

CABINET SCRUTINY COMMITTEE – 27 SEPTEMBER 2006

Report Title:	(1) Revenue & Capital Budgets, Key Activity and Risk Monitoring (2) Changes to Final Outturn for 2005-06 and Roll Forward of the Remaining 2005-06 Underspend
Document Attached:	Report to Cabinet, 18 September (Item 3). <i>Cabinet approved the recommendations set out in the report.</i>
Purpose of Consideration:	<p>Under the Constitution (<i>Appendix 4, Part 8</i>) because the decision by Cabinet to accept recommendation 8.4 in this report represents a variance from the approved budget, it is subject to automatic referral to this Committee.</p> <p>However, Members may wish to note that the report will receive consideration, including questioning of the Cabinet Member for Finance, by the Informal Member Group on Budgetary Issues at its meeting on 21 September (see Item A3 on the Agenda for this meeting).</p>
Possible Decisions:	<p>The Constitution (<i>Appendix 4 Part 8</i>) requires the Committee to take one of the following decisions:-</p> <ul style="list-style-type: none">(a) make no comments; or(b) express comments but not require reconsideration of the decision; or(c) require implementation of the decision to be postponed pending reconsideration of the matter by the Cabinet in the light of the Committee's comments; or(d) require implementation of the decision to be postponed pending reconsideration of the matter by full Council.
Previous Consideration:	None.
Background Documents:	None.

REPORT TO: CABINET – 18 SEPTEMBER 2006

SUBJECT: 1) REVENUE AND CAPITAL BUDGETS, KEY ACTIVITY, AND RISK MONITORING

2) CHANGES TO FINAL OUTTURN FOR 2005-06 AND ROLL FORWARD OF THE REMAINING 2005-06 UNDERSPEND

**BY: NICK CHARD, CABINET MEMBER FOR FINANCE
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MANAGING DIRECTORS**

SUMMARY:

Members are asked to:

- note the latest monitoring position on the revenue and capital budgets,
 - note the changes to the capital programme,
 - note the change to the 2005-06 revenue outturn position following the completion of the external audit of the 2005-06 final accounts, and
 - agree the roll forward of the remaining 2005-06 underspend.
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1. INTRODUCTION

- 1.1 This is the first full monitoring report to Cabinet for 2006-07.
- 1.2 The format of this report is:
- This summary report highlights only the most significant issues
 - There are 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

2. OVERALL MONITORING POSITION (excluding PFI & budgets delegated to schools)

	Variance (£m)
Revenue	+8.586
Capital	-8.768

- 2.1 The revenue projection above is before the implementation of management action, which is expected to substantially reduce this overspend. The position by directorate is:
- CFE (+£2.184m excl Asylum) – a departmental awayday has been organised to discuss what can be done to reduce the projected overspend on Children’s Social Services. Although the directorate will endeavour to balance the budget, it is not yet clear whether this will be feasible.
 - Adults (+£2.872m) – the SMT continue to work towards a management action plan to balance the budget position by year end.
 - E&R (+£0.1m) – the directorate is currently forecasting a balanced position excluding emergency expenditure, which consistent with previous practice, will be met from the Emergency Reserve.
 - Communities (+£0.915m) – the directorate are to identify a strategy to manage this over the period 2006-07 and 2007-08.
 - Chief Executives (+£1.215m) – £0.741m of the overspend is a phasing issue and will need to roll forward to be met from resources in 2007-08, the balance is expected to be managed in year.
- 2.2 The capital ‘underspend’ is the result of £16.5m of re-phasing of projects into future years, offset by £7.8m of overspending, mainly within the Children, Families & Education directorate - the directorate will be taking action to ensure that spend remains within the available resources.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted to include roll forward from 2005-06 of £6.1829m, as approved by Cabinet on 10 July 2006. Cabinet Members are asked to consider and agree the remaining £2.7738m of roll forward as detailed in Appendix 4 to this report. All other changes to cash limits reported this quarter are considered “technical adjustments” ie where there is no change in policy, including allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.

3.2 Table 1 – Portfolio/Directorate position – revenue

Portfolio	Budget	Variance	Directorate					
			CFE	AS	E&R	CMY	CED	FI
	£k	£k	£k	£k	£k	£k	£k	£k
E&SI	-69,483	-295	-295					
C&FS	+127,435	+2,254	+2,254					
Adult Services	+259,527	+2,872		+2,872				
E,H&W	+112,634	+100			+100			
Regen & SI	+7,720	0			0			
Communities	+54,820	+915				+915		
CS&H	+28,276	+743					+743	0
Policy & Performance	+3,142	+279			0		+279	
Finance	+99,914	-807					+193	-1,000
SUB TOTAL (excl Schools)	+623,985	+6,061	+1,959	+2,872	+100	+915	+1,215	-1,000
Asylum	0	+2,300	+2,300					
TOTAL (excl Schools)	+623,985	+8,361	+4,259	+2,872	+100	+915	+1,215	-1,000
Schools *	+812,793	-2,207	-2,207					
TOTAL	+1,436,778	+6,154	+2,052	+2,872	+100	+915	+1,215	-1,000
DSG	-720,637	+2,432	+2,432					
TOTAL	+716,141	+8,586	+4,484	+2,872	+100	+915	+1,215	-1,000

* the current forecast is that schools will spend at the level of their 2006-07 allocations but there is a forecast underspend of £2.207m in respect of £1.575m of unallocated ISB budget and £0.632m of Dedicated Schools Grant which was not distributed at the time of setting the schools budgets, both of which are required to offset the shortfall in DSG.

Appendix 1 details all projected variances over £100k, in size order. Supporting detail to those projected variances is provided in individual Directorate reports as follows:

Annex 1	Children, Families & Education
Annex 2	Adult Services
Annex 3	Environment & Regeneration
Annex 4	Communities
Annex 5	Chief Executives
Annex 6	Financing Items.

3.3 Key issues and risks

3.3.1 In Children, Families & Education, the position on Asylum remains uncertain as new grant rules for 2006-07 have not yet been issued, therefore forecasts may alter if the grant criteria change. The position regarding 2005-06 remains unresolved and negotiations continue with the DfES and Home Office. There are also significant pressures on fostering, adoption and residential care placements within Children’s Social Services and a shortfall in the final settlement for Dedicated Schools Grant (DSG) compared to the level at which we set the schools budgets, all of which are detailed in Annex 1.

3.3.2 The monitoring returns from schools currently indicate a £24m use of reserves in 2006-07. Past experience would suggest that this figure is vastly overstated and we have therefore projected breakeven. It is possible that 2006-07 will see a reduction in school reserves for only the 2nd time since the introduction of LM in 1990, given the pressures of falling rolls and the new requirements in respect of the five outcomes of The Children Act. However, at this stage it is too early for us to predict if this is the case, but we would expect to have a better idea after the next schools monitoring returns are received at the end of October.

- 3.3.3 In Adult Services, there are significant pressures on services for people with Learning and Physical disabilities largely to do with price increases, continuing growth in placements and our success in meeting the direct payments target is identifying previously unmet demand/need. These are detailed in Annex 2.
- 3.3.4 In Environment & Regeneration there is pressure on essential operational highways maintenance and electricity prices for street lighting, offset by savings within Waste Management due to reduced tonnages. In addition, there is also £0.1m of unbudgeted emergency costs forecast as a result of a road collapse. Consistent with practice in previous years, it is anticipated that these costs will be met from earmarked reserves. Further details are provided in Annex 3.
- 3.3.5 Within Communities, there is a forecast pressure of £0.915m on Adult Education due to the reduction in LSC funding, which is detailed in Annex 4.

3.4 Implications for future years/MTFP

- 3.4.1 The key issues and risks identified above will need to be addressed in directorate medium term financial plans (MTFP) for 2007-10. Directorates are currently trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant this year, will also need addressing in the MTFP. These are detailed in the Annex reports.

4. CAPITAL

4.1 Changes to budgets

4.1.1 Turner Contemporary

Due to the escalating costs of the Turner Contemporary project, it was decided in February that it was no longer financially viable to continue with the innovative design of the 'off-shore' project and a more affordable project at the Rendezvous Car Park would be developed. The new scheme is to cost a maximum of £15m, to be funded by £4.1m of prudential borrowing, £4m from the Arts Council, £4m from SEEDA and £2.9m from external fund raising. This is currently forecast to be phased: 2006-07 £900k, 2007-08 £7,700k, 2008-09 £6,000k and £400k in later years. This compares to a budget of £29.5m for the abandoned scheme. Cash limits have been adjusted to reflect the removal of the old project and the inclusion of the replacement project. The effect of this in 2006-07 is shown in the cash limit changes in section 4.1.2 below. Details of the effect on the future years of the capital programme are provided in section 1.2.1 of annex 4.

- 4.1.2 This quarter, the following adjustments have been made to the 2006-07 capital budget:

	£000's	£000's
1 Original Programme (excl PFI)		309,170
2 Roll Forward from 2005-06 due to re-phasing:		
• Education & School Improvement	6,639	
• Education & School Improvement - Schools	11,566	
• Children & Family Services	654	
• Adult Services	1,802	
• Environment & Regeneration	5,468	
• Regeneration & Supporting Independence	-563	
• Communities	3,746	
• Corporate Support & Health	289	
• Policy & Performance	19	
• Finance	50	
Total re-phasing from 2005-06		+29,670
3 Reduction in anticipated capital receipt from Axton Chase – in/out project to be contained within reduced resource (Education & School Improvement portfolio)		-5,000

	£000's	£000's
4 Changes within Communities portfolio (more details in annex 4):		
a) removal of old Turner Contemporary project	-12,700	
b) add new Turner Contemporary project	900	
c) Adult Education at Folkestone Academy – LSC grant not available	-1,000	
d) Community Facility at Edenbridge – external funding not available	-150	
e) Provision Planning Team to be charged to revenue	-100	
		-13,050
5 Property Group Enterprise Fund (Finance portfolio) (subject to approval by County Council)		+10,000
		330,790
6 PFI		58,362
		389,152

4.2 Table 2 – Portfolio/Directorate position – capital

Portfolio	Budget £k	Variance £k	Directorate				
			CFE £k	AS £k	E&R £k	CMY £k	CED £k
E&SI	+137,639	+3,035	+3,035				
C&FS	+4,871	-160	-160				
AS	+12,674	-885		-885			
E,H&W	+57,078	-4,490			-4,490		
Regen & SI	+41,951	-3,137			-3,137		
Communities	+16,829	-2,933				-2,933	
CS&H	+2,225	+472					+472
Policy & Performance	+519	0					0
Finance	+19,027	-670					-670
TOTAL (excl Schools)	+292,813	-8,768	+2,875	-885	-7,627	-2,933	-198
Schools	+37,977	0	0				
TOTAL	+330,790	-8,768	+2,875	-885	-7,627	-2,933	-198
Real Variance		+7,763	+7,143	+589	-540	+599	-28
Re-phasing (detailed below)		-16,531	-4,268	-1,474	-7,087	-3,532	-170
		2006-07	2007-08	2008-09	Future yrs		Total
Re-phasing		-16,531	+40,977	-1,388	-23,058		0

4.3 Reasons for Real Variance and how it is being dealt with

4.3.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. The main areas are listed below:-

- £2.4m overspend on the Vocational Education Programme, largely due to the abnormal costs being incurred at the Thanet Skills Centre eg the removal of asbestos and the need for a new floor.
- £1m overspend on Modernisation projects, further details are provided in annex 1.
- £0.7m overspend on Basic Need projects at Mascalls, Tunbridge Wells Boys' Grammar and Simon Langton Boys' Grammar.
- £0.7m overspend on the LEA funded element of the 6 Schools PFI project due to the need to provide temporary accommodation whilst work was progressing.

Action will be taken by the C,F&E directorate to ensure that the overspends detailed above are contained within the resources available for the overall C,F&E capital programme.

- £2.3m overspend (of which £1.2m is in 2006-07) on the new facilities at Greenfields to be met from capital receipts.
- £1.3m on the Herne Bay Junior School modernisation project which will be met from capital receipts.
- £0.6m overspend on the Broadmeadow project where issues with the soil structure, discovered when construction works started, have led to increased costs. This is to be met by an additional £0.4m contribution from C,F&E directorate and the balance from revenue.
- A £0.5m overspend on Sevenoaks Kaleidoscope project will be met from £0.2m of additional secured funding and the Communities directorate is developing a funding plan to manage the balance.

4.4 **Main projects re-phasing and why.**

4.4.1 The main projects that are being re-phased are identified below: -

- +£15m brought forward from future years on the Special Schools Review. The review is now progressing at speed following the replacement of the previous project management arrangements.
- £7m re-phasing into 2007-08 on the Kingsmead project, as we have been unable to reach a satisfactory agreement on the acquisition of a site for the replacement project.
- £4.4m re-phasing into 2007-08 on the Tonbridge Girls' Grammar School scheme due to planning issues.
- £6.5m re-phasing into 2007-08 and 2008-09 on the Axton Chase project due to planning issues.
- £0.9m re-phasing into 2007-08 on the Dartford Campus project due to unforeseen issues such as buried asbestos.
- £1m re-phasing of the Building Care Capacity project at Westerham into 2007-08
- £4.3m of re-phasing into 2007-08 on the Kent Highway Services Co-Location project as the acquisition of land, and hence development, has not proceeded as quickly as anticipated.
- £2.8m of re-phasing into 2007-08 on the Rushenden Link Road and Ashford Ring Road as the Government approvals for both of these schemes were received later than expected when setting the budget.
- £2.8m re-phasing into 2007-08 on The Hub at Southborough due to delays with an adjacent local business who are reviewing their approach to the development proposals as a whole and may be prepared to deliver The Hub with their development. They now intend submitting a planning application this autumn.

4.5 **Key issues and risks**

4.5.1 The impact on the quality of service delivery to clients as a consequence of re-phasing a capital project is always carefully considered, with adverse impact avoided wherever possible.

4.5.2 The funding of the 2006-09 capital programme, is reliant upon capital receipts of some £124m. It is not always possible to have receipts 'in the bank' before starting any replacement project, due to the obvious need to have the re-provision in place before the existing provision is closed. Management of the delivery of capital receipts is therefore rigorous and intensive.

4.5.3 There is a risk that all of the additional costs of a joint project between Canterbury High School and Adult Education will not be picked up by the school and Adult Education will need to provide for some of this. Further details are provided in Annex 4.

4.6 **Implications for future years/MTFP**

4.6.1 Directorates are continuously addressing issues around their capital programmes, in particular, careful consideration is given to the funding of these projects to ensure that as far as possible capital receipts and external funding is in place before the project is contractually committed.

4.7 Impact on Treasury Management

4.7.1 The re-phasing from 2005-06, resulting in high cash balances at the end of the 2005-06 financial year, and the re-phasing projected in this report are major factors in the £1m underspend reported against the Financing Items revenue budget.

4.8 Resourcing issues

4.8.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". As detailed in section 2.1 of annex 5, there is an issue surrounding the timing of capital receipts, but over the three year period of the MTFP, the level of receipts required to support the programme are expected to have been 'banked'. At this stage, there are no other significant risks to report.

4.9 Prudential Indicators

4.9.1 The latest monitoring of Prudential Indicators is detailed in **appendix 2**. There are no adverse issues to report.

5. RISK MANAGEMENT

5.1 A strategic risk register for 2006-07 is being prepared which sets out the key risks facing the Council. Key strategic risks are deemed to be those that are of such significance that they have the potential to impact upon the Council as a whole in the absence of appropriate controls and monitoring.

5.2 This register is soon to be presented to COG and then to the Governance & Audit Committee for approval.

5.3 Combined, the strategic and directorate risk registers provide an immediate appreciation of the key risks facing both the Council and directorates in meeting their respective objectives.

5.4 The directorate risk registers have recently been published on KNET and will be joined by the strategic risk register once approved.

5.5 Once a year, and in tandem with the business planning process, directorate risk registers are refreshed. This process is now underway and revised directorate risk registers will be presented to the Governance & Audit Committee in early 2007.

6. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

6.1 Impact on reserves

6.1.1 A copy of our balance sheet as at 31 March 2006 is provided at **appendix 3**. Highlighted are those items in the balance sheet that we provide a year-end forecast for as part of these quarterly budget monitoring reports, based upon the current forecast spend and activity for the year. The forecast for the three items highlighted are as follows:

Account	Projected balance at 31/3/07 £m	Balance at 31/3/06 £m
Earmarked Reserves	56.7	74.1
General Fund balance	25.8	25.8
Schools Reserves *	64.0	65.6

* Under the school loans scheme, loans to schools are financed from the aggregate of school reserves, hence the sum of such reserves is accordingly reduced by the value of the loans outstanding. The level of school reserves shown in section 2.3 of annex 1 is prior to this reduction and hence differs from the figure in the table above. Both the table above and section 2.3 of annex 1 include delegated schools reserves and unallocated schools budget.

- 6.1.2 The reduction of £17.4m in earmarked reserves is mainly due to the anticipated movement in the rolling budget reserve and budgeted movements in reserves such as PRG, East Kent Access and IT Asset Maintenance, offset by contributions to reserves such as Supporting People, as detailed in the annex reports.
- 6.1.3 The reduction of £1.6m in schools reserves is due to the use of unallocated schools budget to offset the shortfall in DSG.

7. ROLL FORWARD OF UNDERSPEND FROM 2005-06

- 7.1 As a result of the findings of the external auditors during the audit of the final accounts for 2005-06, adjustments have been actioned which have impacted on the provisional revenue outturn position as reported to Cabinet on 19 June 2006. The table below reflects the final outturn position for 2005-06:

Portfolio (2005-06 structure)	Final Variance £000s	Provisional Variance (Cabinet 19 June) £000s	Movement £000s
Education Standards & Pupil Services (Non Delegated)	-2,976	-2,976	-
School Organisation & Early Years	+86	+86	-
Community Services	-523	-523	-
Social Care & Community Health	-486	-486	-
Strategic Planning	-227	+106	-333
Regeneration	-1,463	-1,463	-
Finance	-3,512	-3,512	-
Resources	+135	+135	-
Supporting Independence, Policy, Performance & Best Value	+9	+9	-
TOTAL	-8,957	-8,624	-333
Schools	-7,834	-7,834	-
TOTAL	-16,791	-16,458	-333

- 7.2 The movement of -£0.333m is due to a change in the accounting treatment of the Landfill Allowance Trading Scheme (LATS).
- 7.3 Cabinet agreed the use of £6.1829m of roll forward on 10 July 2006. **Appendix 4** details the proposals for the use of the remaining £2.7738m. This shows a balance of £108k of unallocated roll forward. Budget IMG have recommended that any remaining unallocated roll forward from 2005-06 should be used for highway maintenance. Cabinet is asked to consider and agree the use of the remaining 2005-06 rolled forward underspend.

8. RECOMMENDATIONS

Cabinet is asked to:

- 8.1 Note the latest monitoring position on both the revenue and capital budgets.
- 8.2 Note the changes to the capital programme, as detailed in section 4.1.
- 8.3 Note the changes to the 2005-06 revenue outturn position following completion of the external audit of the 2005-06 final accounts.
- 8.4 Agree the use of the remaining roll forward of underspend from 2005-06 as detailed in appendix 4 and agree the use of the unallocated £108k balance.

All Revenue Budget Variances over £100k in size order

(supporting detail is provided in individual Directorate reports (annex 1 - 6).

