REPORT TO: CABINET – 17 MARCH 2008

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

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MANAGING DIRECTORS

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue and capital budgets,**
- **note the additional revenue grant income as identified throughout this report,**
- **note the changes to the capital programme.**

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1. INTRODUCTION

1.1 This is the third full monitoring report to Cabinet for 2007-08 based on the monitoring returns for January.

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

2.1 Revenue

The net projected variance against the combined portfolio revenue budgets is an underspend of £7.5m. Section 3 of this report provides the detail, which is summarised in Table 1a below.

Table 1a – Portfolio position – net revenue position **after** management action

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
O,R&S (CFE) *	-807,639	+1,854	-1,606	+248
CF&EA	+104,666	+643	-643	0
Kent Adult Social Services	+271,864	+2,853	-938	+1,915
E,H&W	+121,616	-2,565	0	-2,565
Regen & SI	+9,497	-1,055	0	-1,055
Communities	+53,948	+1,130	0	+1,130
Public Health	+412	-50	0	-50
Corporate Support	+27,292	-449	0	-449
Policy & Performance	+3,148	0	0	0
Finance	+106,449	-6,644	0	-6,644
TOTAL (excl Schools)	-108,747	-4,283	-3,187	-7,470

** The £0.248m residual pressure within the OR&S (CFE) portfolio, relates to budgets managed by the Chief Executives directorate (Kent Works).*

2.2 In addition to the projected portfolio variances, there are two projected overspends:

a) The Asylum Service is expected to overspend by £4.355m

b) Schools are projecting a draw-down of their reserves of £15m.

Further details are provided throughout this report.

2.3 **Capital**

In line with previous practice, the capital cash limits have been adjusted in this report to reflect the re-phasing of capital projects which has been built into the 2008-11 MTP. £124.524m of re-phasing from 2007-08 into future years has been reflected in the new MTP for 2008-11, which includes £24.708m in respect of PFI projects. In addition to this, a £11.418m ‘underspend’ is now being forecast, of which £12.176m is further re-phasing and £0.758m is a real pressure. Section 4 of this report provides further details. A report on some of the outcomes that have been delivered by the capital programme in the recent past is also being presented to Cabinet today.

3. REVENUE

3.1 **Virements/changes to budgets**

Cash limits have been adjusted to reflect the following virements:

- £0.2m from Waste Management to Capital Programme Group within the Environment, Highways & Waste (EH&W) portfolio for the initial design costs of the Borough Green & Platt bypass as approved by Cabinet on 3 December.
- £0.195m from Waste Management to Environment Group within the EH&W portfolio for Health & Safety requirements, SSSI obligation, income generation priming and e-Government initiative.
- £0.190m from Waste Management, EH&W portfolio to Regeneration & Supporting Independence portfolio for £0.050m contribution to Dover Pride Programme Team; £0.050m Kent Empty Properties Initiative – continued engagement of consultancy advice to handle wider County remit; £0.090m Production of Regeneration Strategy and subsequent consultation and production.
- £0.1m from the Finance portfolio to the Public Health portfolio for Healthwatch as approved by Cabinet on 3 December.

All other changes to cash limits reflected in this report 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 The revenue projection, before management action, is effectively a break-even position, a breakdown of this position by portfolio is shown in table 1b below. The position after assumed management action increases the underspend to £3.115m (including the pressure on Asylum of +£4.355m), a breakdown by portfolio is shown in table 1a above. In addition, we are currently forecasting that schools will overspend their delegated budgets and draw down their reserves by up to £15m this year.

3.2.1 **Table 1b** – Portfolio/Directorate position – gross revenue position **before** management action, excluding schools

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	**-807,639**	**+1,854**	+1,606				+248	
CF&EA	**+104,666**	**+643**	+643					
Kent Adult Social Services	**+271,864**	**+2,853**		+2,853				
E,H&W	**+121,616**	**-2,565**			-2,565			
Regen & SI	**+9,497**	**-1,055**			-1,055			
Communities	**+53,948**	**+1,130**				+1,130		
Public Health	**+412**	**-50**					-50	
Corporate Support	**+27,292**	**-449**					-449	0
Policy & Performance	**+3,148**	**0**					0	
Finance	**+106,449**	**-6,644**					-110	-6,534
SUB TOTAL (excl Schools)	**-108,747**	**-4,283**	+2,249	+2,853	-3,620	+1,130	-361	-6,534
Asylum	**0**	**+4,355**	+4,355					
TOTAL (excl Schools)	**-108,747**	**+72**	+6,604	+2,853	-3,620	+1,130	-361	-6,534

3.2.3 **Table 1c** – Gross, Income, Net (GIN) position – revenue (**before** management action), including schools

