital programme for the services reported to this Committee is currently profiled to be delivered as detailed below.

Table 2: Digital Innovation & Efficiency Committee: Capital Programme

	2017 – 18 Budget	2017- 18 Actual Spend	2018 – 19 Budget	2019 – 20 Budget
	£m	£m	£m	£m
IMT				
Server hardware	1.082	1.264	2.235	1.335
Software licensing	0.075	0.033	0.000	2.500
Device refresh rolling programme	1.710	2.382	2.690	1.795
LAN, Wi Fi, security	1.250	0.451	2.400	
Website, portal and BI	1.020	1.164	0.555	0.555
Data centre, disaster recovery	0.050	0.000	1.503	0.000
Skype for Business			0.900	0.000

	5.187	5.294	10.283	6.185
Better Broadband	4.195	4.195	2.154	19.852
	9.382	9.489	12.437	26.037

- 3.1. The proposed future capital requirements are predominantly needed to refresh the Councils existing computer hardware estate (this is usually a recurring cost on a 4 year cycle). However the “rolling” refresh of PC and mobile phones is designed to ensure each worker type in the council has access to the right technology package to enable them to work efficiently and flexibly. A quarter of the workforce is planned to be provided with new equipment each year. Having access to up-to-date, easy to use mobile and flexible working technology will improve staff efficiency, reduce travel costs and enable better use of council office accommodation. This investment also underpins planned property related savings.
- 3.2. Bringing currently outsourced services associated with management of the PCs back in house will save approximately £1.000m per annum.
- 3.3. The relocation of the data centre and disaster recovery facilities will enable better use of the Councils property assets and supports their savings objectives while also improving the resilience of the council’s technological infrastructure.
- 3.4. The website, portal, BI and online transactions development funding will enable customer services to achieve its channel shift savings, enable new social care transactions to go online for both residents and businesses and provide staff with access to business intelligence tools and data to improve operational and strategic decision making.
- 3.5. The available funding for Better Broadband for Norfolk relates to the planned improvements to broadband services throughout Norfolk.

4. Reserves and provisions

- 4.1. The Council holds both provisions and reserves.
- 4.2. Provisions are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates which they will arise. The Council complies with the definition of provisions contained within CIPFA’s Accounting Code of Practice.
- 4.3. Reserves (or Earmarked Reserves) are held in one of three main categories:
- 4.4. **Reserves for special purposes or to fund expenditure that has been delayed, and in many cases relate to external Grants and Contributions** - reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.

- 4.5. **Local Management of Schools (LMS) reserves that are held on behalf of schools** – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.
- 4.6. **General Balances** – reserves that are not earmarked for a specific purpose. The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.
- 4.7. The reserves falling under this Committee would fall into the first category. Additionally, balances may relate specific grant income where we have received the income but are yet to incur the expenditure, or the grant was planned to be used over a period of time, not related to a specific financial year.
- 4.8. We will continue to review the reserve balances to ensure that their original objectives are still valid and would identify any reserves that could be considered available for re-allocation.
- 4.9. The Committees' unspent grants, reserves and provisions as at 1st April 2018 totalled £0.826m.
- 4.10. Table 3 below shows the balance of reserves and the actual usage during 2017-18.
- 4.11. **IMT** - the remaining reserves will be used to support the corporate technology platform to achieve savings in the next budget planning period.
- 4.12. **Better Broadband** – the £0.430m usage of reserves during 2017 – 18 represented a £0.500m usage in support of the 2017 – 18 corporate budget planning requirement, offset by a £0.070m addition to reserves from unused revenue budget.

Table 3: Digital Innovation & Efficiency: Reserves & Provisions			
Reserves & Provisions 2017-18	Balance at 01 April 2017	Balance at 31 March 2018	Change during 2017 - 18
	£m	£m	£m
Information Management Technology	0.824	0.831	0.007
Better Broadband for Norfolk	0.456	0.026	(0.430)
Committee Total	1.280	0.857	(0.423)