Pressures (+)			Underspends (-)		
		£000's			£000's
AS	Increases in Direct Payments	+3,075	AS	Older Persons Community Care	-2,074
AS	LD Residential	+2,721	AS	Supporting People underspend	-1,765
CFE	Shortfall in Dedicated Schools Grant (DSG)	+2,432	CFE	School Budgets - saving on Unallocated ISB to cover shortfall in DSG	-1,575
CFE	Asylum - funding shortfall	+2,300	FI	savings resulting from debt restructuring and higher investment income due to high cash balances and increased interest rates	-1,000
AS	Supporting People transfer to reserves	+1,765	E&R	Waste Management: Reduced tonnages	-900
CFE	Community Care - Adoption	+1,600	AS	Older Persons Assessment & Related staff	-754
CFE	Community Care - placement costs	+975	AS	Older Persons Residential (net reduction of 50 clients on budgeted levels)	-750
CMY	Adult Education: Reduction in Learning & Skills Council funding	+915	CFE	School budgets - undistributed DSG	-632
E&R	Kent Highway Services: Increased cost of electricity.	+600	AS	PD Community Care	-631
CED	Personnel & Development - Home Computing Initiative	+591	CFE	P&D - Redundancy	-590
CFE	Community Care - Fostering	+500	CFE	Clusters - staffing	-503
CFE	P&D - Maternity payments	+482	CFE	Community Care - Day Care (management action and reduction in care packages)	-483
AS	PD Residential	+471	CFE	Community Care - Staffing within family support	-438
AS	LD Community Care	+356	CFE	Early Years - 3 & 4 year old payments	-225
E&R	Kent Highway Services: Essential operational maintenance works.	+345	CFE	P&D - Pensions income from Medway	-103
AS	ASPU Reduced income from Supporting People	+248			
CED	Kent Partnership & Kent Works	+195			
AS	OPDSU Premises	+190			
AS	Mental Health - price challenges	+177			
CFE	Children's Services Provider Unit - staffing	+158			
CED	Property - Police HQ roof	+150			
CFE	Children's Services Provider Unit - reduced income	+143			
CED	Personnel & Development - Staff Care Services	+103			
CFE	P&D - Pensions (offset by additional income from Medway - see savings)	+103			
AS	LD Assessment & Related staff	+101			
CFE	P&D - Personnel Function staffing	+100			
CFE	Strategic Management - Staffing	+100			
E&R	Kent Highway Services: An unbudgeted emergency (road collapse)	+100			
		+20,996			-12,423

2006-07 Quarter 1 Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2005-06	£237.449m	
Original estimate 2005-06	£309.170m	
Revised estimate 2005-06	£322.022m	(this includes the rolled forward re-phasing from 2005-06)

2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2005-06 Actual	2006-07 Original Estimate	2006-07 Revised Estimate
	£m	£m	£m
Capital Financing Requirement	913.331	1,040.522	1,044.645
Annual increase in underlying need to borrow	85.656	111.375	131.314

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

3. Estimate of ratio of financing costs to net revenue stream

Actual 2005-06	5.89%
Original estimate 2006-07	12.23%
Revised estimate 2006-07	11.53%

The lower ratio in the revised estimate reflects increased income from the investment of cash balances.

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2006-07.

(a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator 2006-07	Forecast Outturn 2006-07
	£m	£m
Borrowing	960.0	845.5
Other Long Term Liabilities	6.0	1.5
	966.0	847.0

(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc

	Prudential Indicator 2006-07	Forecast Outturn 2006-07
	£m	£m
Borrowing	1,024.0	902.5
Other Long Term Liabilities	6.0	1.5
	1,030.0	904.0

5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The limits for 2006-07 are:

(a) Authorised limit for debt relating to KCC assets and activities

	£m
Borrowing	1,001
Other long term liabilities	6
	<hr/>
	1,007
	<hr/>

(b) Authorised limit for total debt managed by KCC including that relating to Medway Council etc

	£m
Borrowing	1,064
Other long term liabilities	6
	<hr/>
	1,070
	<hr/>

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2006-07

(a) Borrowing

Fixed interest rate exposure	100%
Variable rate exposure	30%

(b) Investments

Fixed interest rate exposure	100%
Variable rate exposure	20%

These limits have been complied with in 2006-07. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	Forecast outturn
	%	%	%
Under 12 months	8	0	0
12 months and within 24 months	8	0	0
24 months and within 5 years	24	0	0
5 years and within 10 years	40	0	9.5
10 years and above	100	40	80.5

9. Upper limit for principal sums invested for periods longer than 364 days

	Indicator	Actual
1 year to 2 years	£30m	£30m
2 years to 3 years	£30m	£9m
3 years to 4 years	£30m	£19m
4 years to 5 years	£25m	£5m
5 years to 6 years	£20m	£0m

There has been some movement in the position since the last monitoring as call options have been exercised by borrowing banks and some deals have been replaced with deals with differing maturity.

County Fund Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

	31 March 2006		31 March 2005	
	£'000	£'000	£'000	£'000
Fixed assets				
Intangible Fixed Assets		5,935		7,699
Tangible Fixed Assets				
Operational assets				
Land and buildings	1,239,218		1,198,926	
Vehicles, plant and equipment	17,511		10,468	
Roads and other highways infrastructure	518,182		521,570	
Community assets	6,664		4,956	
Non-operational assets				
Investment Property	1,955		1,955	
Assets under construction	131,573		72,730	
Surplus and non-operational property	74,349		63,873	
Total Tangible Assets		<u>1,989,452</u>		<u>1,874,478</u>
Total fixed assets		<u>1,995,387</u>		<u>1,882,177</u>
Long-term investments		66,000		24,000
Long-term debtors		62,002		65,234
Total long-term assets		<u>2,123,389</u>		<u>1,971,411</u>
Current assets				
Stocks and work in progress	6,809		5,382	
Debtors	166,929		154,056	
Investments	153,234		215,326	
Cash and bank balances	102,615		85,702	
Total current assets		<u>429,587</u>		<u>460,466</u>
Current liabilities				
Temporary borrowing	-40		-8,168	
Creditors	-237,452		-229,453	
Cash balances overdrawn	-101,924		-79,956	
		<u>-339,416</u>		<u>-317,577</u>
Total assets less current liabilities (Net Assets Employed)		<u>2,213,560</u>		<u>2,114,300</u>
Long-term liabilities				
Long-term borrowing	-882,523		-822,521	
Deferred liabilities	-1,523		-1,858	
Provisions	-12,855		-14,457	
Liability related to defined pensions - KCC schemes	-657,726		-624,636	
- DSO	-2,017			
		<u>-1,556,644</u>		<u>-1,463,472</u>
Total assets less liabilities		<u>656,916</u>		<u>650,828</u>

County Fund Balance Sheet

Fixed asset restatement account	-498,793	-522,801
Capital financing account	-464,395	-397,950
Government grant deferred account	-119,267	-134,221
Deferred Premiums	21,940	22,890
Deferred credit - Medway Council	-57,926	-60,339
Earmarked capital reserve	-24,884	-27,955
Usable capital receipt reserve	-7,473	-4,278
Pensions reserve		
- KCC	657,726	624,636
- DSO	2,017	0
Earmarked reserves	-74,094	-59,875
General Fund balance	-25,835	-28,335
Schools reserves	-65,626	-60,698
Surplus on trading accounts	-306	-1,902
Total net worth	-656,916	-650,828

ROLL FORWARD OF 2005-06 UNDERSPEND**Old Directorate:**

	Portfolio	New Directorate	£'000	£'000
Education & Libraries				
▪ Core Competency Training - required to meet the cost of core competency training required under the Children's Act which we were not able to fund in the 2006-09 MTP	ES&PS	CF&E	243.9	
				243.9
Strategic Planning				
▪ Healthy Living Project	E&T	E&R	84.0	
▪ Planning Applications - re-phasing of Shaw Grange restoration project	E&T	E&R	270.0	
▪ CA Site improvements in relation to Allington WtE Operations	E&T	E&R	500.0	
▪ The adjustment to the final outturn position during the external audit of the final accounts was in respect of LATS. It is proposed that this is used to support revenue funded highways maintenance to offset part of the savings taken in the 2006-07 budget process. This is consistent with the agreed treatment of any LATS income achieved in 2006-07.			332.6	
				1,186.6
Corporate Services				
▪ Legal - balance of unused roll forward from 04-05 to fund the delayed implementation of the time recording system	Resources	CED	60.0	
▪ Local Boards - provision for costs under the Localism agenda	Resources	CED	17.0	
▪ Local Boards - IT equipment for Community Liaison Managers	Resources	CED	8.0	
				85.0
Financing Items				
▪ Second Homes	Finance	CED	1,000.0	
▪ Active Mobs pilot to get 40 - 70 year olds that aren't otherwise, active through a tailor made and supported scheme	Finance	Adults	100.0	
▪ Exodus project	Resources	CMY	50.0	
				1,150.0
Balance of roll forward funding available				108.3
TOTAL				2,773.8

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY

QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget and the addition of £2.753m of roll forward from 2005-06, as agreed by Cabinet on 10 July 2006.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Education & School Improvement potfolio							
Delegated Budget:							
- Delegated Schools Budget	787,633	-66,947	720,686	-2,207	0	-2,207	Non distributed DSG & and underspend on unallocated ISB to cover shortfall in DSG
- Standards Fund (incl SSG)	92,107	0	92,107	0	0	0	
- Targeted Standards Fund			0			0	
- Direct Funding for Schools			0			0	
TOTAL DELEGATED	879,740	-66,947	812,793	-2,207	0	-2,207	
Non Delegated Budget:							
- Finance	3,495	-952	2,543	0	0	0	
- Schools Formula	99	0	99	0	0	0	
- Awards	5,031	-814	4,217	216	-146	70	Staffing, cash limits to be adjusted
- Contingency	-5,395	-205,623	-211,018	0	0	0	
- Personnel & Development	15,484	-3,464	12,020	64	-24	40	Maternity overspend offset by redundancy underspend
- School Support Service	102	0	102	0	0	0	
- Capital Projects	4,790	-3,238	1,552	-56	0	-56	Small underspend on prudential borrowing budget
- Client Services	4,125	-2,499	1,626	-12	0	-12	
- Provision Planning	0	0	0	0	0	0	
- Business Management	3,156	-408	2,748	0	60	60	Loss of income due to Colyer Hall closure
- ICT	9,095	-1,459	7,636	360	-326	34	Cash limits to be adjusted
- Health & Safety	368	-4	364	3	-4	-1	
- Strategic Management	1,700	0	1,700	177	-2	175	Staffing, Primary conference, County Show overspends
- Policy & Service Development	7,005	0	7,005	0	0	0	
- Management Information	26,553	-35	26,518	0	0	0	
- International Initiatives Unit	400	-320	80	59	-39	20	Cash limits to be adjusted, shortfall of income from Hadelot

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- School Organisation	4,431	-180	4,251	50	0	50	Staffing
- Mainstream HTST	14,851	-484	14,367	9	0	9	
- Early Years & Childcare	18,390	-121	18,269	-225	0	-225	Saving on 3 & 4 yr old payments (DSG saving)
- Clusters	15,476	-190	15,286	-504	0	-504	Staffing
- Advisory Service - Kent (incl Primary Excellence Project)	25,547	-4,968	20,579	1,032	-987	45	Cash limits to be adj, small overspend on staffing
- Early Years (Children's SS)	573	0	573	0	0	0	
TOTAL NON DELEGATED	155,276	-224,759	-69,483	1,173	-1,468	-295	
Total E&SI	1,035,016	-291,706	743,310	-1,034	-1,468	-2,502	
Children & Family Services portfolio							
- Attendance & Behaviour Service	15,217	-4,904	10,313	0	0	0	
- AEN & Resources	13,276	-3,920	9,356	0	-95	-95	Recoupment income
- SEN HTST	15,040	0	15,040	27	0	27	
- Independent Sector Provision	9,031	-300	8,731	0	0	0	
- Specialist Teaching Service	3,184	-337	2,847	-99	-7	-106	Staffing
- Educational Psychology Service	3,577	-111	3,466	108	-108	0	Cash limits to be adj
- Minority Community Achievement	1,638	0	1,638	-56	0	-56	Staffing
- Children's Safeguard Service	620	-16	604	49	-49	0	Cash limits to be adj
- Joint Commissioning	2,028	-207	1,821	0	0	0	
- Residential Care	3,999	-500	3,499	1,241	-266	975	Increase in cost and number of placements
- Community Care	44,708	-2,933	41,775	1,774	-566	1,208	Overspend on fostering & adoption
- Assessment & Related	18,188	-526	17,662	0	0	0	
- Childrens Service Provider Unit	8,210	-1,300	6,910	158	143	301	Staffing
- Childrens Services Support	6,537	-464	6,073	0	0	0	
- Contingency	2,472	-4,772	-2,300	0	0	0	
Total C&FS	147,725	-20,290	127,435	3,202	-948	2,254	
- Asylum Seekers	15,356	-15,356	0	0	2,300	2,300	Funding shortfall
Total C&FS incl. Asylum	163,081	-35,646	127,435	3,202	1,352	4,554	
Total Delegated	879,740	-66,947	812,793	-2,207	0	-2,207	
Total Non Delegated (excl. Asylum)	303,001	-245,049	57,952	4,375	-2,416	1,959	
Total Directorate Controllable (excl. Asylum)	1,182,741	-311,996	870,745	2,168	-2,416	-248	
Directorate Net Total (incl. Asylum)	1,198,097	-327,352	870,745	2,168	-116	2,052	

Memo:

Dedicated Schools Grant		-720,637	-720,637		2,432	2,432	Grant shortfall
Directorate Net Total (incl. DSG income)	1,198,097	-1,047,989	150,108	2,168	2,316	4,484	

1.1.3 Major Reasons for Variance

This quarter we are projecting:

- a £2m pressure on the non-delegated budget
- a £2.4m shortfall in Dedicated Schools Grant
- a £2.2m underspend against unallocated schools budgets to offset the shortfall in DSG, and
- a £2.3m pressure on Asylum.

1.1.3.1 Non-delegated:

Education & School Improvement Portfolio:

- Personnel & Development are projecting a pressure on maternity payments of £482k which is due to an exceptionally high number of claims being received in the first quarter of the year. The general personnel budget is also projecting a pressure of £100k on staffing. The pensions budget is projecting a pressure of £103k which is offset by matched income from Medway. These pressures are partly offset by the underspend on the redundancy budget that is projected to be £590k, giving a net pressure on the Personnel & Development budget of £40k.
- Strategic Management is projecting a pressure of £175k, the main elements are a pressure on staffing of £100k, the primary conference budget is projected to overspend by £35k and the county show budget has overspent by £30k.
- Early Years are projecting savings on three and four year old payments of £225k, this is necessary to cover the shortfall in income from the DSG of £1.8m (see 1.1.3.2 below)
- Clusters are projecting an underspend on staffing of £504k of which £240k will need to be re-phased into 2007-08 for the underspend on the clusterboard budget, as some of their plans relate to an academic year rather than a financial year.

Children & Family Services Portfolio:

- AEN&R are projecting an underspend of £95k, this is due to additional recoupment income being received from other authorities above the level originally estimated.
- Residential Care is projecting a pressure of £975k. Although numbers of children are remaining steady, the pressure is due to the expectation that numbers will increase by the end of the year. This is due to cases where we know we are likely to be directed by a court to place particular children into residential care. Another reason for the projected pressure is due to the movement of children currently placed in residential care into higher cost placements due to the developing individual needs of the children eg for severe behaviour problems, or where they are at risk to themselves or others. In some cases we are directed by a court to move children into these higher cost places.
- Community Care is currently projecting an overspend of £1.2m, this includes £0.5m on Fostering and £1.6m on Adoption. Whilst the overall number of Looked After Children (LAC) has reduced, children in adoptive placements have increased and has therefore meant a higher overall unit cost. Fostering and adoption lines have substantially overspent for a number of years. These overspends are offset by staffing underspends of £438k within family support and an underspend of £483k in day care, due to a reduction in care packages and management action to reduce the overall spend within community care. The problem within the fostering budget will become greater in 2007-08 due to the minimum fostering allowance which will be imposed from April 2007, costing up to £2m.
- The Children's Services Provider unit is projecting a net pressure of £300k. This is made up of an overspend on staffing of £158k and a reduction in net income of £143k due to the loss of income from Medway for residential placements of £81k and a reduction in income from county fostering of £62k.

1.1.3.2 Dedicated Schools Grant (DSG)

The DfES's original allocation of DSG for 2006-07 (announced in late 2005) was £723.005m, their final allocation announced in June 2006 was £718.205m, giving a reduction in grant of £4.8m. However £2.4m of this reduction was anticipated at the time of setting the budget, leaving a shortfall in grant of £2.4m against our published budget figure of £720.637m. £0.6m of this was never distributed to schools as we anticipated a further shortfall at the time of issuing schools budgets, therefore the shortfall that needed to be found from another source was £1.8m. At its meeting on 14 July, the Schools Forum approved the proposed in year solution to take £1.6m of the £1.8m DSG shortfall from the unallocated ISB (the remaining £0.2m will come from the non-delegated Early Years budget).

1.1.3.3 Delegated

The current forecast is that schools will not draw down on reserves this year and the overall schools budget will balance. It should be noted that the schools forecast is a £24m use of reserves in 2006-07. Past experience indicates that this figure is hugely overstated and we have therefore projected breakeven. It is possible that 2006-07 will see a reduction in reserves for only the 2nd time since the introduction of LM in 1990, given the pressures of falling rolls and the new requirements in respect of the five outcomes of The Children Act. At this stage it is too early for us to say if this is the case, but we hope to have a better idea after the next schools monitoring return due at the end of October. There will be an underspend on the unallocated ISB of £1.6m to cover the shortfall in DSG and £0.6m of undistributed DSG (see 1.1.3.2 above), giving a net underspend of £2.2m

1.1.3.4 Asylum Budget

The Asylum budget is still forecast to have a funding shortfall of £2.3m for the 2006-07 financial year. This is due to £1.8m of direct spending and £0.5m of indirect spend being unrecoverable at the new grant unit costs from the DfES and Home Office. The estimates assume that the DfES use the same grant rules as for 2005-06, but guidance has not been issued yet and therefore forecasts may alter if grant criteria change. There is also the issue of the 2005-06 outstanding grant income, relating to the two special circumstances bids, one to the Home Office for £1.2m and one to the DfES for £0.7m. As reported to Cabinet in June, we have assumed that we will be successful in receiving part of this income and the balance has been met from the corporate provision set up in 2004-05. If elements of these bids are challenged and we receive less income than we have assumed from these two special circumstances bids, then the forecast pressure will increase from the current estimate of £2.3m. Meetings have been arranged with the DfES and Home Office to take these issues forward, and we will provide an update on the situation in the exception report to be presented to Cabinet in October.

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTFP:

The overspends currently being projected within Fostering and Adoption will need to be addressed through the MTFP. The impact of the savings that will be imposed on the directorate through the MTFP will mean that the budgets which in the past have underspent due to staff vacancies and been offset against the pressures on fostering and adoption, will need to be given up as savings. The problem within the fostering budget will become greater in 2007-08 due to the minimum fostering allowance, which the DfES are implementing from April 2007, costing in the region of £2m.

The DfES reduced their original 2006-07 DSG allocation for Kent by £4.8m in total and latest information has highlighted that the DfES have accepted the fact that school budgets will also be at least £4.8m less than originally announced for 2007/08. This coupled with the late announcement by the DfES that teachers' employer's pension contributions are to increase by 0.6% from January 2007, puts significant pressure on next years budgets, for both schools and those elements of the non-delegated budget funded from DSG. The indicative school budgets for 2007-08 were set assuming a shortfall on indicative allocations of about £3m, and with some money left as "headroom" but these measures are not enough alone to cover the expected shortfall and new pressures. This shortfall will need to be communicated to schools early in term 1 once the full extent of the pressure is calculated. The DfES do not appear willing to use the £90m saved on the 2006-07 pupil estimates to cover the pensions shortfall.

1.1.6 Details of re-phasing of revenue projects:

Clusters will request to re-phase £240k of clusterboard budget into 2007-08. There are 23 clusterboards who each make plans on the best and most appropriate way to spend the clusterboard money. In some cases the plans mean that the budget will be spent over an academic year rather than financial year, resulting in the need to re-phase into the following financial year.

1.1.7 Details of proposals for residual variance:

Children's Social Services are currently projecting a £2.5m overspend, if this pressure is confirmed, it is likely that the following areas will be considered as areas for potential offsetting savings:

- Reviewing adoption allowances
- Reviewing grants to voluntary organisations
- Management of social worker vacancies within Assessment & Related
- Suppression of high cost fostering placements ie via Independent Fostering Agencies.

Whilst the directorate will work to balance the budget, it is not clear whether this will be feasible. An awayday has been organised at which the current budget position within Children's Social Services will be discussed. Proposals will be discussed with Members and SMT and we will provide an update on the situation in the exception report to be reported to Cabinet in October.

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 PAG, or relevant delegated authority.

Cash limits have been adjusted this quarter to reflect:

	£000s
• Roll forward of the re-phasing from 2005-06 of:	
▪ Education and School Improvement portfolio	6,639
▪ Schools	11,566
▪ Children and Families portfolio	654
• Reduction in anticipated capital receipt from Axton Chase – project to be contained within reduced resource (Education & School Improvement portfolio)	-5,000

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp	2006-07	2007-08	2008-09	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Education & School Improvement Portfolio						
Budget	117,725	136,000	76,250	17,279	23,163	370,417
Additions:						
- 2005-06 Rollover		6,639				0
						0
Reductions:						
- Axton Chase		-5,000				-5,000
-						0
Revised Budget	117,725	137,639	76,250	17,279	23,163	372,056
Variance		+3,035	+29,203	-1,234	-22,978	+8,026
split:						
- real variance		+7,105	+880	+41	0	+8,026
- re-phasing		-4,070	+28,323	-1,275	-22,978	0
Children & Family Services Portfolio						
Budget	3,158	4,217	2,353	50	100	9,878
Additions:						
- 2005-06 Rollover		654				654
-						0
-						0
Revised Budget	3,158	4,871	2,353	50	100	10,532
Variance		-160	+198			+38
split:						
- real variance		+38				+38
- re-phasing		-198	+198			0
Directorate Total						
Revised Budget	120,883	142,510	78,603	17,329	23,263	382,588
Variance	0	2,875	29,401	-1,234	-22,978	8,064
Education & School Improvement Portfolio						
Devolved Capital to Schools						
Budget		26,411				26,411
Additions:						
- 2005/06 Rollover		11,566				11,566
Revised Budget		37,977				37,977
Variance						0
split:						
- real variance						0
- re-phasing						0
Real Variance		+7,143	+880	+41	0	+8,064
Re-phasing		-4,268	+28,521	-1,275	-22,978	0

1.2.3 Capital Resourcing issues:

Education & School Improvement portfolio:

The table shows a gross forecast pressure of £8.026m. Within this is:

- the addition of the new facilities at Greenfields (previously Shepway Infants & Junior Schools) which is being fully met by capital receipts £2.332m), and
- Herne Bay Junior where the additional cost is being also offset by a capital receipt of £1.3m.