	CASH LIMIT			VARIANCE		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	+145,156	-952,795	**-807,639**	+1,926	-72	**+1,854**
CF&EA	+195,180	-90,514	**+104,666**	+3,021	-2,378	**+643**
Kent Adult Social Services	+425,401	-153,537	**+271,864**	+4,883	-2,030	**+2,853**
E,H&W	+140,628	-19,012	**+121,616**	-275	-2,290	**-2,565**
Regen & SI	+12,972	-3,475	**+9,497**	-460	-595	**-1,055**
Communities	+100,611	-46,663	**+53,948**	+4,193	-3,063	**+1,130**
Public Health	+412	0	**+412**	-50	0	**-50**
Corporate Support	+45,687	-18,395	**+27,292**	+4,440	-4,889	**-449**
Policy & Performance	+3,526	-378	**+3,148**	+235	-235	**0**
Finance	+137,653	-31,204	**+106,449**	+11,238	-17,882	**-6,644**
SUB TOTAL (excl Schools)	+1,207,226	-117,313	**-108,747**	+29,151	-33,434	**-4,283**
Asylum	+13,200	-13,200	**0**	-1,122	+5,477	**+4,355**
TOTAL (excl Schools)	+1,220,426	-130,513	**-108,747**	+28,029	-27,957	**+72**
Schools	+938,733	-80,517	**+858,216**	+15,000	0	**+15,000**
TOTAL	+2,159,159	+779,613	**+749,469**	+43,029	-27,957	**+15,072**

3.3 Table 2 below details all projected revenue variances over £100k, in size order. Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 Children, Families & Education
incl. Operations, Resources & Skills (CFE) and Children, Families & Educational Achievement portfolios
Annex 2 Kent Adult Social Services
Annex 3 Environment & Regeneration
incl. Environment, Highways & Waste & Regeneration & Supporting Independence portfolios
Annex 4 Communities
Annex 5 Chief Executives
incl. Public Health, Corporate Support, Policy & Performance & Finance portfolios and elements of Operations, Resources & Skills (CFE) and Regeneration & Supporting Independence portfolios
Annex 6 Financing Items
incl. elements of the Corporate Support & Finance portfolios

Table 2 - All Revenue Budget Variances over £100k in size order

Pressures (+)			**Underspends (-)**		
portfolio		£000's	portfolio		£000's
ORS	Schools delegated budgets - expected drawdown of reserves	+15,000	FIN	savings resulting from debt restructuring & higher investment income due to cash balances and increased interest rates	-7,014
CFEA	Asylum - Shortfall in grant (income)	+4,720	EHW	Reduced tonnage through the Allington WtE plant. Reduced tonnage in total, compared to the budget assumption.	-3,400
CS	Information Systems costs of additional services\projects	+2,650	CS	Information Systems income from additional services\projects	-2,750
CFEA	Independent Sector Residential Care - increased number and cost of placements	+2,097	CFEA	use of remaining 2006-07 LAA grant - badge against qualifying expenditure within Children's Social Services budgets	-1,500
KASS	Older People Domiciliary expenditure	+1,630	CFEA	Asylum - draw down of residual balance in Corporate Asylum reserve (gross)	-1,122
CFEA	Fostering Service - independent fostering allowances (gross)	+1,232	CMY	KDAAT NTA income for Stonehouse PFI	-900

