

**TO:** CFE Resource and Infrastructure Policy Overview & Scrutiny Committee – 20<sup>th</sup> July 2010

**BY:** Sarah Hohler – Cabinet Member for Children, Families and Education  
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**SUBJECT:** **Children, Families and Education Directorate Financial Outturn and Unit Operating Plan Outturn for 2009/10**

**Classification: Unrestricted**

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**Summary:**

This report summarises the 2009/10 financial outturn, together with annual operating plan outturn information, for each of the Service Units within Children, Families and Education Directorate. The report brings together financial and key activity and performance outcome information in the same place.

Members are also asked to consider how the committee should contribute to formulating the 2011/12 budget and medium term plan at an earlier stage than previous years.

FOR INFORMATION

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**1. Introduction**

1.1 In the March/April cycle of meetings POSCs received a report setting out the latest forecast outturn for the 2009/10 financial year as reported to Cabinet based on the position as at the end of the third quarter. Half-year performance monitoring against unit business unit plans was reported in the January cycle.

1.2 Last year each directorate prepared a combined unit level budget and performance outturn report for the July cycle of POSC meetings for the first time. Previously outturn reports had been included in the September cycle. This report builds on the lessons from last year.

1.3 At it's April meeting the Scrutiny Board recommended that all POSCs need to formulate their arrangements for contributing to the development of the budget so that they are able to have an input at an earlier stage than previous years. In particular POSCs should consider whether the Informal Member Groups set up following the November 2009 meeting should meet regularly between now and December when the draft budget needs to be finalised for formal consultation. This was re-affirmed at a recent training session for all Overview and Scrutiny members.

## **2. 2009/10 Financial Outturn- Revenue**

- 2.1 The provisional revenue outturn was reported to Cabinet on 14<sup>th</sup> June together with recommendations on rollover for committed projects and contributions to reserves for uncommitted under spends. The overall outturn position for the CFE portfolio was a net underspend of £2.238m.
- 2.2 Appendix 1 sets out the original budget, final approved cash limit and spending for each service unit within the CFE portfolio. The changes between the original budget and final approved cash limit are all within KCC's "virement" rules as set out in Financial Regulations.
- 2.3 The overall position for the portfolio has moved by -£0.237m since the last report to this committee. The main changes are:
- -£0.149m School Organisation – an increase in the underspend on this service to £0.178m due to a combination of staff vacancies and other minor net variances.
  - -£0.139m Mainstream Home to School Transport – an increase in the underspend to £1.087m mainly due to on-going renegotiation of contracts.
  - -£0.148m Local Children's Services Partnerships – an increase in the underspend to £0.304m resulting from a combination of further gross pressures of £0.739m which are more than offset by additional income of £0.887m. The Children's Centres have incurred additional expenditure of £0.518m fully funded from additional external income. This has not been previously forecast as each Centre variance is relatively small in isolation and therefore not flagged up by them. The balance of both the gross (+£0.221m) and income (-£0.369m) variances is due to other minor movements on various budgets within the LCSPs.
  - -£0.468m SEN Home to School Transport – an increase in the underspend to £0.855m due to the further renegotiation of contracts and revised figures on the impact of the heavy snow in January and February which closed special schools for a number of days. Special schools tend to be more prone to closure during bad weather due to the needs of the pupils and the longer journeys involved. The closure of schools for even short periods of time can have a significant impact on costs and many schools were shut for a number of days.
  - +£0.256m Other Preventative Services – this is mainly due to £0.103m on unforeseen section 17 payments and £0.102m on community based projects including day care.
  - +£0.660m Grant income and contingency – this is mainly due to the unforeseen requirement to increase the bad debt provision in line with the agreed protocol (+£0.505m) and the cancellation of two very old accounts receivable invoices (+£0.150m).
  - There are a number of smaller movements, all below £0.1m, across the other budget lines within this portfolio.

- 2.4 As there were no commitments against the directorates rollover, the entire underspend has been transferred to Corporate and put into an economic downturn and new corporate restructure reserve.

### **3. Delegated Schools Budget**

- 3.1 The previously forecast draw down from reserves of £6m was our estimate of the reduction in schools reserves. Schools nine month monitoring returns indicated a much larger drawdown than this but, based on past experience that their estimates tend to be significantly overstated, the figure was scaled back. It is very difficult to predict this with any accuracy, especially this year when factoring in the recovery of £0.762m from 8 schools earlier in the financial year and the introduction of the tighter 'balance control mechanism'. This process limits the level of reserves that schools can carry forward from one year to the next and allows the LA to claw back funding over and above a specified level. The introduction of the tighter rules has proved to have the required effect with schools reducing their reserves by £11.430m in 2009-10. The CFE Directorate is now going through the balance control mechanism process to review all schools balances, as part of the 2009-10 closure of accounts, and early indications are that only 10 schools have exceeded the limit with a total anticipated recovery of around £0.2m.
- 3.2 The £11.430m reduction in schools reserves in 2009-10 is made up of £14.702m drawdown of reserves by schools against schools delegated budgets and an underspend on the unallocated schools budget of £3.272m, which is largely due to £1.083m rates rebates, £1m higher than expected school recoupment income and £0.735m recovery of schools reserves as a result of the balance control mechanism. This has reduced total school revenue reserves to £51.753m of which £14m relates to unallocated schools budget. Of the remaining £37.8m, the schools returns show that of this balance, £9.3m is committed for specific revenue projects, Standards Fund phasing and contributing towards larger capital projects.