In total this means we currently have a pressure of £4.394 million. Action will be taken to ensure spend matches available funding.

Children & Family Services portfolio:

None

1.2.4 General Overview of capital programme:**(a) Projects where there's re-phasing and reasons why**Education & School Improvement:

Special Schools Review - As previously reported, following replacement of the previous project management arrangements the implementation of the review is now progressing at speed. *Rephasings of 2006/07 +£15,024K, 2007/08 +£12,229K, 2008/09 -£4,275K & Later Years -£22,978K.*

Kings Hill Discovery School - Finalisation of the proposed expansion & discussions with the developer have taken longer than anticipated. *Rephasings of 2006/07 -£300K & 2007/08 +£300K.*

Kingsmead - This is a self funding scheme where we have as yet been unable to reach a satisfactory agreement on the acquisition of a site for the replacement school. Discussions are continuing. *Rephasings of 2006/07 -£7,000K & 2007/08 +£7,000K.*

Tonbridge Girls Grammar - This scheme, which is basically self funding, has slipped due to planning issues. *Rephasings of 2006/07 -£4,350K & 2007/08 +£4,350K.*

Dartford Campus - This scheme has slipped slightly as a result of unforeseen issues (eg. buried asbestos). *Rephasings of 2006/07 -£864K & 2007/08 +£864K.*

Childrens Centres - This programme is currently experiencing difficulties with delivering what is required within the funding made available by central government. *Rephasings of 2006/07 -£306K & 2007/08 +£306K.*

Modernisation 2006/07/08 programme - Although there is a large amount of estimation on this new programme of works, this bringing forward of resources reflects the position on a number of projects which have got off to a good start. *Rephasings of 2006/07 +£616K & 2007/08 -£616K.*

Axton Chase - This is a self funding scheme which has now passed through all of the considerable planning issues it faced (GOSE). *Rephasings of 2006/07 -£6,500K, 2007/08 +£3,500K & 2008/09 +£3,000K.*

Other Rephasings include: Swan Valley, Specialist Schools Programme 2004/05, Targeted funding, Sandgate Primary School, Downsview Primary School. *Net Rephasings of 2006/07 -£390K & 2007/08 +£390K.*

Children & Family Services:

Whitstable Family Centre - Planning delays have delayed the start of this project. We now anticipate the project starting on site in November. *Rephasing of 2006/07 -£198K & 2007/08 +£198K*

(b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above,Education & School Improvement

Mascalls School - The overspend reflects considerable problems with contractors where there are significant claims/counter claims at present. *Overspend £244K*

Tunbridge Wells Grammar Boys - The majority of this forecast overspend reflects the need to respond to pupil number pressures for September 2006. *Overspend £318K.*

Simon Langton Boys Grammar – Additional contribution to the Arts & Drama phase of this project. *Overspend £170k.*

Modernisation 2004/05/06 - Some of this overspend reflects the bringing forward & forecast savings of £455K from the 2006/07/08 programme of schemes. The balance reflects overspends on a small number of projects within the programme : eg.

- (a) Boughton under Blean Methodist PS +£371K – Additional costs due to access to site issues & that the original budget estimate of £600K was insufficient,
- (b) Reculver PS +£191K – The project had to be redesigned to incorporate additional DDA requirements,
- (c) Oaktree PS, Ashford +£304K - the overspend predominantly represents the Health & Safety cost of providing mobile accommodation for the children to move into whilst the building work is undertaken. These costs were not previously anticipated,
- (d) Hythe Amalgamation +£119K – the early developments costs relating to the amalgamation project.

Overspend £1,490K.

Vocational Education – A significant element of this forecast overspend reflects the refurbishment and fitting-out costs of the Thanet Skills Centre, together with the abnormal costs incurred on this project (eg. the need for a new floor & the removal of asbestos). *Overspend of £2,438K.*

Ashford North Youth Centre - The extra expenditure has been agreed with Communities Directorate & reflects the impact of inflation on an original budget of £1m. The planned build has been held up for some time due to planning issues. *Overspend £255K.*

Cornwallis School - This planned investment is now unlikely to be needed as discussions are underway about Academy status. *Underspend £1,000K.*

6 Schools PFI (LEA funded) - This reflects the need to provide temporary accommodation whilst work was progressing. *Overspend £741K.*

Modernisation 2006/07/08 - The savings to cash limit primarily relate to the moving forward of projects to the previous Modernisation Programme (see note on Modernisation 2004/05/06 above.) *Saving -£455K.*

Other Projects : There are a number of smaller variances totalling +£193K. *Overspend £193K.*

As stated in 1.2.3 action will be taken to ensure the spend remains within available resources.

(c) **Risks**

The major risk remains those that were associated with the programme when it was approved, namely that a number of projects are wholly or partly dependant on capital receipts and/or external funding and if this funding is not achieved the projects will not proceed.

(d) **Details of action being taken to alleviate risks**

If external funding/capital receipts are not realised and this shortfall cannot be managed within the capital programme, then Members would be asked to consider the cessation of projects.

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance over the period of the MTP within Education & School Improvement is +£4.394m and within Children and Family Services is +£0.038m.

1.2.5 PFI projects

- Schools PFI

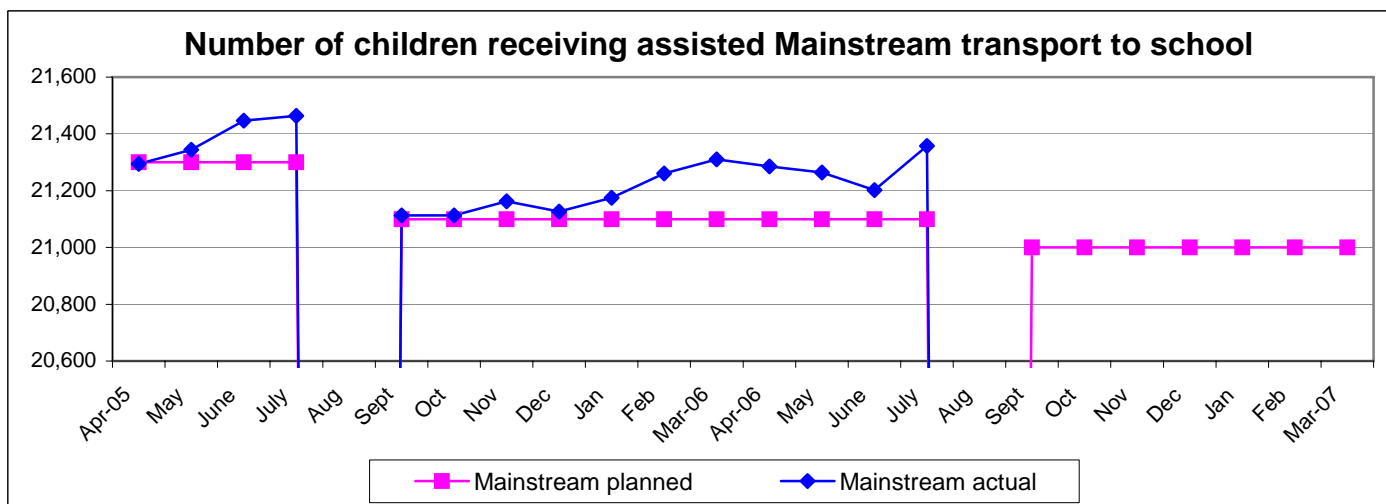
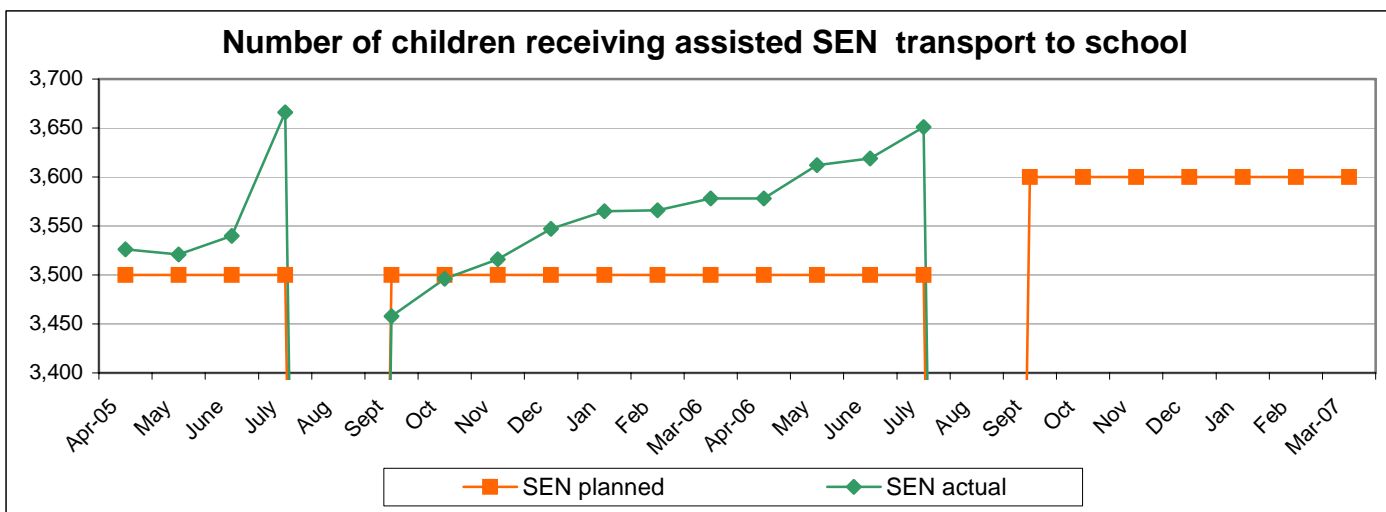
The £92.4m investment in the Schools PFI project represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the asset are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	2006-07	2007-08	TOTAL
	£000s	£000s	£000s	£000s
Budget	38,247	51,462	2,701	92,410
Forecast	38,247	51,462	2,701	92,410
Variance	0	0	0	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Numbers of children receiving assisted SEN and Mainstream transport to school:

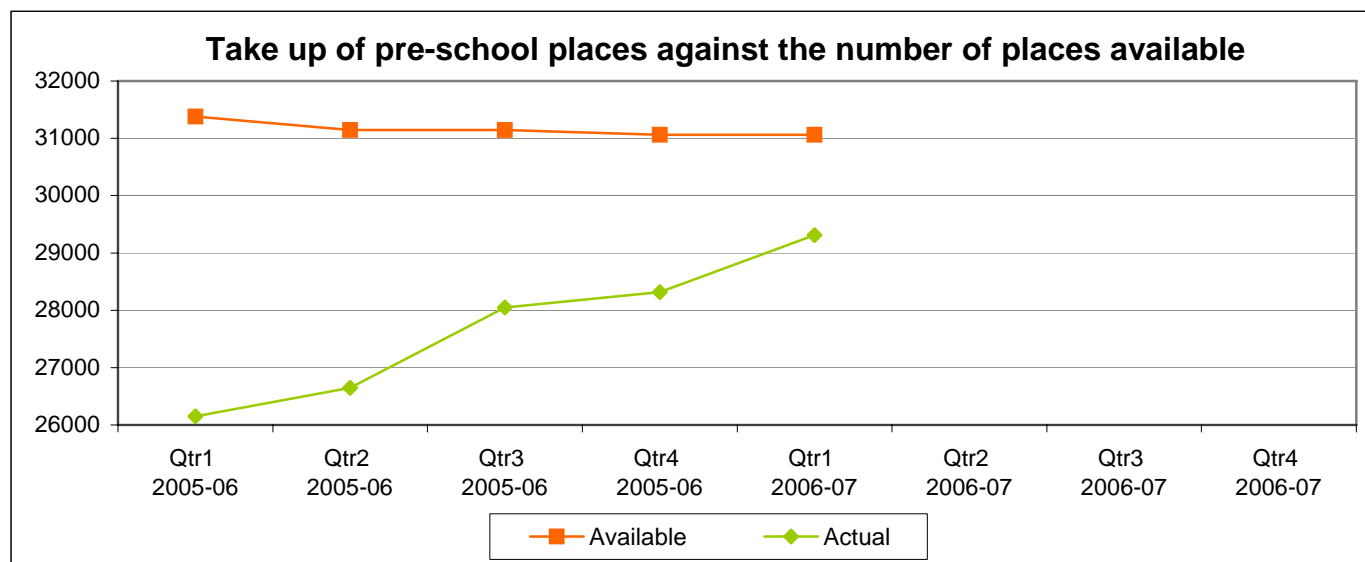
	2005-06				2006-07			
	SEN		Mainstream		SEN		Mainstream	
	planned	actual	planned	actual	planned	actual	planned	actual
April	3,500	3,526	21,300	21,295	3,500	3,578	21,100	21,285
May	3,500	3,521	21,300	21,344	3,500	3,612	21,100	21,264
June	3,500	3,540	21,300	21,447	3,500	3,619	21,100	21,202
July	3,500	3,666	21,300	21,464	3,500	3,651	21,100	21,358
August	0	0	0	0	0	0	0	0
September	3,500	3,458	21,100	21,113	3,600		21,000	
October	3,500	3,496	21,100	21,113	3,600		21,000	
November	3,500	3,516	21,100	21,163	3,600		21,000	
December	3,500	3,547	21,100	21,126	3,600		21,000	
January	3,500	3,565	21,100	21,175	3,600		21,000	
February	3,500	3,566	21,100	21,261	3,600		21,000	
March	3,500	3,578	21,100	21,310	3,600		21,000	



Comments:

2.2 Take up of pre-school places against the number of places available:

	2005-06			2006-07		
	Actual	Available	% take up	Actual	Available	% take up
April - June	26,152	31,378	83%	29,307	31,062	94%
July - September	26,650	31,147	86%			
October - December	28,047	31,147	90%			
January - March	28,319	31,062	91%			



Comments:

2.3 Number of schools with deficit budgets compared with the total number of schools:

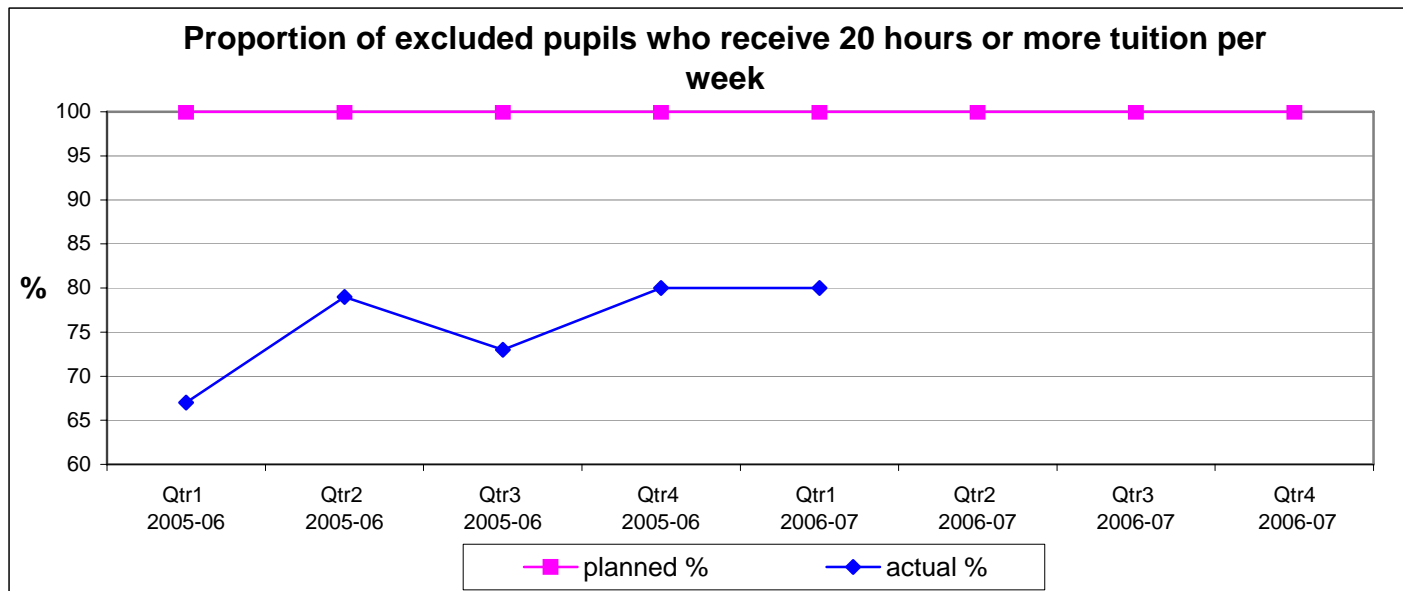
	2005-06	2006-07
	as at 31-3-06	Projection
Total number of schools	600	596
Total value of school reserves	£70,657k	£69,082k
Number of deficit schools – STG Schools	4	4
Number of deficit schools – non STG Schools	5	4
Total value of deficits	£947k	£555k

Comments:

- KCC now has a “no deficit” policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year’s budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the LEA, which could ultimately mean suspending delegation.
- The CFE Deficit and Compliance team are working with all 8 schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible.

2.4 Proportion of excluded pupils who receive 20 hours or more tuition per week:

	2005-06		2006-07	
	planned	actual	planned	actual
April - June	100%	67%	100%	80%
July - September	100%	79%	100%	
October - December	100%	73%	100%	
January - March	100%	80%	100%	

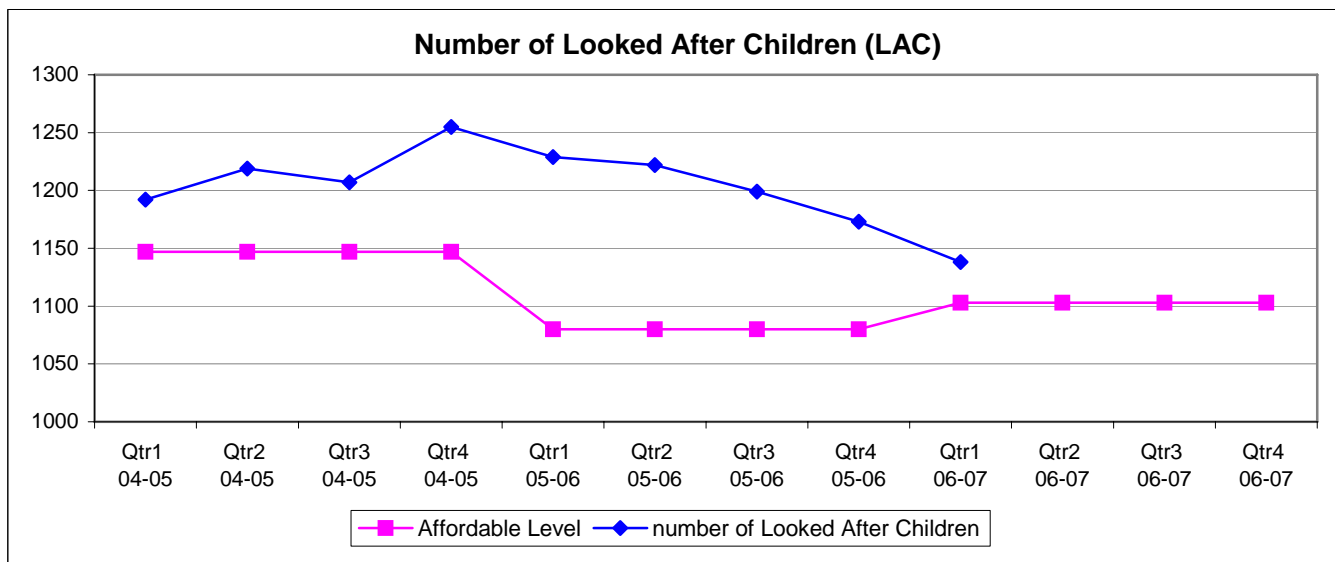


Comments:

- There are no excluded pupils receiving 20 hours or more home tuition per week. They either receive their tuition in Pupil Referral Units or alternative curriculum (which is currently mostly provided by external sources).