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Learning Disability Residential	+1,059	CFEA	Independent sector residential care - funding from health and education	-757
KASS	Learning Disability Supported Accommodation	+1,012	KASS	Eastern & Coastal Kent PCT income	-750
KASS	Learning Disability Independent Living Schemes & Group Homes	+1,002	CS	P&D income from additional services\courses	-750
ORS	Capital Strategy - costs previously charged to capital (gross)	+970	CS	Legal income resulting from additional work	-750
CMY	KDAAT Costs associated with Stonehouse PFI supported by additional NTA funding	+900	KASS	Assessment & Related - Management action around staffing	-739
KASS	Learning Disability Direct Payments	+839	KASS	Older People Residential	-703
EHW	The Waste WPEG grant was budgeted as 100% revenue grant but it is being paid as 50% capital grant and is therefore not available to support the	+810	EHW	Increased level of external funding enabling more projects within Environment Group	-700
KASS	Physical Disability Direct Payments	+769	EHW	Waste - improved sales / Operation Cubit income	-670
CFEA	Asylum - anticipated shortfall relating to increase in 2006-07 SC bids due to data matching exercise	+757	CFEA	Holding back of budget for superannuation increase from budget managers	-644
CFEA	Independent Sector Residential Care - children in secure accommodation	+750	CMY	YOS Prevention Grant Income	-566
EHW	Directorate Budget Gap (covered from Waste under spend)	+735	KASS	Older People Preserved Rights	-556
EHW	More project expenditure supported by external funding within Environment	+700	ORS	one-off payment from DCSF for prior year mandatory student awards	-535
CS	P&D costs of additional courses\services	+700	KASS	Management Action on Training	-525
CS	Legal Services costs of additional work	+700	KASS	Older People income	-525
CMY	AE loss of Tuition Fees	+568	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Forward Boards	-500
CMY	YOS Prevention Grant Expenditure	+566	CS	Legal Services costs of disbursements recovered from clients	-500
CFEA	Other Services Support - Recharges from Legal services (gross)	+549	KASS	Provision for risk within SRP expenditure not now required	-468
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Forward	+500	ORS	Holding back of budget for superannuation increase from budget	-463
CS	Legal Services costs of additional disbursements	+500	RSI	Re-phasing of Fort Hill, Margate de-dualling project	-450
FIN	Commercial Services - outdoor advertising - delays in letting contract & further delays due to requirement for planning consent	+480	EHW	Additional recharges and fees income from KHS Division	-450
ORS	Personnel and Development - Pensions budget (gross)	+474	CFEA	Advisory Service Professional Development - Training courses income from schools	-437
ORS	SEN Home to School Transport - savings targets linked to purchase cards	+470	EHW	Increase on non-grant income on rural bus services	-430
EHW	Rural Bus Services - non-grant income supporting further rural service.	+430	CMY	AE Income for Immigration Contract	-381
ORS	SEN Home to School Transport - increased take-up and fuel costs (gross)	+423	CFEA	Leaving care/16+ - managed underspend (gross)	-359
CFEA	Fostering Service -County Fostering team staffing costs (gross)	+411	EHW	WEEE Grant not budgeted as income	-350
CFEA	Advisory Service Professional Development - Training courses for schools	+408	KASS	Area Contracts & planning Teams - management action around staffing	-336

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Operational Highway Maintenance works	+400	KASS	Management Action - Resources	-326
KASS	Learning Disability Domiciliary	+348	CMY	Central draw down from reserves	-303
KASS	Learning Disability Day Care/Day Opportunies	+346	CMY	Sports - Grant income from Sports England	-300
EHW	Budget under-estimate on KHS depot running costs.	+340	CMY	Increased partner contributions for YOS	-300
CMY	AE Immigration Contract Expenditure covered by increased income	+340	KASS	Mental Health Assessment & Related - vacancy management	-292
KASS	Learning Disability Impact of review of joint funded placements with Health	+306	RSI	Delay in Minerals and Waste Local Development Framework activity	-280
CMY	Expenditure on mediation and litigation on original Turner Gallery	+300	KASS	Management Action in Facilities	-278
CMY	YOS share of staff costs funded from Partner contributions	+300	CMY	AE Business Development Income	-260
ORS	Kent Works - higher costs of on-going operation	+284	RSI	Delay in Shaw Grange remedial works	-250
KASS	Physical Disability Supported Accommodation	+268	CMY	Sports - RSB income to support activities	-250
EHW	KHS Additional SLA charges (Legal Services)	+265	EHW	Street Lighting Maintenance and Inventory	-240
CFEA	Assessment & Related - delay in achieving staffing savings target (gross)	+264	EHW	Unbudgeted income from Districts for Clean Kent and Kent Waste Partnership	-230
ORS	Capital Strategy - closing schools revenue maintenance (gross)	+250	CMY	Additional LSC AE Formula Grants	-230
CFEA	Advisory Service Professional Development - TRP costs	+250	ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (income)	-214
CMY	Sports - RSB acitvity expenditure supported by income	+250	KASS	HQ Policy & Performance - management action around staffing	-207
CMY	CDSE income shortfall due to reduced calls	+249	CFEA	Fostering service - training income from county fostering team (income)	-203
KASS	Older Persons Direct Services Unit (staffing costs)	+247	CMY	Turner ACE Grants to support activities	-200
KASS	Older People Nursing (excl Pres Rights)	+242	CFEA	Section 17 - managed underspend	-196
KASS	Physical Disability Day Care Exp.	+226	ORS	Personnel and Development - Recruitment team vacancies and	-195
ORS	Personnel and Development - closing schools redundancy costs (gross)	+225	CFEA	Assessment & Related - additional income for SSKY project and Swindon	-192
KASS	Part year impact of 'fairer charging' decision by Ombudsman	+225	EHW	Additional income from Analysis & Info Team	-190
CMY	Rolled forward deficits form 2006/07	+221	CMY	Registration Fees from weddings and citizenship ceremonies	-188
RSI	1 Unfunded post and Seconded Staff in Change & Development Division	+220	CFEA	KCC Family Support - management of staff vacancies (gross)	-178
CMY	Services chargeable to Dedicated Schools Grant	+220	ORS	Mainstream Home to School Transport - less take-up (gross)	-175
ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (gross). Offset by income	+214	EHW	Additional income from base revenue supported bus services	-175
ORS	AEN & resources - staff related costs	+202	CMY	CDSE draw-down from reserves	-172
CFEA	Assessment & Related - recruitment to frontline posts (gross)	+200	CFEA	Direct payments - managed underspend	-166
CMY	Expenditure on Turner Contemporary Activities supported by ACE Grant	+200	CMY	AE Project grants	-161
CMY	Increased guided learning hours for Family and Lifelong Learning in AE	+161	CFEA	Residential care - Non Looked after children - reduction in placements	-160