### **4. 2009/10 Financial Outturn – Capital**

- 4.1 Appendix 2 identifies the planned and actual spend on all capital projects in 2008/09 and the total approved and forecast spending over the lifetime of these projects.
- 4.2 The movements from the original budget and the approved cash limit have been reported in monitoring during the year and the cash limits were changed when the capital programme in 2010/13 medium term plan was approved in February.
- 4.3 The major variances at outturn compared to the previously reported position are as follows:

4.3.1 **Building Schools for the Future & Academy Development Fees (+1.003m)**. Most of this overspend (£+0.870m) relates to Wave 5 development costs where a significant amount of additional work on planning and the Outline Business Case has been required by Partnerships for Schools. There is also a further overspend (£+235k in total) on Wave 3 and Wave 4 development costs which is due to a greater reliance on external consultants than anticipated (caused by a delay in the recruitment to the 'in house' additional new posts). This is offset, to an extent, by a saving of £-131k on the internal team costs and a saving of £-132K on development fees for The Knole Academy where no fees have yet been incurred.

4.3.2 **Children's Centres & Early Years (£-1.587m)** – the major re-phasing's on this programme are:

**Play Equipment – Round 2 Shop (£-0.861m)**. Made of up of 2 elements : The Grants to Childminders of £450K which should have been spent by the 31st March and will now be rolled out in the new financial year. The balance of re-phasing relates to Phase 2 of the online shop to early years private providers where delays in orders being processed & goods being delivered have been experienced.

**Round 2 Children's Centre Builds (£-0.743m)** - The slippage relates to several projects –

Brent YMCA (£-0.251m) Lease and grant agreements were still being finalised by KCC legal Team and The YMCA. Once these are complete the allocated money will be transferred to the YMCA for the development of the Children's Centre.

East Stour, South Willesborough (£-0.204m) - Lease and Grant agreements were still being finalised by the KCC legal team and Ashford Borough Council. Once these are complete the allocated money will be transferred to Ashford Borough Council for the development of the South Willesborough Children's' Centre.

Snodland (£-0.047m). Identified accommodation within the clinic at Rocfort Road. Snodland is still being occupied by Health Services. This will become available in the next few months allowing for the small refurbishment project to take place.

The Willows (£-0.047m). Following on from the extremely adverse weather conditions in January, February and March, the project came to a virtual standstill.

**Development & Sustainability (£+0.404m)**. The programme is progressing ahead of schedule due to private providers completing works ahead of the original dates they submitted.

**Sensory Boxes (£-0.192m).** Due to shipping problems by Kent Commercial Services we only took delivery of 99 of the planned 700 sensory boxes

**Round 3 Children’s Centre Builds (£-0.113m).** Made up of 2 elements: Recharging to revenue of what transpired to be abortive development fees on the earlier stages of the programme & the delays whilst decisions were being taken on how Phase 3 should progress.

4.3.3 **Building Schools for the Future Wave 3 Build Costs (£-0.147m).** There were underspends against the projected expenditure for both King Ethelbert (£-705k) and Charles Dickens (£-1,752k), as result of the loss of the contractor, William Verry, during the year. Progress on Herne Bay High School, although behind schedule, was better than projected, resulting in an overspend of £+1,146k. Account has been taken of the work in progress (in relation to the drains) at St George's leading to an overspend of £+870k. Expenditure on ICT is slightly lower than projected (i.e. an underspend of £-641k) as a direct result of the construction programme, in certain cases, being slightly behind schedule. There were small variations on contracts at Dane Court Grammar School (£+483K), The Community College Whitstable (£+473K) & Northfleet School for Girls (£-142K).

4.3.4 **Practical Cookery Spaces (£+0.125m)** - The main reason for variance is because of poor monitoring information supplied by Tonbridge grammar School who submitted a spend projection in March for 2009/10 of £0.040m & outturned at £0.225m.

4.3.5 **Building Maintenance Programme (£+0.091m)** - The expenditure has marginally increased due to the positive actions taken to complete Additional Maintenance works before year end closure.

## 5. 2009/10 Unit Business Plan Outturn

5.1 We have made excellent progress on most of the activity described in our Business Plans, see table 1 below. Some projects have been delayed in light of the restructure, emerging performance and strategic priorities and will be carried forward into 2010/11. Each of these has been reviewed by the relevant Service Director and management action is in place to address lack of progress where possible, or it is being brought to the CFE SMT to make decisions about the continued business priorities.

Table 1 – Summary table of progress made against business plans

<b>‘Green’ Tasks Complete Number / (%)</b>	<b>‘Amber’ Tasks - part complete Number / (%)</b>	<b>‘Amber’ Tasks - being carried forward into 2010/11 Number / (%)</b>
258 (67%)	117 (30%)	12 (3%)

5.2 A Managing Directors overview of the detailed performance outturn report is appended to this report (Appendix 3).

## **6. Recommendations**

6.1 Members of the CFE POSC are asked to:

- a) NOTE the revenue and capital financial outturn for 2009/10 and changes to capital programme
- b) NOTE the performance outturn for 2009/10
- c) CONSIDER how the POSC should contribute to the development of the 2011/12 budget and to agree that an Informal Member Group be asked to meet on a regular basis over the next 6 months in order to get a fuller understanding of the implications of potential budget reductions and report back to the full POSC in November and January.

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