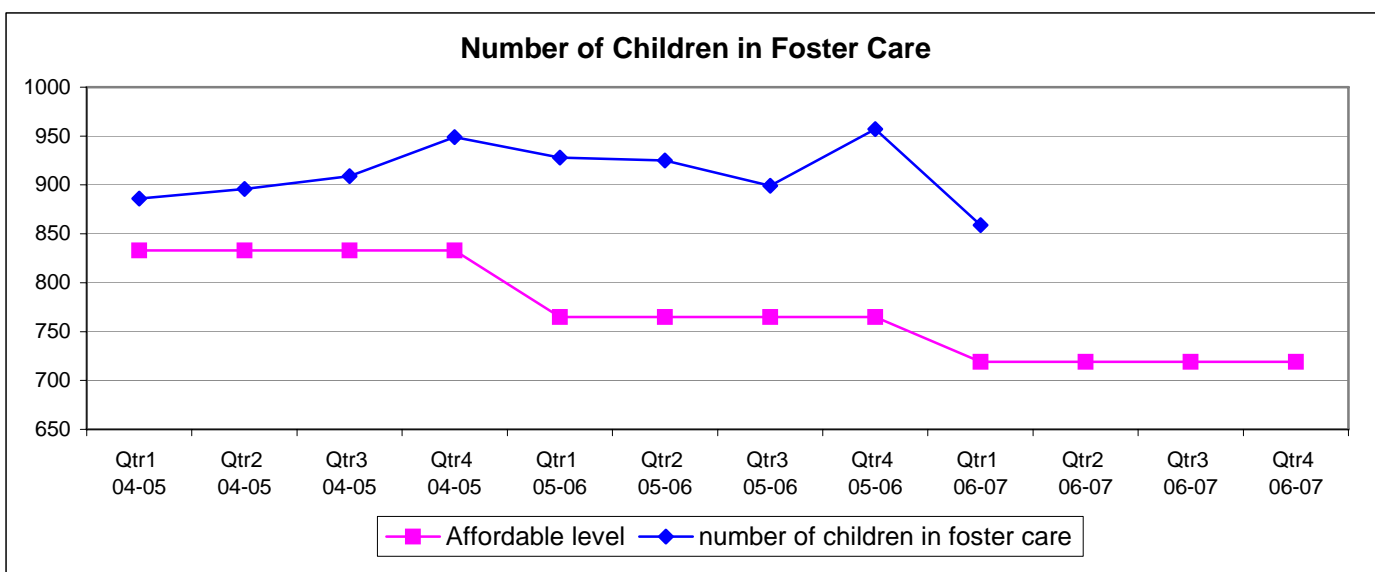
2.5 Numbers of Looked After Children (LAC):

	2004-05		2005-06		2006-07	
	Affordable Level	number of Looked After Children	Affordable Level	number of Looked After Children	Affordable Level	number of Looked After Children
Apr – Jun	1,147	1,192	1,080	1,229	1,103	1,138
Jul – Sep	1,147	1,219	1,080	1,222	1,103	
Oct – Dec	1,147	1,207	1,080	1,199	1,103	
Jan – Mar	1,147	1,255	1,080	1,173	1,103	



2.6 Number of Children in Foster Care:

	2004-05		2005-06		2006-07	
	Affordable level	number of children in foster care	Affordable level	number of children in foster care	Affordable level	number of children in foster care
Apr - Jun	833	886	765	928	719	859
Jul - Sep	833	896	765	925	719	
Oct - Dec	833	909	765	899	719	
Jan - Mar	833	949	765	957	719	

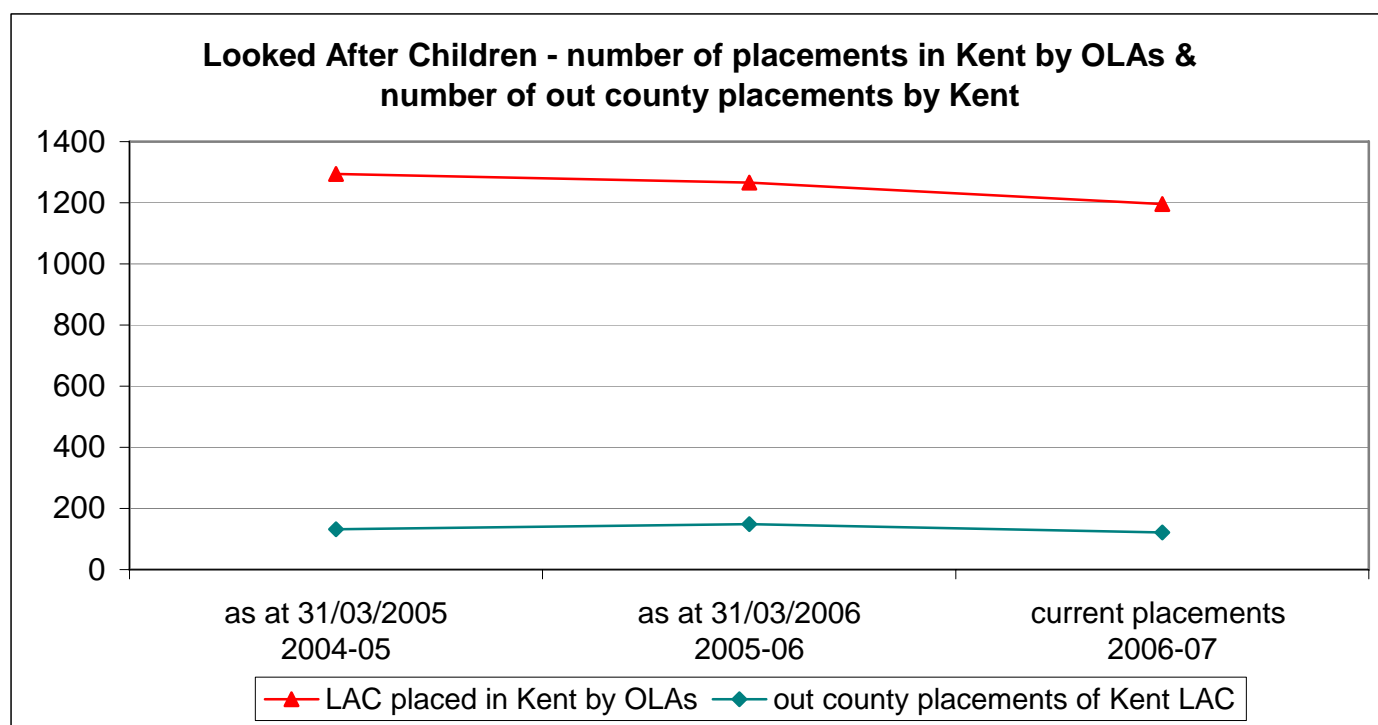


2.7 Number of Placements in Kent of LAC by other Authorities:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 current placements
1,294	1,266	1,196

2.8 Number of Out County Placements of LAC by Kent:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 current placements
132	149	121



Comments:

- These are our best estimates of children placed in Kent, but we are not automatically kept informed, despite there being a requirement for local authorities to notify each other of changes.
- Children Looked After by KCC may on occasion be placed out of the County, which is undertaken using practice protocols that ensure that all long-distance placements are justified and in the interests of the child. All Looked After Children are subject to regular statutory reviews (at least twice a year), which ensures that a regular review of the child's care plan is undertaken. The majority (over 99%) of Looked After Children placed out of the Authority are either in adoptive placements, placed with a relative, specialist residential provision not available in Kent or living with KCC foster carers based in Medway.

2.9 Numbers of Asylum Seekers (by category):

	2004-05	2005-06	2006-07
	Number	Number	Number
Unaccompanied Minors Under 18	466	330	286
Unaccompanied Minors Over 18	343	480	499
Single Adults	474	20	5
Families	123	10	6

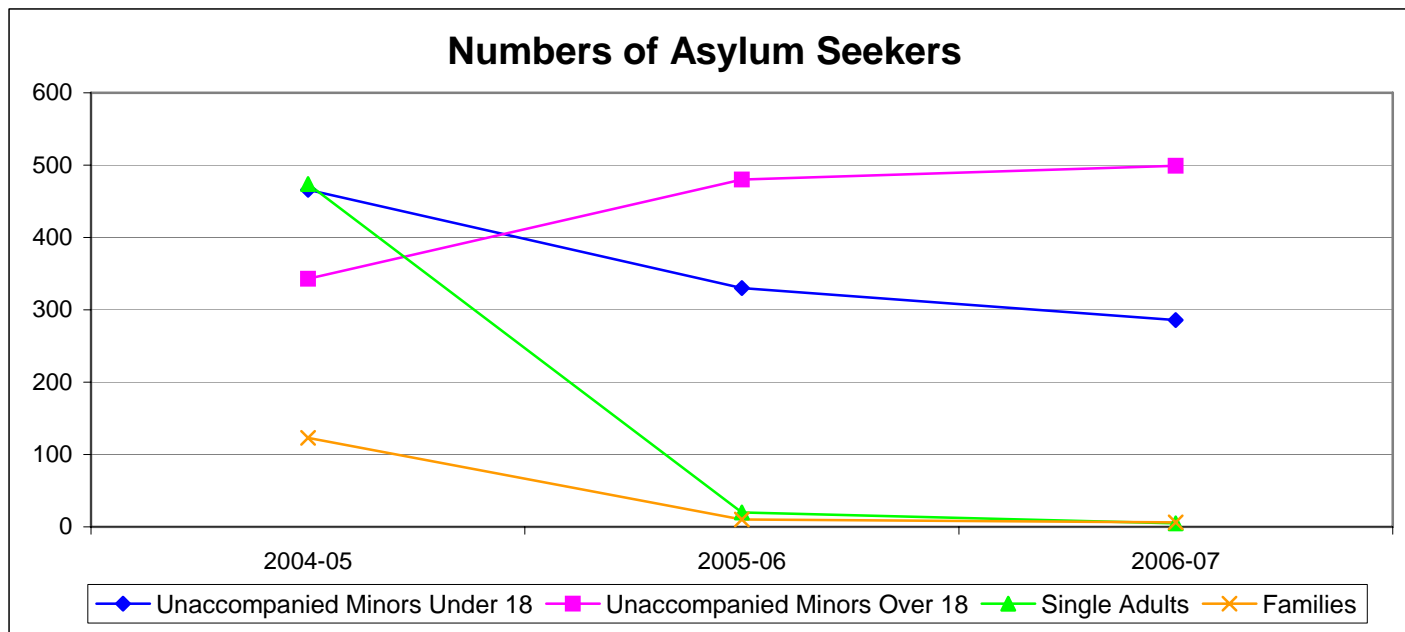


Table 3

CHILDREN, FAMILIES & EDUCATION DIRECTORATE

VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Shortfall in DSG income	+2,432	School Budgets - saving on unallocated ISB to cover shortfall in DSG	-1,575
Asylum - funding shortfall	+2,300	School Budgets - undistributed DSG	-632
Community Care - Adoption	+1,600	P&D - Redundancy	-590
Residential Care - Placement costs	+975	Clusters - Staffing	-503
Community Care - Fostering	+500	Community Care - Day Care	-483
P&D - Maternity payments	+482	Community Care - Staffing	-438
Children's Services Provider Unit - Staffing	+158	Early Years - 3 & 4 yr old payments	-225
Children's Services Provider Unit - Income	+143	P&D - Pensions, Medway income	-103
P&D - Pensions, Medway contract	+103		
P&D - Personnel Function	+100		
Strategic Management - staffing	+100		
	+8,893		-4,549

ADULT SERVICES DIRECTORATE SUMMARY QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget and the addition of £0.237m of roll forward from 2005-06, as agreed by Cabinet on 10 July 2006.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Adult Services portfolio							
Older People	160,326	-62,465	97,861	-307	-1,777	-2,084	Reduction in clients
People with a Learning Difficulty	65,323	-20,338	44,985	3,478	377	3,855	Pressures on placements & prices
People with a Physical Disability	25,048	-7,235	17,813	276	996	1,272	Direct payments
Adults Assessment & Related	28,003	-3,977	24,026	-927	167	-760	Vacancies
Older Persons Direct Service Unit	24,641	-3,704	20,937	249	2	251	Premises costs & agency staff
Adult Service Provider Unit	13,593	-990	12,603	-257	482	225	Reduction in recharge to Supporting People
SESEU	2,199	-592	1,607	211	-181	30	
Occupational Therapy Bureau	9,691	-2,611	7,080	647	-639	8	
Mental Health Service	21,458	-6,672	14,786	144	9	153	Price challenges
Supporting People	32,928	-32,928	0	0	0	0	
Gypsy Unit	640	-294	346	-21	20	-1	
Strategic & Area Management	632	-2	630	0	0	0	
Performance, Contracting & Planning	5,561	-1,032	4,529	463	-540	-77	Vacancies
Training, Duty & Support	16,042	-3,718	12,324	1,068	-1,068	0	
Total Adult Services controllable	406,085	-146,558	259,527	5,024	-2,152	2,872	

1.1.3 Major Reasons for Variance:

1.1.3.1 General Comment

These forecasts are constructed under conditions of much greater uncertainty, given the changes currently taking place within Kent County Council and the wider Health and Social Care economy and the assumptions under-pinning these forecasts carry considerable risk.

1.1.3.2 Older People (-£2,084k)

Comment: This is consistent with the 2005-06 outturn position, which reflects a general downward trend in residential client nos. over the past couple of years.

Some pressure arising from increases in direct payments, but this is offset by reductions in domiciliary spend.

1.1.3.3 People with Learning Disabilities (+£3,855k)

Comment: This pressure represents the inherent pressure in the base from the previous year. Whilst additional demography funding was built into the 2006 budget, this merely serves to fund the continuing growth in placements and price increases anticipated during the current financial year.

Some pressure arising from increases in direct payments.

1.1.3.4 People with Physical Disabilities (+£1,272k)

Comment: Similarly with Learning Disability much of this pressure represents the inherent base pressure from the previous year. There is evidence to suggest that our success in meeting the direct payments target is identifying previously unmet demand/need.

1.1.3.5 Assessment & Related (-£760k)

Comment: As in previous years management action around staffing and vacancies has been implemented to offset pressure elsewhere within the budget.

1.1.3.6 Older People Direct Services Unit (+£251k)

Comment: Pressures across all premises headings, as a result of the age and condition of some of the buildings. Also some pressure relating to the use of agency staff to cover staff sickness.

1.1.3.7 Adult Services Provider Unit (+£225k)

Comment: Principally a reduction in internal income resulting from changes in the level of floating support provided to the Supporting People service.

1.1.3.8 Mental Health (+£153k)

Comment: Principally due to the full year effect of price challenges by care home providers during the last quarter.

1.1.3.9 Performance, Contracts & Planning (-£77k)

Comment: Some vacancies against staffing budgets.

1.1.4 **Actions required to achieve this position:**

1.1.4.1 The current forecast position reflects a number of assumptions, some of which represent a risk:

- That £1.1m of cost anticipated to transfer from Supporting People, as a result of projected reductions in grant can be managed and absorbed within existing resources.
- That the £1.8m of budgeted efficiency savings can be delivered. Area Management Teams are working on management actions and are confident they can be delivered.
- That the budget assumptions around preserved rights attrition will be realised.
- That there will be no further price challenges from private sector providers.

1.1.4.2 The Strategic Management Team continues to work towards a management action plan to balance expenditure to budget by year end.

1.1.5 **Implications for MTFP:**

1.1.5.1 The emerging level of unmet need in response to direct payments.

1.1.6 **Details of re-phasing of revenue projects:**

1.1.6.1 There are no plans to re-phase revenue projects at this time.

1.1.7 Details of proposals for residual variance:

1.1.7.1 The directorate's forecast position reflects carry forward of the £1.8m underspend against Supporting People grant into reserves, consistent with previously agreed practice. This is in anticipation of a reduction in the grant in future years.

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 PAG, or relevant delegated authority (eg portfolio holder, director, finance manager).

Cash limits have been adjusted this quarter to reflect:

- Roll forward of the re-phasing from 2005-06 of £000s
1,802

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
Adult Services portfolio						
Budget	7,392	10,872	2,705	484	562	22,015
Additions:						
- 2005-06 roll forwards		1,802				1,802
-						0
-						0
Revised Budget	7,392	12,674	2,705	484	562	23,817
Variance		-885	+1,467	+287	-280	+589
split:						
- real variance		+589				+589
- re-phasing		-1,474	+1,467	+287	-280	0
Real Variance		+589	0	0	0	+589
Re-phasing		-1,474	+1,467	+287	-280	0

1.2.3 Capital Resourcing issues:

The over spend of £589k on the re-provision of Broadmeadow project will be met by an additional contribution of £400k from Children, Families & Education directorate (CFE) and £189k from revenue. Issues with the soil structure, discovered once construction works started, have led to increased costs of groundworks, mechanical and electrical works and drainage.

1.2.4 General Overview of capital programme:

(a) Projects where there's re-phasing and reasons why:

Rusthall Site

The allocation of £7k this year is to be re-phased into 2008-09 where there is further funding of £493k. This project is reliant upon a developer providing a house that will be adapted for those with learning difficulties and will not be available until 2008-09.

IPU Maidstone

This project is now to be known as Bower Mount Road. There is an allocation of £280k in 2009-10 and we are asking for this funding to be pulled forward to 2008-09.

Building Care Capacity – Westerham

In 2006-07 there is an allocation of £1,000k and £950k of the allocation is being re-phased to 2007-08. The remaining £50k will be used on feasibility and planning on how to progress this project forward which at present has no contractual commitments.

Osbourne Court/Faversham DOC

In 2006-07 there is an allocation of £417k, and £367k of the allocation is being re-phased into 2007-08 as more planning is required on establishing the service requirement to meet our modernisation agenda.

The Beaney Centre

The allocation of £150k is being re-phased to 2007-08. This project is part of a large authority-wide project that is being led by the Communities directorate. We are waiting for a clear business case to ensure the requirements of the Adult Services directorate are fully met.

(b) Projects with real under or overspend:

After considering issues raised in 1.2.3 above, we have no real under or overspends.

(c) Risks:

The Broadmeadow project is flagged as particularly high risk and considerable work is being undertaken to reduce those risks.

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance is **breakeven**.

1.2.5 PFI projects

- PFI Housing

The £76.280m investment in the PFI Housing project represents investment by a third party. No payment is made by KCC for the new/refurbished asset until the asset is ready for use and this is by way of an annual unitary charge to the revenue budget.

	2006-07	2007-08	2008-09	TOTAL
	£000s	£000s	£000s	£000s
Budget	6,900	28,650	40,730	76,280
Forecast	6,900	28,650	40,730	76,280
Variance	0	0	0	0

(a) Progress and details of whether costings are still as planned (for the 3rd party)

Currently the progress of this PFI project is going ahead as planned. No payment is made by KCC for the new extra care facilities across Kent until each facility has been built and available for occupation. The first payment to the contractor is likely to be incurred in 2008-09. The payment will be by way of a unitary charge to the revenue budget.

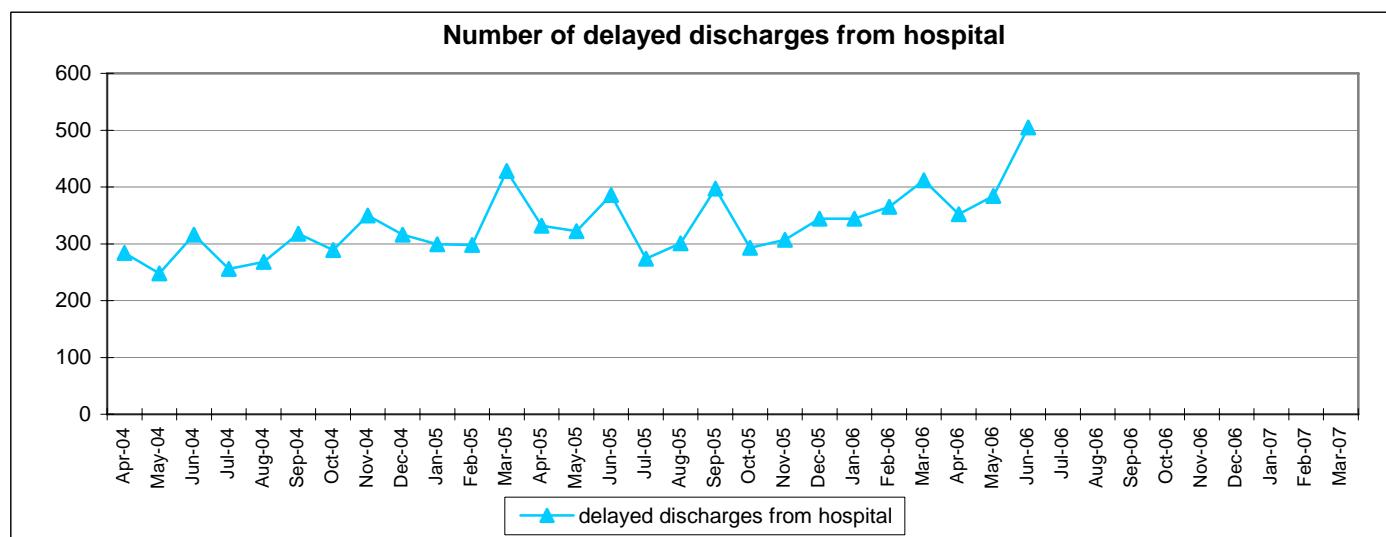
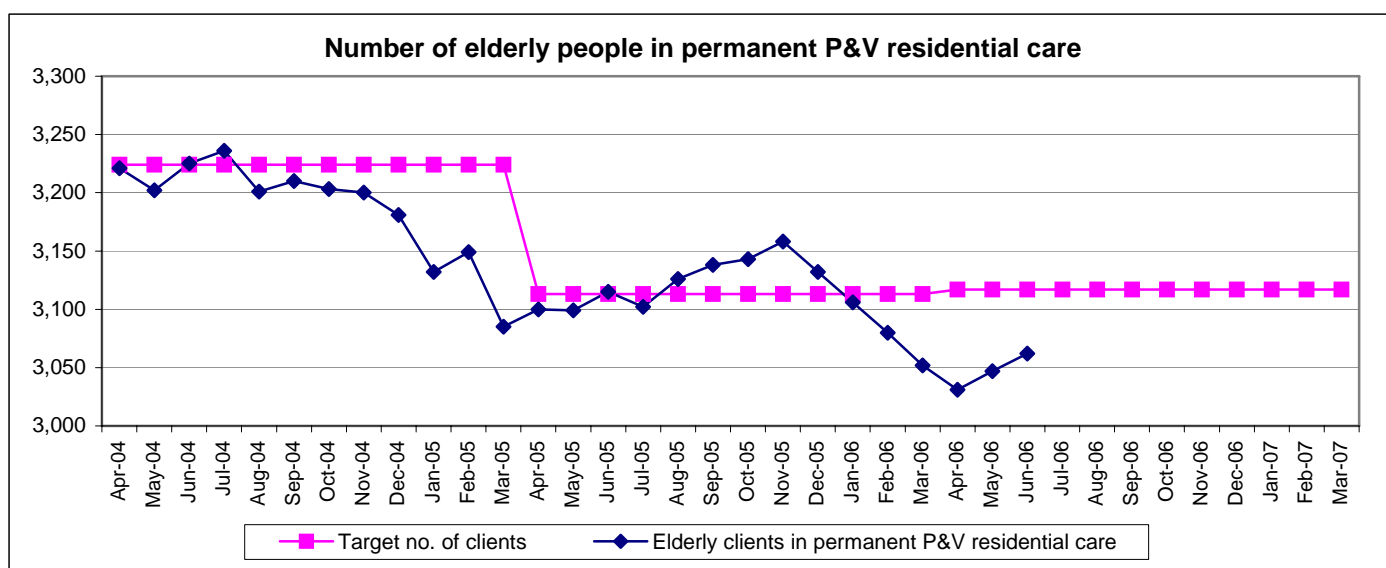
(b) Implications for KCC of details reported in (a) above:

We are expecting no cost implications to KCC.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Numbers of elderly people in permanent P&V residential care, including indicators on delayed discharges:

	2004-05			2005-06			2006-07		
	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital
April	3,224	3,221	284	3,113	3,100	332	3,117	3,031	352
May	3,224	3,202	248	3,113	3,099	322	3,117	3,047	384
June	3,224	3,225	316	3,113	3,115	386	3,117	3,062	505
July	3,224	3,236	256	3,113	3,102	274	3,117		
August	3,224	3,201	268	3,113	3,126	301	3,117		
September	3,224	3,210	318	3,113	3,138	397	3,117		
October	3,224	3,203	289	3,113	3,143	293	3,117		
November	3,224	3,200	350	3,113	3,158	307	3,117		
December	3,224	3,181	316	3,113	3,132	344	3,117		
January	3,224	3,132	299	3,113	3,106	344	3,117		
February	3,224	3,149	298	3,113	3,080	365	3,117		
March	3,224	3,085	428	3,113	3,052	412	3,117		

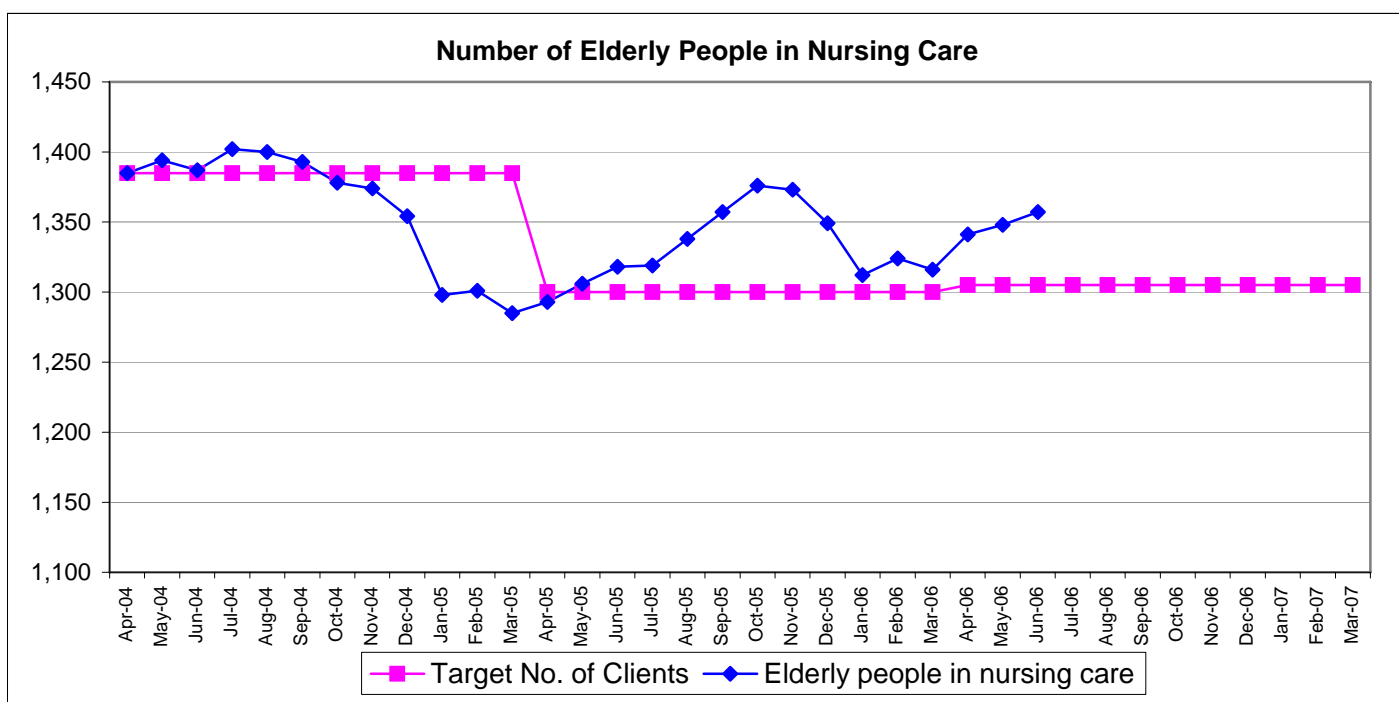


Comments:

- The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Typically this may be because they are waiting for an assessment to be completed, they are choosing a residential or nursing home placement, or waiting for a vacancy to become available. This figure shows all delays, but those attributable to Adult Services, and therefore subject to the reimbursement regime, are a minority. There are many reasons for fluctuations in the number of DTCs which result from the interaction of various different factors within a highly complex system over which we have very little influence. Overall we consistently see a level of some 65-75 DTCs per week (measured by the number of delayed discharges as at midnight Thursday), approximately 30%-40% of which will be the responsibility of Social Services, but this occasionally rises and there are some more predictable "seasonal" variations throughout the year. It should also be noted that each third month is a five-week month.

2.2 Numbers of elderly people in nursing care:

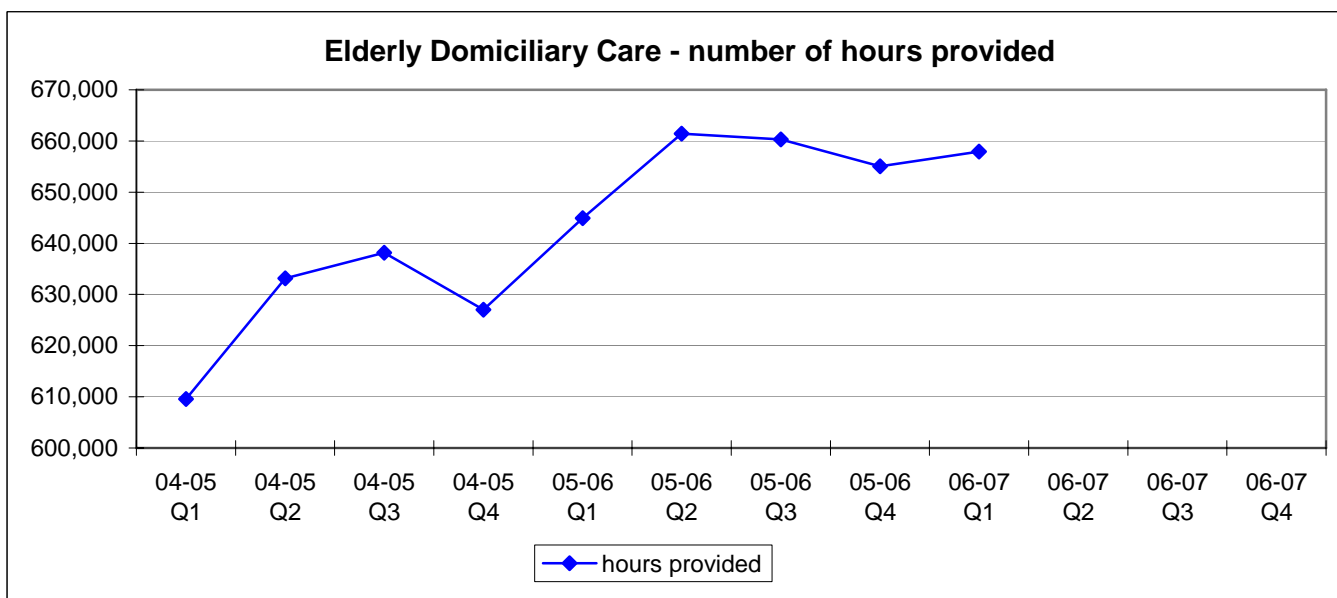
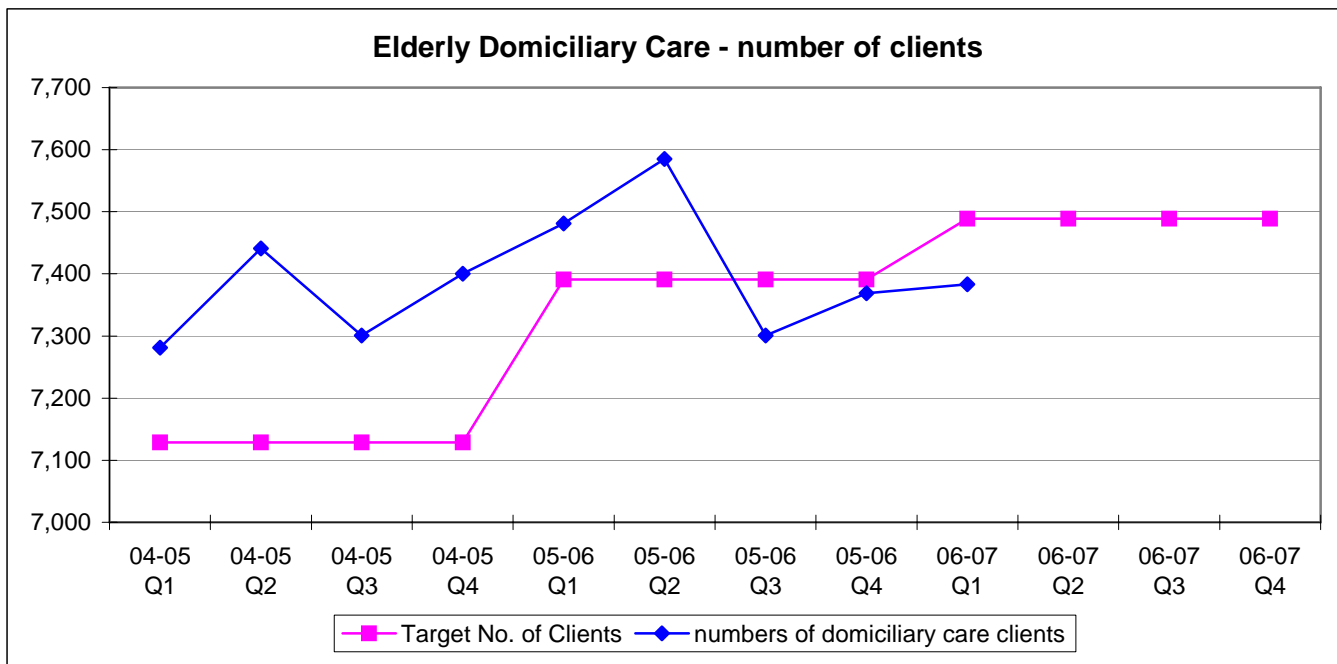
	2004-05		2005-06		2006-07	
	Target	Elderly people in nursing care	Target	Elderly people in nursing care	Target	Elderly people in nursing care
April	1,385	1,385	1,300	1,293	1,305	1,341
May	1,385	1,394	1,300	1,306	1,305	1,348
June	1,385	1,387	1,300	1,318	1,305	1,357
July	1,385	1,402	1,300	1,319	1,305	
August	1,385	1,400	1,300	1,338	1,305	
September	1,385	1,393	1,300	1,357	1,305	
October	1,385	1,378	1,300	1,376	1,305	
November	1,385	1,374	1,300	1,373	1,305	
December	1,385	1,354	1,300	1,349	1,305	
January	1,385	1,298	1,300	1,312	1,305	
February	1,385	1,301	1,300	1,324	1,305	
March	1,385	1,285	1,300	1,316	1,305	



Comment:

2.3 Elderly domiciliary care – numbers of clients and hours provided:

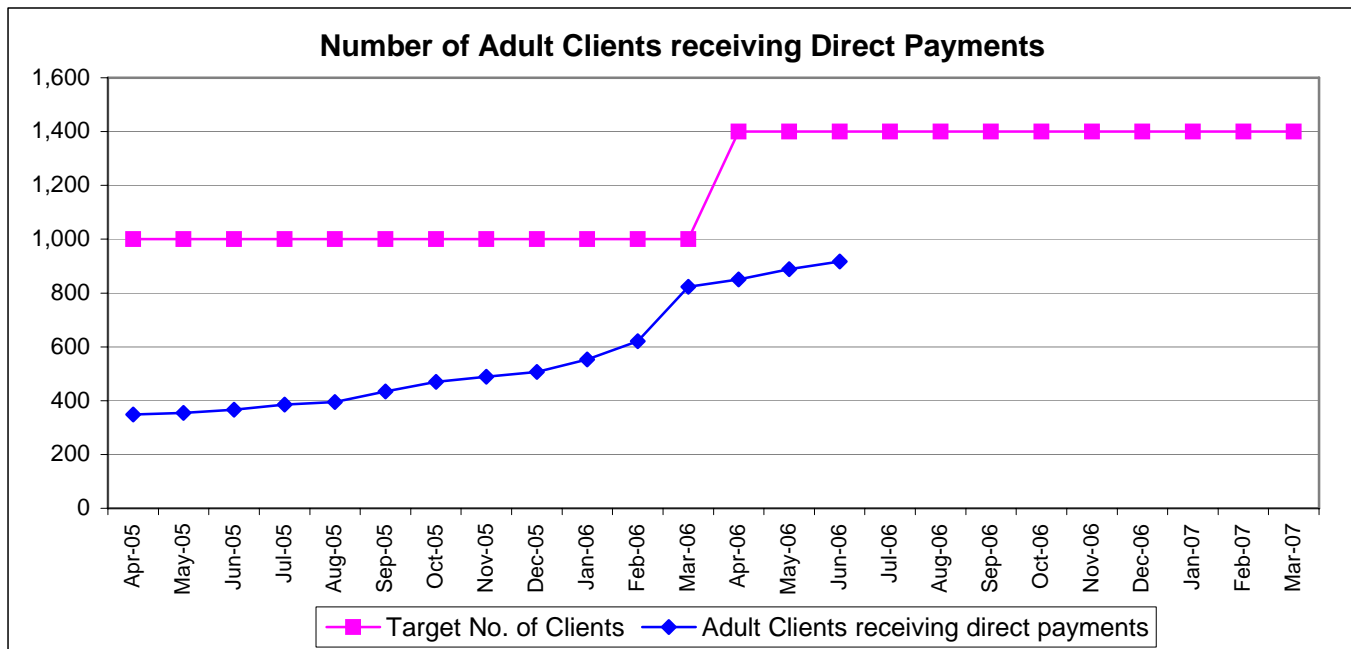
	2004-05			2005-06			2006-07		
	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided
Apr - Jun	7,129	7,281	609,577	7,391	7,481	644,944	7,489	7,383	657,948
Jul - Sep	7,129	7,441	633,134	7,391	7,585	661,415	7,489		
Oct - Dec	7,129	7,301	638,187	7,391	7,301	660,282	7,489		
Jan - Mar	7,129	7,400	626,996	7,391	7,369	655,071	7,489		



Comment:

2.4 Direct Payments – Number of Adult Services Clients receiving Direct Payments:

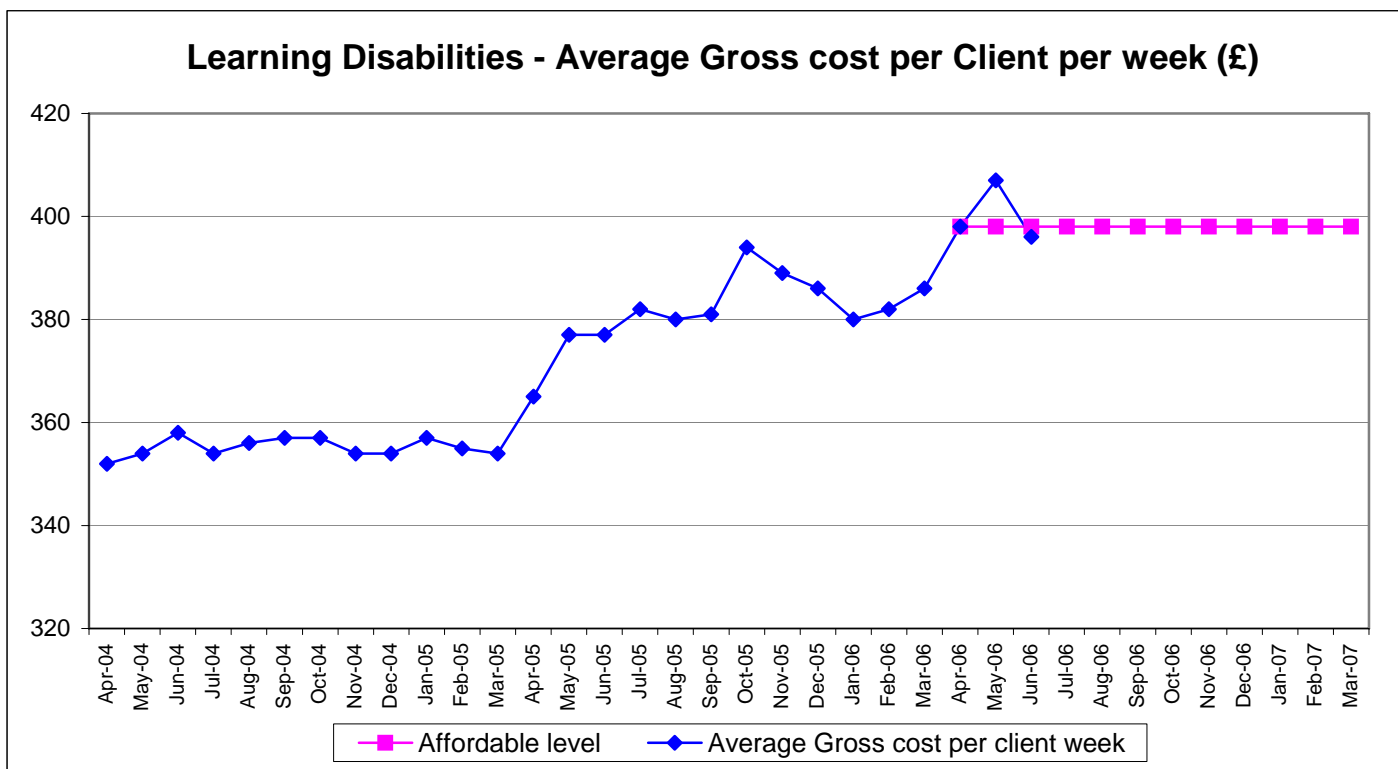
	2005-06		2006-07	
	Target	Adult Clients receiving Direct Payments	Target	Adult Clients receiving Direct Payments
April	1,000	349	1,400	851
May	1,000	355	1,400	889
June	1,000	366	1,400	917
July	1,000	386	1,400	
August	1,000	395	1,400	
September	1,000	434	1,400	
October	1,000	470	1,400	
November	1,000	489	1,400	
December	1,000	507	1,400	
January	1,000	553	1,400	
February	1,000	621	1,400	
March	1,000	823	1,400	



Comment:

2.5 Learning Disabilities – Average Gross Cost per Client per Week:

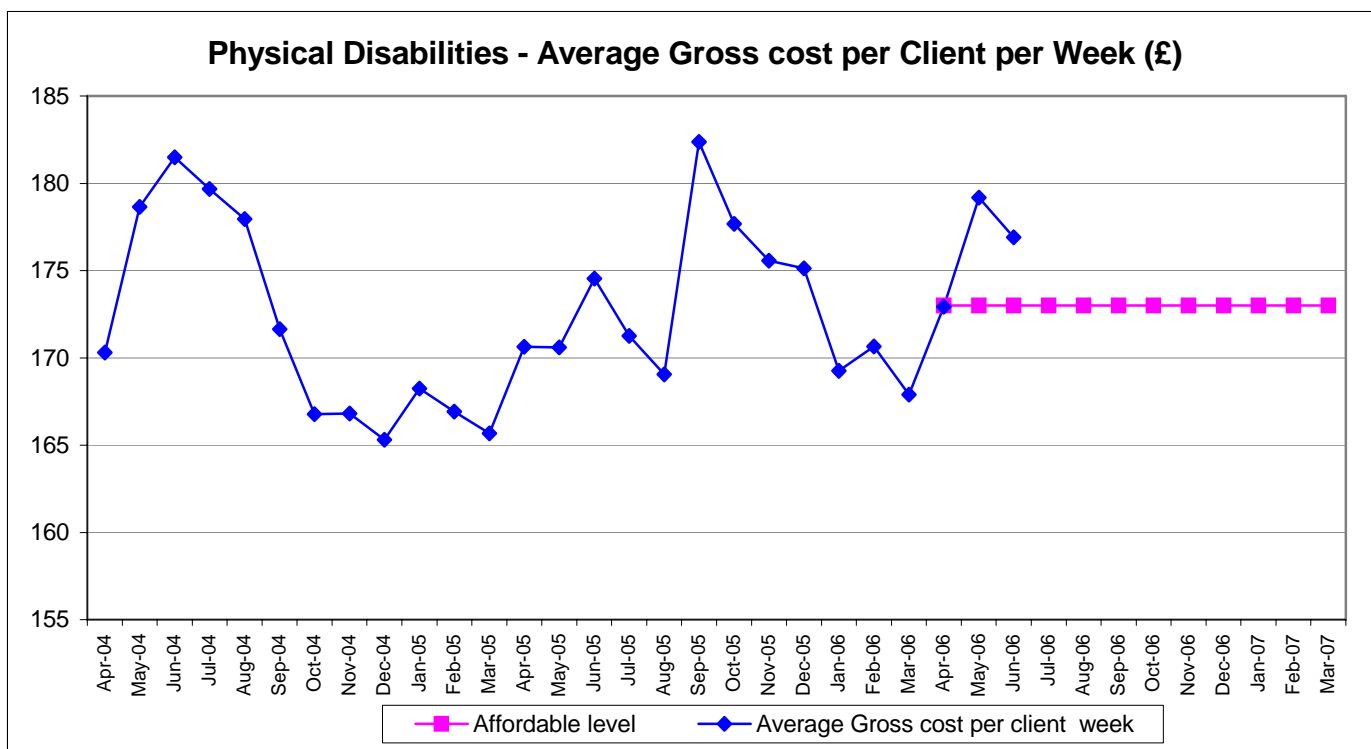
	2004-05	2005-06	2006-07	
	Average Gross cost per client per week £	Average Gross cost per client per week £	Affordable level £	Average Gross cost per client per week £
April	352	365	398	398
May	354	377	398	407
June	358	377	398	396
July	354	382	398	
August	356	380	398	
September	357	381	398	
October	357	394	398	
November	354	389	398	
December	354	386	398	
January	357	380	398	
February	355	382	398	
March	354	386	398	



Comment:

2.6 Physical Disabilities – Average Gross Cost per Client per Week:

	2004-05	2005-06	2006-07	
	Average Gross cost per client per week £	Average Gross cost per client per week £	Affordable level £	Average Gross cost per client per week £
April	170	171	173	173
May	179	171	173	179
June	182	175	173	177
July	180	171	173	
August	178	169	173	
September	172	182	173	
October	167	178	173	
November	167	176	173	
December	165	175	173	
January	168	169	173	
February	167	171	173	
March	166	168	173	



Comment:

Table 3

ADULT SERVICES DIRECTORATE
VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Increases in Direct Payments	+3,075	Older Persons Community Care	-2,074
LD Residential	+2,721	Supporting People underspend	-1,765
Supporting People transfer to reserves	+1,765	Older Persons Assessment & Related staff	-754
PD Residential	+471	Older Persons Residential (net reduction of 50 clients on budgeted levels)	-750
LD Community Care	+356	PD Community Care	-631
ASPU Reduced income from Supporting People	+248		
OPDSU Premises Costs	+190		
Mental Health - price challenges	+177		
LD Assessment & Related staff	+101		
	+9,104		-5,974

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget and the addition of £1.129m of roll forward from 2005-06, as agreed by Cabinet on 10 July 2006.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
Kent Highways Services	46,442	-3,182	43,260	1,045	0	1,045	Electricity prices, essential operational maintenance & emergency costs (road collapse)
Public Transport Contracts	5,595	-634	4,961	25	0	25	
Rural Bus Grant	2,236	-2,223	13	0	0	0	
Waste Management	57,029	-2,625	54,404	-900	0	-900	Reduced tonnages
Environmental Group	6,514	-1,886	4,628	0	0	0	
Transport Strategy	527	0	527	0	0	0	
Resources	5,113	-272	4,841	-40	-30	-70	Vacant Posts. Increased Rents
TOTAL E, H & W	123,456	-10,822	112,634	130	-30	100	
Regeneration & SI portfolio							
Regeneration & Projects - Area Teams & Major Projects	4,385	-1,109	3,276	400	-400	0	Increased DCLG Activity
Capital Programme Group	1,192	-285	907	-90	55	-35	Support from Roll-over. Decreased rents
Economic Development Group	2,414	-981	1,433	0	0	0	
Planning & Development Group	1,084	-94	990	0	0	0	
Planning Applications Group	1,135	-308	827	0	0	0	
Change & Development	287	0	287	40	-5	35	Unfunded Post
Kent Regeneration Fund (Kent)	705	-705	0	0	0	0	
TOTAL Regeneration & SI	11,202	-3,482	7,720	350	-350	0	
Policy & Performance portfolio							
International Affairs Group	466	-145	321	0	0	0	
Kent Regeneration Fund (EU & International)	295	-295	0	0	0	0	
TOTAL Policy & Performance	761	-440	321	0	0	0	
Total Directorate Controllable	135,419	-14,744	120,675	480	-380	100	

1.1.3 **Major Reasons for Variance:** [provides an explanation of the 'headings' in table 3]

The actual waste tonnage start point for 2006/07 is below the assumed tonnage for the purposes of setting the budget. Also, the tonnage for the period April to July 2006, is 2.8% less than for the same period last year. As a consequence, the forecast is for an underspend, on the Waste Management budget, of £900k.

The Kent Highway Services budget does not include a provision for an increase in the price of electricity, for street lighting and lit signs and bollards. A new contract has been tendered and this will result in a part year impact of +£600k (£1.2m in a full year). It is anticipated that Operational Maintenance will be under considerable pressure and may exceed the budget for essential activity. This report assumes an overrun of £345k.

An unbudgeted subsidence has occurred in the village of Leeds at an estimated cost of £100k. A bid will be made to the Corporate Centre for funding support from the Emergency Reserve, consistent with treatment of emergency expenditure in previous years.

Vacant posts and extra income will result in a net saving of £45k.

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTFP:

The financial benefit from the reduced waste tonnage will roll forward into the MTFP, though other changes are also likely on contract prices.

The new electricity contract will require a price allocation of £1.2m into the base budget.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance: *[eg roll forward proposals]*

N/A

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 PAG, or relevant delegated authority.

- Roll forward of the re-phasing from 2005-06 of:

	£000s
▪ Environment, Highways & Waste portfolio	5,468
▪ Regeneration & Supporting Independence portfolio	-563

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp	2006-07	2007-08	2008-09	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Environment, Highways & Waste Portfolio						
Budget	36,960	51,610	5,942	2,979	721	98,212
Additions:						
- Rolled Forward		5,468				5,468
-						
Revised Budget	36,960	57,078	5,942	2,979	721	103,680
Variance		-4,490	4,287	0		-203
split:						
- real variance		-203				
- re-phasing		-4,287	4,287			0
Regeneration & SI Portfolio						
Budget	61,297	42,514	49,175	22,000	15,100	190,086
Additions:						
- Rolled Forward		-563				-563
Revised Budget	61,297	41,951	49,175	22,000	15,100	189,523
Variance		-3,137	2,800			-337
split:						
- real variance		-337				
- re-phasing		-2,800	2,800			0
Directorate Total						
Revised Budget	98,257	99,029	55,117	24,979	15,821	293,203
Variance	0	-7,627	7,087	0	0	-540
Real Variance		-540				-540
Re-phasing		-7,087	7,087	0	0	0

1.2.3 Capital Resourcing issues:

Government Grant, Prudential (Revenue) Borrowing and capital receipt assumptions will need to slip to 2007/08 to fund the re-phasing on the KHS Co-Location project of £4.287m, Rushenden Link Road £2m and Ashford Ring Road £0.8m.

1.2.4 General Overview of capital programme:

- (a) Projects where there's re-phasing and reasons why:

Environment, Highways & Waste portfolio:

- The acquisition of land, and hence development, for the Kent Highway Services Co-Location project has not proceeded as quickly as anticipated.

Regeneration & Supporting Independence portfolio:

- Government approvals for both Rushenden Link Road and Ashford Ring Road were received later than expected when setting the budget.

(b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above:

Environment, Highways & Waste portfolio:

- Capital PRG funds for development of two Waste Civic Amenity sites will not be fully required. However, proposals for health and safety and operational improvements at an alternative site are now being developed, in discussion with the Kent Agreement Manager, for approval through the Kent Agreement Pump-Priming Group.

Regeneration & Supporting Independence portfolio:

- There will be limited forward design undertaken on the Colt's Hill Major Scheme, given the lack of support from Central Government in the medium term.

(c) Risks:

- The Co-Location timetable is uncertain given the difficulties that have been encountered in securing sites.

(d) Details of action being taken to alleviate risks:

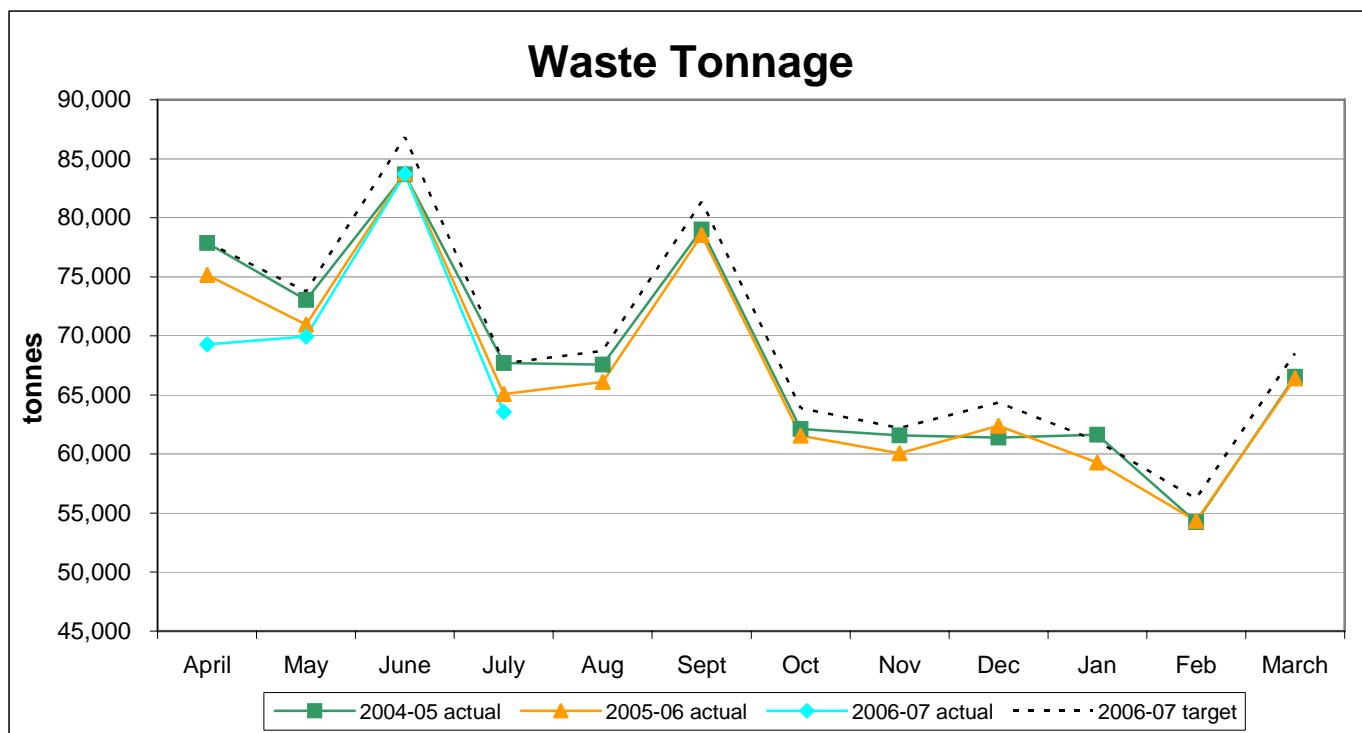
- A Board meets regularly to review progress on the Co-Location project.

After allowing for the funding issues detailed in paragraph 1.2. 3 and the re-phasing in paragraph 1.2.4 (a), the true underlying variance is -£540k.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2004-05	2005-06	2006-07	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Business Plan Target
April	77,866	75,142	69,279	77,897
May	73,042	70,964	69,946	73,751
June	83,690	83,770	83,718	86,840
July	67,709	65,063	63,563	67,682
August	67,556	66,113		68,746
September	78,999	78,534		81,347
October	62,118	61,553		63,870
November	61,580	60,051		62,198
December	61,379	62,397		64,336
January	61,630	59,279		61,099
February	54,235	54,337		56,228
March	66,546	66,402		68,506
TOTAL	816,350	803,605	286,506	832,500



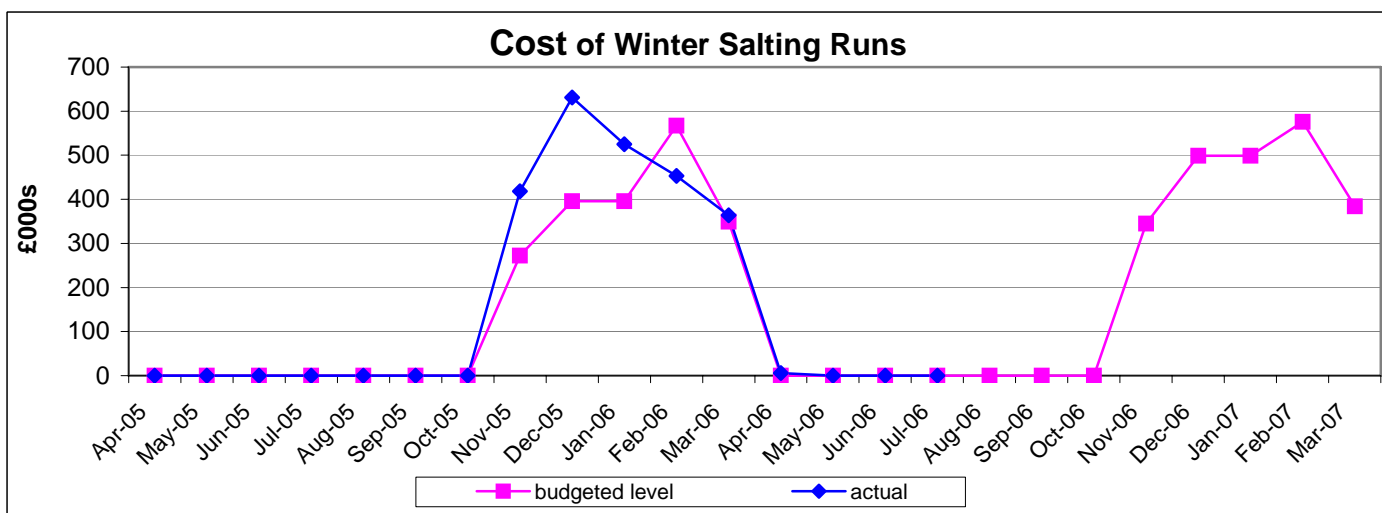
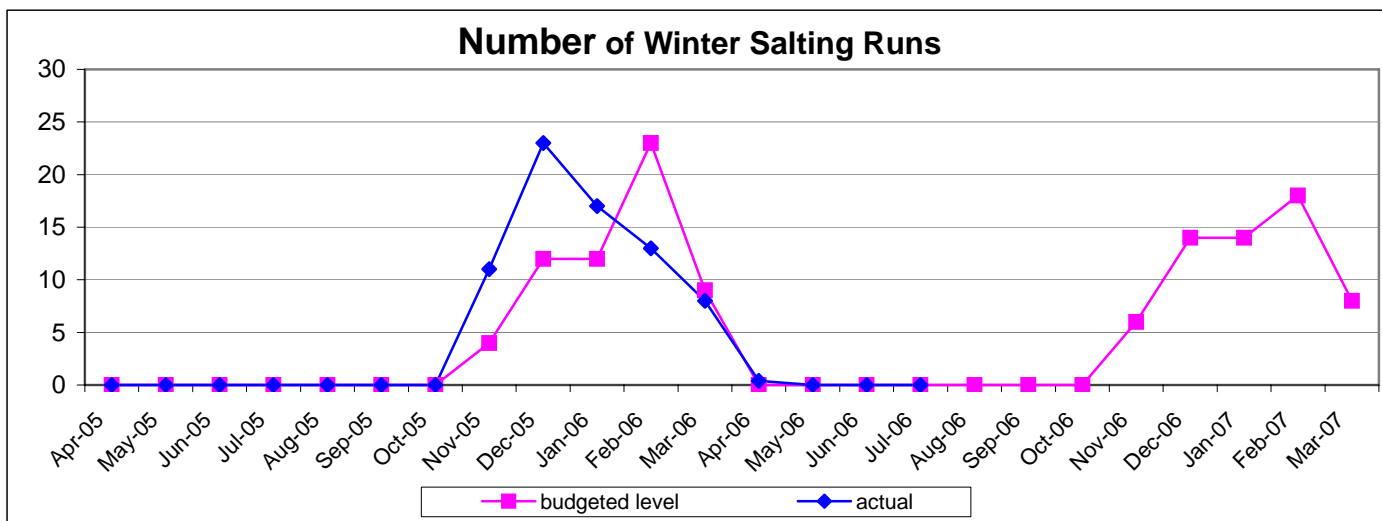
Comments:

- The cumulative tonnage for the period April to July is 2.8% below the same period last year.
- The budget assumes growth of 2.5%.

2.2 Number and Cost of winter salting runs:

	2005-06				2006-07			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual	Budgeted level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level £000s
April	-	-	-	-	0.4 *	-	6	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-
November	11	4	418	272	6	6	345	345
December	23	12	631	396	14	14	499	499
January	17	12	525	396	14	14	499	499
February	13	23	453	567	18	18	576	576
March	8	9	364	349	8	8	384	384
TOTAL	72	60	2,391	1,980	0.4	60	6	2,303

* only part of the Kent Highways Network required salting

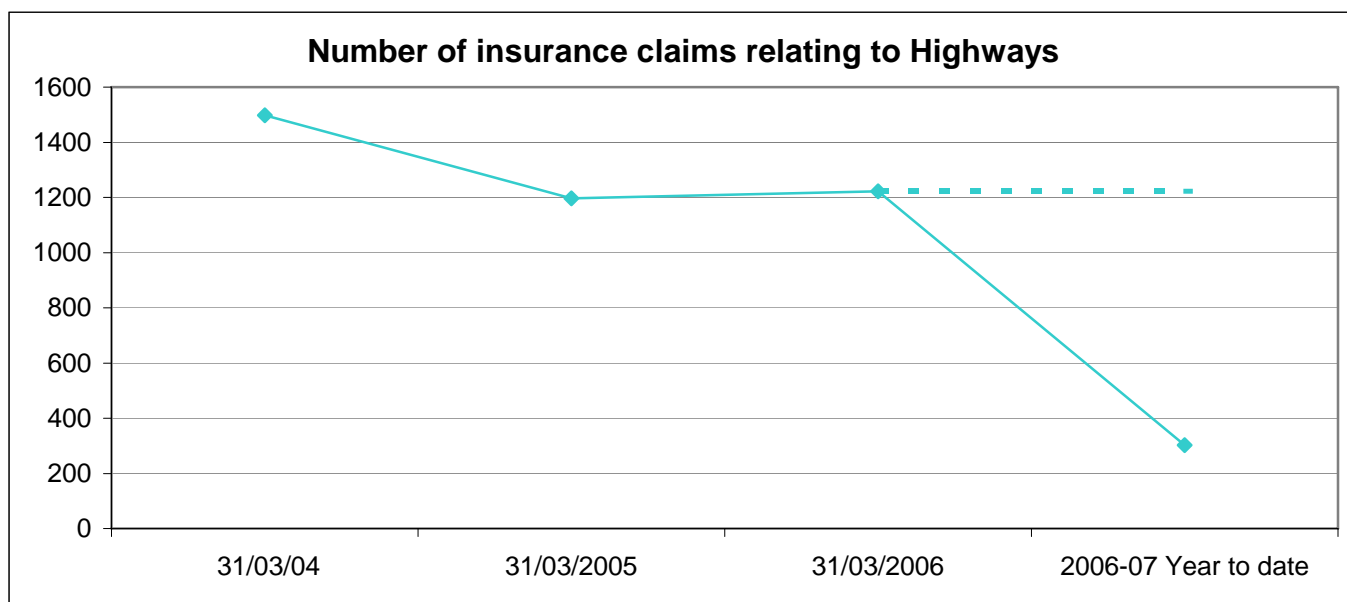


Comment:

- Contractual fixed costs have been apportioned equally over the 5 months of the salting period.

2.3 Number of insurance claims arising related to Highways:

2003-04	2004-05	2005-06	2006-07
as at 31/03/2004	as at 31/03/2005	as at 31/03/2006	Year to date
1,498	1,197	1,222	303



Comments:

- The figure for the number of Highway Insurance Claims previously stated for 2005-06 was 1,030. This was incorrect and a revised figure is now included in the above Table.
- The dotted line on the graph represents the 2006-07 full year projection, at the same level as last year.

COMMUNITIES DIRECTORATE SUMMARY QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget, including the transfer of e-Government and Consumer Direct from the Corporate Support and Health portfolio within the Chief Executives directorate, and the addition of £0.930m of roll forward from 2005-06, as agreed by Cabinet on 10 July 2006.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Community Safety Partnership	4,627	-134	4,493	0	0	0	
Youth & Community Service	7,692	-245	7,447	0	0	0	
Libraries, Information & Archives	24,765	-2,989	21,776	0	0	0	
Arts	1,259	-225	1,034	0	0	0	
Turner Contemporary	1,281	-82	1,199	0	0	0	
Adult Education	-135		-135	0	915	915	Reduction in LSC income
Sports Development	905	-120	785	0	0	0	
Youth Offending Service	6,410	-2,574	3,836	0	0	0	
Kent Drug & Alcohol Action Team	15,058	-13,438	1,620	0	0	0	
Kent Volunteers	110		110	0	0	0	
Registration	4,142	-2,455	1,687	0	0	0	
Coroners	2,037	-322	1,715	0	0	0	
Trading Standards	4,171	-351	3,820	0	0	0	
Kent Scientific Services	1,536	-1,546	-10	0	0	0	
Emergency Planning	620	-76	544	0	0	0	
Policy & Resources	1,151		1,151	0	0	0	
Central Budgets (unallocated)	442		442	0	0	0	
E-Government	3,558	-442	3,116	0	0	0	
Consumer Direct	1,452	-1,452	0	0	0	0	
Regulatory Services' Business Support	190	0	190	0	0	0	
Total Communities Controllable	81,271	-26,451	54,820	0	915	915	

1.1.3 Major Reasons for Variance: [provides an explanation of the 'headings' in table 3]

We are reporting a potential overspend on the adult education service of up to £915k. The adult education service has gone through major changes in the last two years with a significant reduction in funding from the Learning & Skills Council (LSC). The LSC funding for the academic year 2005/06 (LSC funding is determined for August to July) was £932.4K less than 2004/05 and the funding for 2006/07 £939.6K less than 2005/06. The impact for financial years was a loss of LSC funding of £229.1K in 2005/06 and £839.8K in 2006/07. There will be a knock on impact into 2007/08 financial year but thereafter we are anticipating LSC funding to stabilise. The service has been able to make some one-off savings to mitigate some of the reduction but now needs to make fundamental changes.

1.1.4 Actions required to achieve this position:

The service is considering the necessary structural changes to both management and service delivery. These changes will involve redundancies and there remains an issue how the cost is to be funded. The redundancy costs have been included in the forecast overspend. The changes will take some time to implement and the service is unlikely to get back into a balanced position where recurring expenditure has been reduced to the level that can be accommodated within funding available until 2008/09. Once firm plans have been agreed we need to identify strategies to fund the ensuing deficit during the transitional period.

1.1.5 Implications for MTFP:

There are no implications for the MTFP resulting from the overspend on Adult Education, as the service is zero base funded although there will be a short term consequence of the deficit accrued in 2006/07 and 2007/08

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance: *[eg roll forward proposals]*

N/A

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 PAG, or relevant delegated authority.

Cash limits have been adjusted this quarter to reflect:

	2006-07 £000s	2007-08 £000s	2008-09 £000s	Later yrs £000s
• Roll forward of the re-phasing from 2005-06	3,746			
• Removal of the Old Turner Contemporary scheme	-12,700	-4,939		
• New Turner Contemporary scheme	900	7,700	6,000	400
• Canterbury Library (The Beaney) – additional developer contribution		200		
• Adult Education at Folkestone Academy – LSC grant not available	-1,000			
• Community Facility at Edenbridge – external funding not available	-150			
• Provision Planning Team to be charged to revenue	-100	-105		

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp	2006-07	2007-08	2008-09	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Communities portfolio						
Budget	21,153	26,133	8,231	5,823	0	61,340
less Turner - old scheme		-12,700	-4,939			-17,639
Additions:						
- Roll Forward		3,746				3,746
- Turner - new scheme		900	7,700	6,000	400	15,000
- Canterbury Library (The Beaney) - developer contributions		0	200			200
Reductions						0
- AE at Folkestone (LSC Grant)		-1,000				-1,000
- Community Facility Edenbridge		-150				-150
- Provision Planning to be charged to revenue		-100	-105			-205
Revised Budget	21,153	16,829	11,087	11,823	400	61,292
Variance		-2,933	3,662	-400	350	679
split:						
- real variance		+599	+80			+679
- re-phasing		-3,532	+3,582	-400	+350	0
Real Variance		+599	+80	0	0	+679
Re-phasing		-3,532	+3,582	-400	+350	0

1.2.3 Capital Resourcing issues:

- Sevenoaks Kaleidoscope – additional ‘other funding’ of £191k secured to meet further expenditure associated with the project.
- The Beaney - £200k developer contributions funding added in 2007-08 (£300k capital receipt currently included in Adult Services' capital budget towards this project, subject to the success of the HLF bid).
- Ashford Discovery Centre – the unspent balance of ODPM grant has been withdrawn. However, the capital receipt arising from the sale of the Elwick Road site has been retained and is reflected in 2006-07 at £877k. It is only available for a modified project as the site was originally bought with the grant funding.
- New Opportunities Fund (now renamed Big Lottery Fund) Physical Education and Sport – additional funding has been secured from partners amounting to £223k to support the delivery of the projects within the programme.
- Performing Arts Centre at Hextable – further ‘other funding’ was secured for this project totalling £159k. The final costs for the project are expected to be within this revised budget.
- Community Facilities at Edenbridge – £150k funding is no longer available from Sevenoaks DC, so the scope of the scheme will be reduced accordingly
- Provision Planning – the cost of the team involved in securing development contributions will now be transferred to revenue.
- Herne Bay Community & Youth Centre – the cost of the project is now estimated to be £80k higher with additional Second Homes funding of £120k agreed, but £40k less developer contributions now expected.
- Marlowe Academy Running Track - £70k additional expenditure to be found either from existing capital resources or, if necessary, from Revenue.

1.2.4 General Overview of capital programme:

(a) Projects where there's re-phasing and reasons why

- Turner – old scheme removed and new £15m scheme added with a maximum £4.1 prudential borrowing, £4m Arts Council and £4m SEEDA and £2.9m other funding yet to be raised.
- Grove Green Library – re-phased to 2007-8 due to difficulties in securing a 'deal' with the land owner.
- The Hub Southborough –re-phased to 2007-08 due to delays with an adjacent local business who are reviewing their approach to the development proposals as a whole and may be prepared to deliver The Hub with their development. They now intend submitting a planning application this autumn.
- Integrated Library Cheeseman's Green, Ashford – project will be funded via an agreed s106 agreement, but the timing is in the hand of the developer, therefore the costs are now reflected in later years.
- Information & Library Campus Gravesend – progress is being made with this project, but we anticipate spending only £100k this year at this time, not £342k. The balance now being forecast in 2007-8.
- Dover Discovery Centre Car Park – this has been delayed because of the appearance of a hole on the proposed site. An alternative option to make use of part of York St is therefore being explored as part of the urban masterplanning work for the town centre.
- Herne Bay Community & Youth Centre – this project is being worked up to start earlier than planned in order to try to benefit from Youth Capital funding that may be available up to March 2008.

(b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above

- Sevenoaks Kaleidoscope – The cost overspend is projected at a maximum £270k. This is in part due to the liquidation of the previous contractors; to unavoidable cost rises and a number of additions identified for the project from which it would benefit, but which have not yet been committed.
- Adult Education at Canterbury High School – This is part of a larger project that the school is managing. We anticipate an underspend of £194k in 2006-07 against the agreed budget for this project. The overall project is overspending by some £666k, with the school attempting to recover a substantial element from its professional advisors. The share that the school assesses as relating to Adult Education is up to £320k. However, we consider the budget provision to be a cash limited contribution to the school and the school to meet the full overspend.
- Adult Education Facility at Folkestone – the funding bid to the Learning & Skill Council was unsuccessful and a reduced scheme has been developed with the Creative Foundation resulting in a lower proposed capital contribution of £308k and a higher lease rent in later years. This will be funded through the sale of Whitstable AEC and a £49k net underspend is anticipated.
- Refurbishment of Adult Education Holmesdale Technology School (2007-08 project) – accommodation now to be used as a Children's centre and Adult Education will rent space in the school, therefore there will be no expenditure.

(c) Risks

- Sevenoaks Kaleidoscope – may be unable to secure the full £270k additional funding required.
- Adult Education at Canterbury High School – we may need to make provision for part of the overspend on this project if the school will not fund it all.
- Adult Education Facility at Folkestone – the Whitstable AEC disposal does not yield as much as the £357k included in the budget.

(d) Details of action being taken to alleviate risks

- Sevenoaks Kaleidoscope – a funding plan is being developed that will include a combination of:
 - managing the additional cost items to minimise their impact,
 - to seek to contain elements of costs within other areas of the overall budget,
 - to secure additional external funding,
 - to limit the additional items now being identified, and
 - to seek extra funding if appropriate.
- Adult Education at Canterbury High School – the school are taking legal action against their professional advisors to reduce the overspend.
- Adult Education Facility at Folkestone – a planning application is being prepared to maximise the value of the site at Whitstable prior to it being marketed.

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance is +£27k.

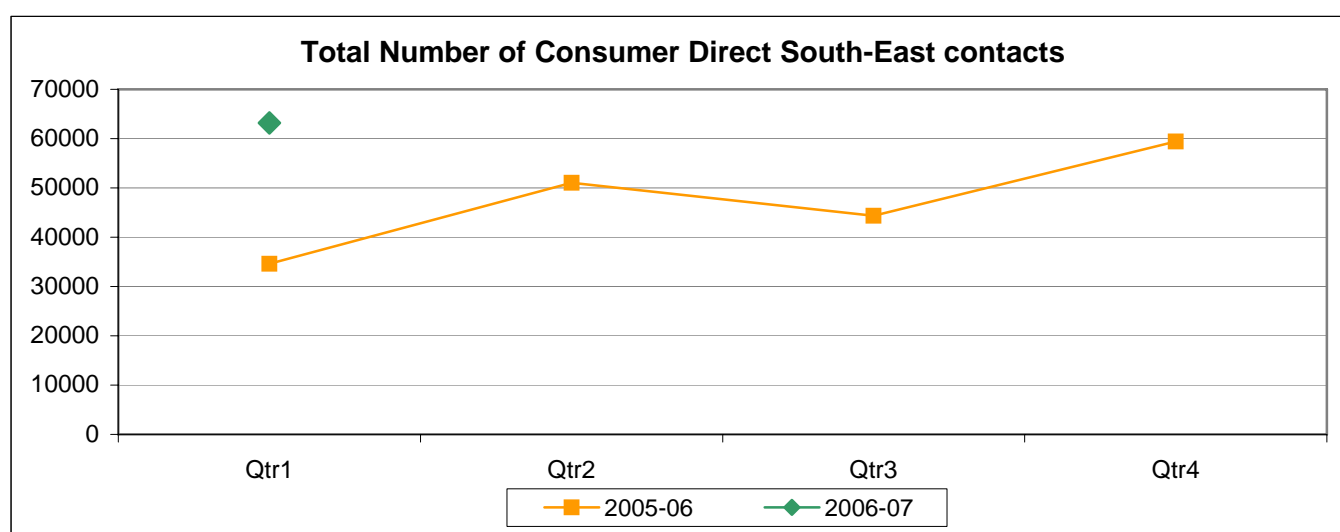
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number of Consumer Direct South-East contacts, by local authority area:

	2005-06	2006-07			
		Qtr1	Qtr2	Qtr3	Qtr4
	<i>Total for the year</i>	01/04/06 to 30/06/06	01/07/06 to 30/09/06	01/10/06 to 31/12/06	01/01/07 to 31/03/07
Bracknell Forest	715	47			
Brighton & Hove	7,116	1,489			
Buckinghamshire	9,006	1,192			
East Sussex	9,717	2,376			
Hampshire	19,105	3,352			
Isle of Wight	2,129	513			
Kent	29,074	5,887			
Medway	1,671	266			
Milton Keynes	1,037	264			
Oxfordshire		No immediate plans to switch			
Portsmouth	5,524	1,367			
Reading	2,582	706			
Royal Borough of Windsor & Maidenhead ²	809	Callers to RBWM are asked to redial CDSE direct			
Slough	1,826	537			
Southampton	4,680	1,058			
Surrey	21,660	5,012			
West Berkshire	1,503	351			
West Sussex		No immediate plans to switch			
Wokingham	758	165			
Main English Landline ^{*1}	60,248	27,908			
Main English Mobile ^{*1}	7,712	6,857			
Calls handled for other regions	2,532	1,722			
Call-backs handled for other regions		325			
E-Mails		1,791			
2006-07 TOTAL		63,185			
2005-06 TOTAL by Qtr	189,404	34,616	51,015	44,334	59,439

*1 – These are calls received directly on the 0845 number which, although known to be from one of the local authorities in the CDSE area, cannot be identified by individual local authority.

*2 – since 01/01/06 callers to RBWM Trading Standards are asked to redial CDSE direct

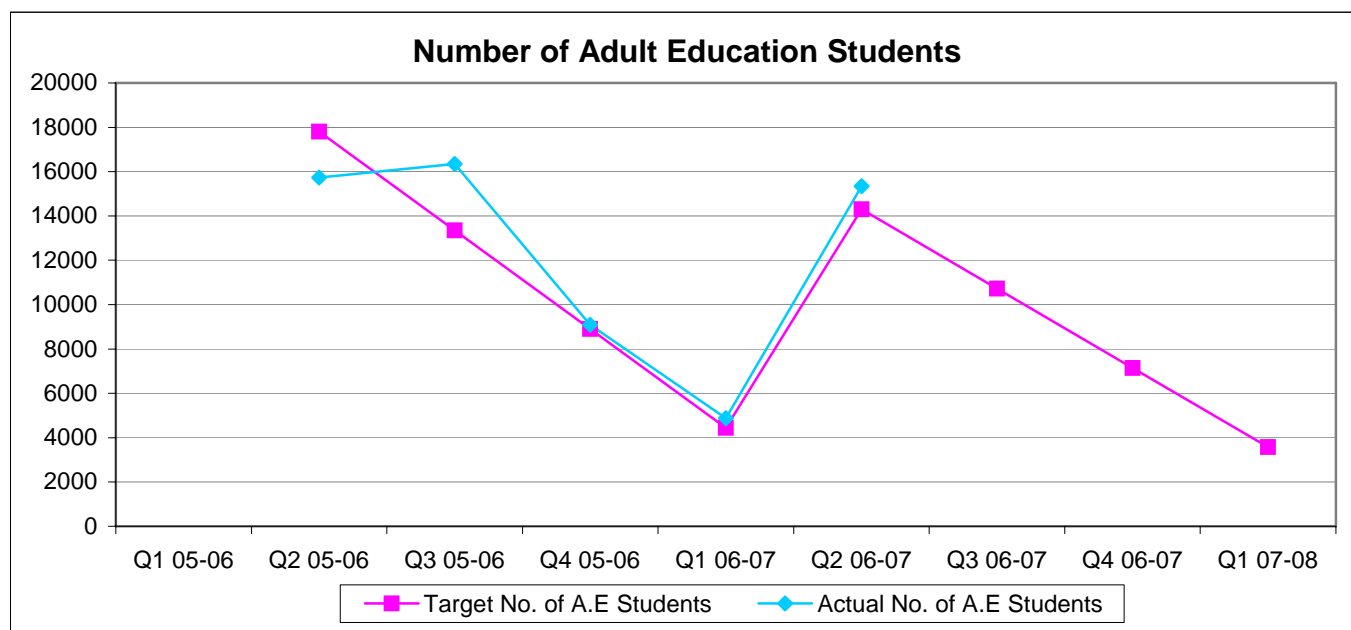


Comments:

2.2 Number of Adult Education Students:

	Financial Year					
	2005-06		2006-07		2007-08	
	Target	A.E Students	Target	A.E Students	Target	A.E Students
April – June			4,450	4,880	3,573	
July – September	17,800	15,730	14,293	15,338		
October – December	13,350	16,345	10,718			
January - March	8,900	9,096	7,148			

This data is collected on an academic year rather than a financial year basis ie quarters 2, 3 & 4 of one financial year plus quarter 1 of the following financial year make up an academic year. The data shaded in yellow relates to the 2005-06 academic year and the 2006-07 academic year is shaded in green.



Comment:

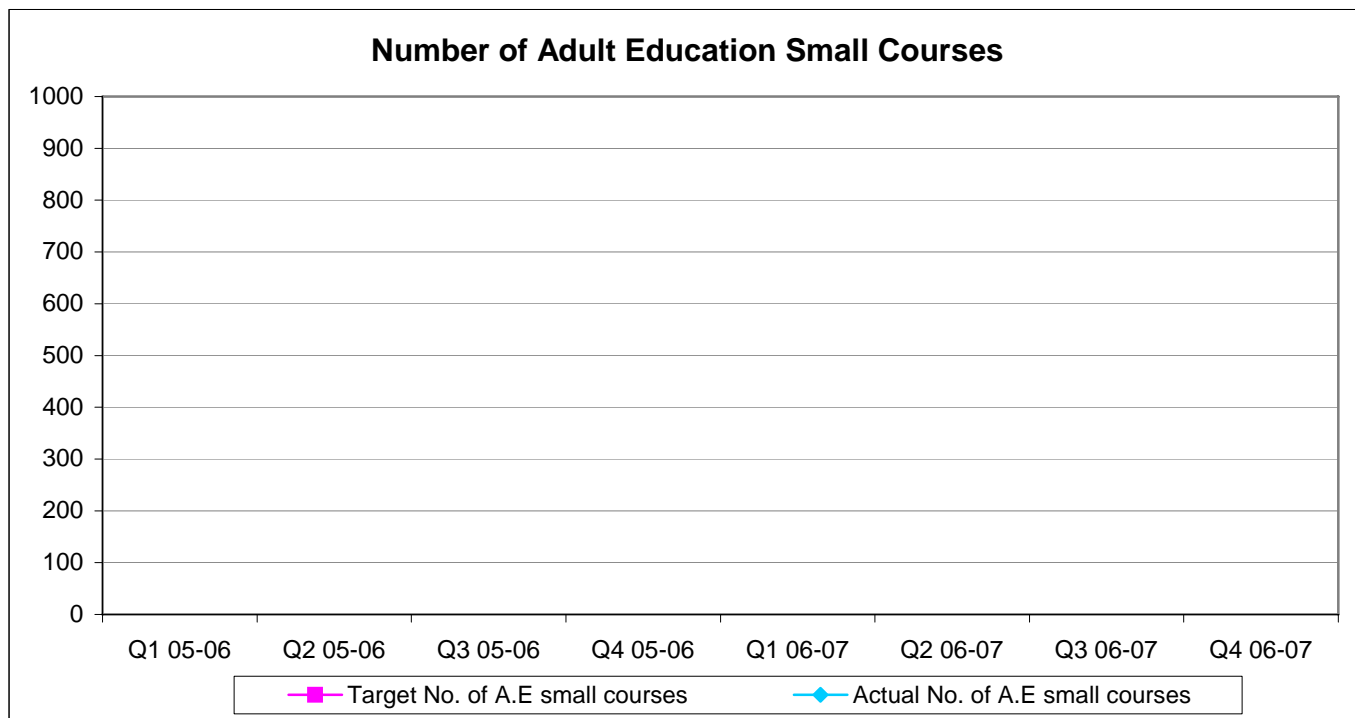
- Targets are agreed with the Learning and Skills Council (LSC) for the number of student enrollments for the academic year (running from July to June). The LSC funding for adult learners depends on the course of study. Students taking non-vocational courses not leading to a formal qualification are funded via a block grant, referred to as Adult and Community Learning Grant (ACL). Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification – student numbers are gathered via a census at three points during the academic year.

Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses

The LSC targets for ACL courses were 32,000 students in 2005-06 school year and 25,500 in 2006-07. The targets for FE courses were 12,500 in 2005-06 and 10,232 in 2006-07. The actual enrolments in 2005-06 were 46,051.

2.3 Number of Adult Education Small Courses:

	2005-06		2006-07	
	Target	A.E Small Courses	Target	A.E Small Courses
April – June				
July – September				
October – December				
January - March				



Comment:

- We have supplied monitoring to the LSC on the number of students on “uneconomic” courses in a number of different ways. We are still working on the best definition to use for key activity monitoring.

Table 3

COMMUNITIES DIRECTORATE
VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Reduction in Learning Skills Council Funding	+915		
	+915		0

CHIEF EXECUTIVES DIRECTORATE SUMMARY QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget, including the transfer of e-Government and Consumer Direct to the Communities Directorate, and the reduction of £0.294m due to the roll forward of a net overspend from 2005-06, as agreed by Cabinet on 10 July 2006

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & Health portfolio							
Personnel & Development	10,490	-3,922	6,568	415	278	693	Staff Care Services £103k, Home Computing Initiative £591k
Information Systems	20,479	-5,227	15,252	1,134	-1,134	0	
Council Secretariat	1,573	-42	1,531	4	-4	0	
Members	2,304	-39	2,265	10	-10	0	
Legal	3,314	-3,630	-316	1,318	-1,318	0	
Corporate Management & Support	773	-20	753	0	0	0	
Local Boards	334		334	0	0	0	
Ashford Gateway	167		167	50		50	higher than budgeted costs
Total CS&H	39,434	-12,880	26,554	2,931	-2,188	743	
Policy & Performance portfolio							
Policy & Performance	1,433	-270	1,163	-7	7	0	
Kent Partnerships & Kent Works	1,318	-850	468	178	20	198	Kent Works r/f of £151k overspend from 05-06 plus £47k o/s for 06-07 operations
Corporate Communications	1,282	-92	1,190	27	54	81	surveys & publications
Total P&P	4,033	-1,212	2,821	198	81	279	
Finance Portfolio							
Corporate Management	1,747	-120	1,627	3	-3	0	
Finance Group	8,087	-3,173	4,914	-271	231	-40	
Property Group	16,680	-6,192	10,488	193	40	233	Police HQ roof £150k, business rates increase £87k
Efficiency Review & VFM	620		620	0	0	0	
External Funding Unit	154	-1	153	0	0	0	
Total Finance	27,288	-9,486	17,802	-75	268	193	
Total Directorate Controllable	70,755	-23,578	47,177	3,054	-1,839	1,215	

1.1.3 **Major Reasons for Variance:** [*provides an explanation of the 'headings' in table 3*]

Corporate Support & Health Portfolio

Personnel & Development: £591k overspend relating to computers purchased under the Home Computing Initiative in 2005-06 and 2006-07. The computers have been purchased by KCC on behalf of employees as capital spend but funded by revenue. The revenue funding is in the form of employee contributions which are repaid over a 3 year period. The overspend reflects the balance between the up-front revenue funding of the capital purchase and the employee contributions to date. The overspend is merely one of timing and will be resolved in 2007-08 and 2008-09.

Personnel & Development: £103k overspend on Staff Care Services relates to an increase in consultancy & doctors costs resulting from an increase in the number of cases being referred by directorates to occupational health.

Ashford Gateway: £50k overspend projected on the first full year of operating the county's first Gateway.

Policy & Performance Portfolio

Kent Works: £198k overspend relating to £151k overspend rolled forward from 2005-06 and £47k overspend in 2006-07 due to increase in employee costs and reduction in income following decision to reduce charges to attract more business.

Corporate Communication: an overspend of £81k is forecast due to the higher than expected costs of producing and distributing publications and conducting surveys.

Finance Portfolio

Property: £150k overspend is forecast relating to the costs of installing a temporary roof at the Police HQ, pending resolution of the liability for the original faults with the roof.

Property: £87k overspend due to an increase in business rates relating to KCC occupied properties

1.1.4 **Actions required to achieve this position:**

eg Directorate Action Plan including vacancy freeze, changes to assessment criteria

n/a

1.1.5 **Implications for MTFP:**

Policy & Performance Portfolio

Kent Works: there is no budget beyond 2007-08, and with all of the 2007-08 cash limit to be used in meeting the 2006-07 £150k rolled forward overspend this will leave the funding issue in 2007-08 (as well as beyond).

Finance Portfolio

Property: £87k business rates provides an on-going budgetary pressure.

1.1.6 **Details of re-phasing of revenue projects:**

n/a

1.1.7 Details of proposals for residual variance: *[eg roll forward proposals]*

Corporate Support & Health Portfolio

Personnel & Development: £591k overspend on Home Computing Initiative will be rolled forward into 2007-08 to be met by employee contributions.

Policy & Performance Portfolio

Kent Works: £150k of the overspend will be rolled forward into 2007-08 to be met by the remaining £150k of the total £570k originally earmarked to set-up Kent Works.

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 PAG, or relevant delegated authority.

Cash limits have been adjusted this quarter to reflect:

- Roll forward of the re-phasing from 2005-06 of:

	£000s
▪ Corporate Support & Health portfolio	289.4
▪ Policy & Performance portfolio	18.6
▪ Finance portfolio	50.0

- Establishing a Property Group Enterprise Fund as agreed by Cabinet on 10 July (subject to County Council approval). 10,000.0

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp	2006-07	2007-08	2008-09	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Support & Health Portfolio						
Budget	7,405	1,936	1,544	2,257	1,236	14,378
Additions:						
- roll forward of re-phasing from 2005-06		289				289
-						0
-						0
Revised Budget	7,405	2,225	1,544	2,257	1,236	14,667
Variance		472				472
split:						
- real variance		+472				+472
- re-phasing						0
Policy & Performance Portfolio						
Budget		500				500
Additions:						
- roll forward of re-phasing from 2005-06		19				19
-						0
Revised Budget	0	519	0	0	0	519
Variance						0
split:						
- real variance						0
- re-phasing						0
Finance Portfolio						
Budget	3,034	8,977				12,011
Additions:						
- roll forward of re-phasing from 2005-06		50				50
- Enterprise Fund		10,000				10,000
Projects brought forward from future years						
- Modernisation of Assets					150	150
Revised Budget	3,034	19,027	0	0	150	22,211
Variance		-670	320		-150	-500
split:						
- real variance		-500				-500
- re-phasing		-170	+320		-150	0
Directorate Total						
Revised Budget	10,439	21,771	1,544	2,257	1,386	37,397
Variance	0	-198	320	0	-150	-28
Real Variance		-28	0	0	0	-28
Re-phasing		-170	+320	0	-150	0

1.2.3 Capital Resourcing issues:

Corporate Support & Health Portfolio

- Overspend of £202k on KSSIP Oracle Licences to be met by revenue contribution.
- Overspend of £270k on Home Computing Initiative to be met by revenue contribution.

Finance Portfolio

- £500k underspend on Commercial Services Vehicle, Plant & Equipment acquisitions meaning lower contribution to Renewals Fund

1.2.4 General Overview of capital programme:

- (a) Projects where there is re-phasing and why

Finance Portfolio

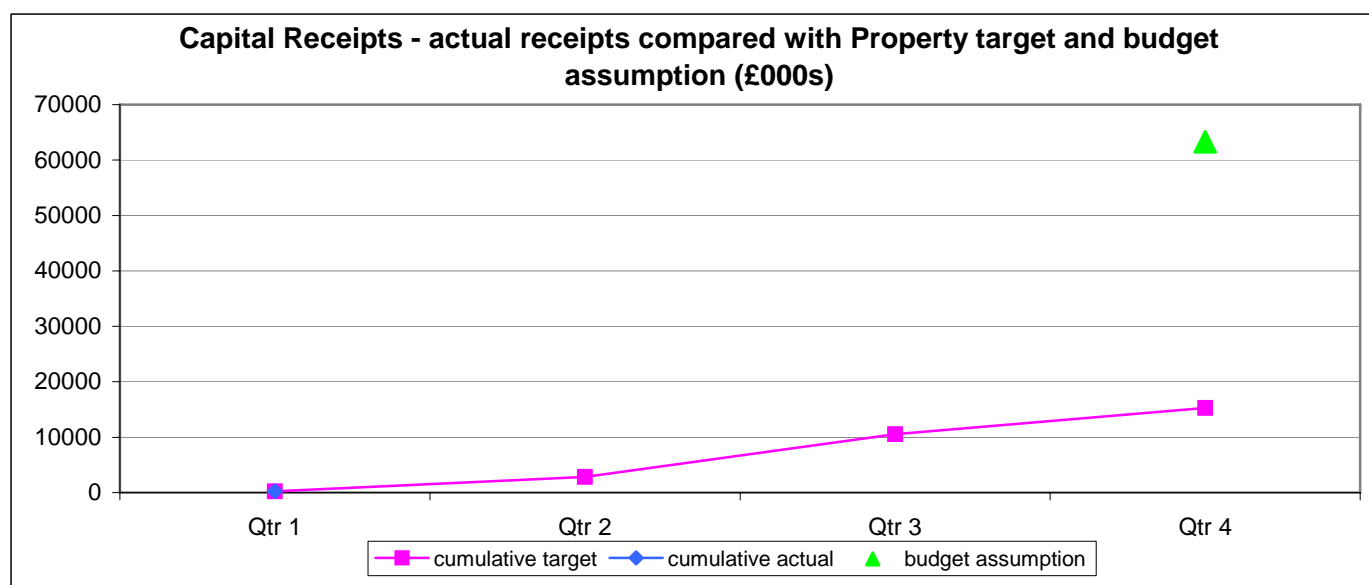
- £220k re-phasing on Works to Properties for Disposal as a number of projected disposals have slipped into next year.
 - £100k re-phasing on replacement of Commercial Services Trading/SWAPS system
 - £150k brought forward spend for urgent SHQ refurbishment under the Modernisation of Assets programme – mainly general maintenance and improving communal areas.
- (b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above,
- None
- (c) Risks
- None
- (d) Details of action being taken to alleviate risks
- No additional action taken to date

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance is **zero**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2006-07		
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s
April - June		217	217
July - September		2,851	
October - December		10,562	
January - March		15,312	
TOTAL	63,311	15,312	217



Comments:

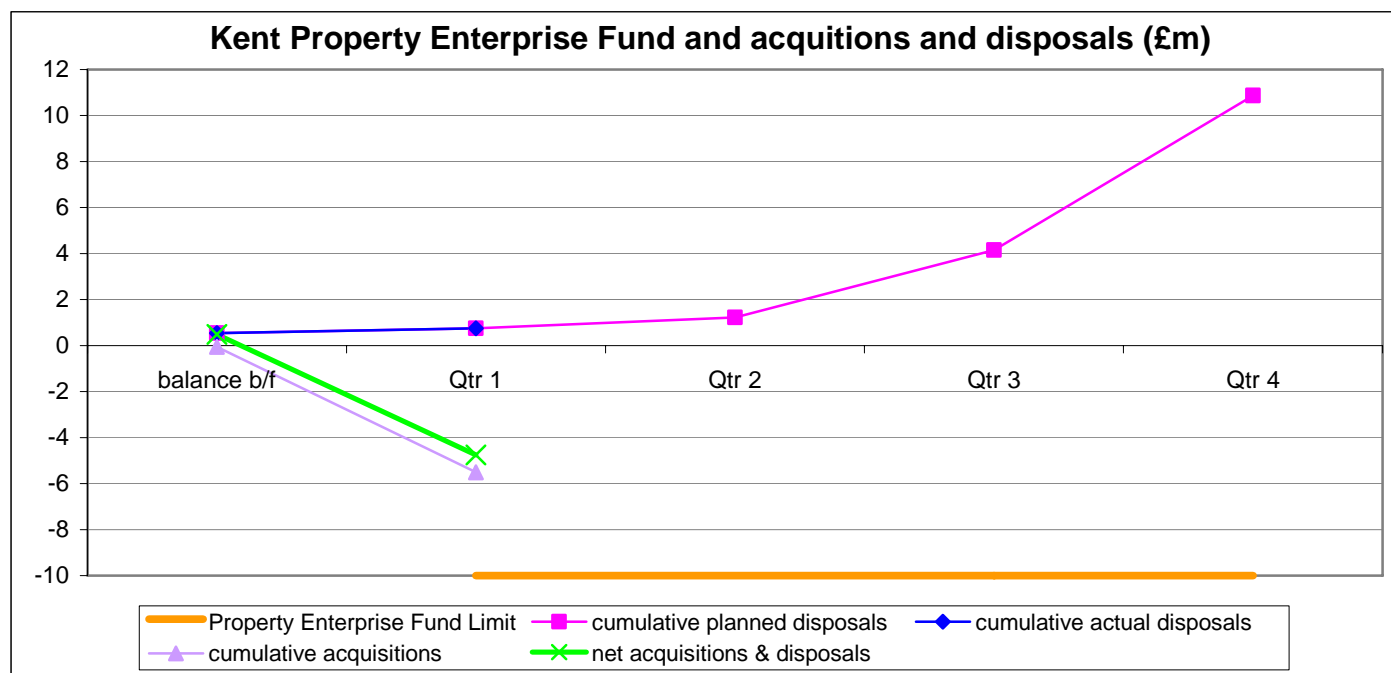
- The gap shown in the graph between the budget assumption and the Property target is due to a timing issue. The capital receipts need to be looked at over the three year span of the Medium Term Plan (MTP), in conjunction with the funding assumption, as shown in the table below.

	2006-07 £'000	2007-08 £'000	2008-09 £'000	Total £'000
Capital receipt funding per MTP	63,311	51,327	9,364	124,002
<u>Adjustments since publication:</u>				
• Kingsmead back-to-back scheme unlikely to proceed in next 3 years				-7,000
• Axton Chase – reduction in value				-5,000
• Back-to-back schemes – spend which is not yet in the MTP, but capital receipts are included below				12,626
• Capital receipt received in 2005-06 for project spend in 2006-07				-1,583
				123,045
Property Group's forecast receipts	15,312	18,950		34,262
Properties identified by Directorates in Property Group's pipeline				45,710
Sites identified by Directorates for Property to work up for disposal *				43,423
				123,395
“Surplus” receipts				350

* Includes £19.007m surplus receipts from Primary Strategy, which are still to be confirmed.

2.2 Capital Receipts – Kent Property Enterprise Fund:

	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		0.541	0.541	-0.054	+0.487
April - June	-10	0.756	0.756	-5.517	-4.761
July - September	-10	1.226			
October - December	-10	4.151			
January - March	-10	10.875			



Comments:

- Cabinet agreed on the 10 July to the establishment of the Property Group Enterprise Fund, 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.

Any temporary deficit will be offset as disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

Balance brought forward from 2005-06

In 2005-06, £0.541m of capital receipts were realised from the disposal of non-operational property. The associated disposal costs of £0.054m were funded from these receipts, leaving a balance of £0.487m available for future investment in the Kent Property Enterprise Fund.

Actual Disposals

To date this year the Fund has realised £215k of receipts from the sale of 2 non-operational properties.

Planned Disposals

Property Group has identified £10.334m worth of potential receipts in 2006-07. As with any property transaction there are risks associated with meeting expected completion dates and with £6.724m scheduled in the last quarter (£4.130m in the last month) there is a possibility of some re-phasing into next financial year.

Acquisitions

The Enterprise Fund was used to purchase land at Manston Business Park. This land has been vested with Environment & Regeneration to optimise its development opportunity.

With no further acquisitions planned at the time of writing, total expenditure against the fund is forecast at £5.517m This reflects the cost of the only acquisition to date and the associated costs of both the acquisition and disposal activity, including temporary borrowing costs.

Table 3

CHIEF EXECUTIVES DIRECTORATE
VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Personnel & Development - Home Computing Initiative	+591		
Kent Partnership & Kent Works	+195		
Property - Police HQ roof	+150		
Personnel & Development - Staff Care Services	+103		
	+1,039		0

FINANCING ITEMS SUMMARY QUARTER 1 2006-07

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget and the addition of £1.428 m of roll forward from 2005-06, as agreed by Cabinet on 10 July 2006.

1.1.2 Table 1 below details the revenue position by Budget Book line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & Health portfolio							
Contribution to IT Asset Maintenance Reserve	2,433		2,433			0	
PFI Grant	-711		-711			0	
Total CS&H	1,722	0	1,722	0	0	0	
Finance Portfolio							
Insurance Fund	4,079		4,079			0	
County Council Elections	255		255			0	
Workforce Reduction	1,324		1,324			0	
Environment Agency Levy	349		349			0	
Joint Sea Fisheries	242		242			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	89,708	-5,668	84,040	10,567	-11,567	-1,000	debt restructuring savings & increased investment income
Contribution from Commercial Services		-3,000	-3,000			0	
Public Consultation	140		140			0	
Provision for Kent Scheme Revision	1,003		1,003			0	
Local Priorities	611		611			0	
Local Scheme spending recommended by Local Boards	1,391		1,391			0	
Local Boards - Member Community Grants	47		47			0	
Transferred Services Pensions	22		22			0	
PRG & Capital Reserves		-6,640	-6,640			0	
Contribution from Provisions		-400	-400			0	
Contribution to Reserves	363		363			0	
Bad debt provision	350		350			0	
LABGI income		-1,400	-1,400			0	
Income from Kings Hill		-1,000	-1,000			0	
Income Generation		-463	-463			0	
Total Finance	100,684	-18,571	82,113	10,567	-11,567	-1,000	
Total Controllable	102,406	-18,571	83,835	10,567	-11,567	-1,000	

1.1.3 **Major Reasons for Variance:** *[provides an explanation of the 'headings' in table 3]*

Interest on Cash Balances

- Increase in year end balances allowing for longer maturity profile of lending
- Increase in market interest rates available

Debt Charges

- £20m of new market borrowing was arranged below the budgeted interest rate
- Loan restructuring has reduced the average interest rate for debt and delivered annual savings and discounts
- Funding from cash balances and deferring new borrowing means that some saving is made on debt financing costs

1.1.4 **Actions required to achieve this position:**

eg Directorate Action Plan including vacancy freeze, changes to assessment criteria

N/A

1.1.5 **Implications for MTFP:**

N/A

1.1.6 **Details of re-phasing of revenue projects:**

N/A

1.1.7 **Details of proposals for residual variance:** *[eg roll forward proposals]*

N/A

1.2 **CAPITAL**

N/A

2. **KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING**

N/A