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Mental Health Residential Care exp.	+151	EHW	Re-phasing into 2008-09 of design for the Borough Green & Platt Bypass	-160
CFEA	Adoption - allowance costs (gross)	+150	CFEA	In-house residential care - closure of Alderden House (gross)	-150
CFEA	Other Services Support - Out of hours service costs covered by additional	+148	CFEA	Assessment & Related - additional income for Education for best project	-150
CMY	Neighbourhood Learning & SIP	+135	CFEA	Other Services Support - Out of hours service covered by additional income (income)	-148
CMY	AE fee and concessions policy revisions not implemented	+133	ORS	Holding back of TRP budgets from managers	-132
CFEA	Advisory Service Improvement Partnership - project costs (gross)	+129	CFEA	Advisory Service Improvement Partnership - project income	-130
CMY	Registration premises leases	+126	CS	Confirmed profile of Kent TV revenue spend over 2 year period	-130
EHW	Additional cost of temporary and agency staff within KHS	+125	CMY	Key Training bonuses on European Social Fund grant	-127
CMY	AE Business Development Expenditure covered by increased income	+120	ORS	Educational Psychology - staffing vacancies (gross)	-123
CMY	Libraries & Archives underachievement of AV income	+120	KASS	Part year saving on establishment of SRP Systems Support Team	-122
CMY	AE loss of Information & guidance grant and clawback of LSC grants from 2005-06 and 2006-07	+117	CFEA	KCC Family Support - income from projects	-113
CMY	Sports - project expenditure on community sports coaches	+113	CFEA	Policy - Legal costs (Gross)	-100
CMY	Coroners Mortuary fees	+107	ORS	Personnel and Development - reduction in expenditure from incorrectly placing staff on pension schemes	-100
ORS	Mainstream Home to School Transport - reduction in income	+104	KASS	Occupational Therapy Bureau - Provision for Replacement Hoists	-100
CMY	AE project expenditure covered by increased income	+104	RSI	Seconded Staff funded externally in Change & Development Division	-100
ORS	Personnel and Development - reduction in income from incorrectly placing staff on pension schemes	+100	RSI	Kent Regeneration Fund - projects delayed due to expected funding shortfall	-100
EHW	Reduction in Country Parks income due to poor summer weather	+100	CMY	Libraries & Archives savings from reduced expenditure on non staffing	-100
RSI	Kent Regeneration Fund expected funding shortfall	+100	CS	Delayed start to P&D Health Checks programme	-100
CMY	Arts unit reduction in grant income	+100			
		+54,656			**-39,676**

3.4 **Key issues and risks**

3.4.1 In the Children, Families & Education directorate, the key issues are:

3.4.1.1 **Operations, Resources & Skills (CFE) portfolio**: Forecast excl. Asylum **+£1.606m**
This pressure is mainly due to the inability to achieve the budgeted savings on SEN transport in the current year together with increased take-up of the service; additional pensions and redundancy costs largely as a result of a number of school closures and amalgamations, additional costs of boarding up closing schools and repairs caused by vandalism and a requirement to meet some costs from revenue which were previously charged to capital upon the advice of our external auditors. These pressures have been partially offset by £1.130m of management action achieved to date.

3.4.1.2 **Children, Families & Educational Achievement portfolio**: Forecast excl. Asylum **+£0.643m**
This pressure is mainly due to an increased number of children placed in independent sector residential care and secure accommodation placements; an increase in independent fostering allowances largely due to an increase in placements, and increased legal fees within Children's Social Services. These pressures are partially offset by managed savings elsewhere within the Children's Social Services budgets and £2.144m of management action achieved to date.

3.4.1.3 **Children, Families & Educational Achievement portfolio - Asylum**: Forecast **+£4.355m**
This is largely due to the fact that the unit costs claimable under the grant conditions set by the Home Office and DCSF are significantly lower than the real unit cost of providing the service. Also the Border & Immigration Agency will not be funding any increase in pay and prices in 2007-08. In addition we are experiencing higher rental costs from landlords and once again we saw an increase in applications for Asylum in January representing the highest number of referrals in a single month for over 4 years. Overall this results in a forecast pressure of £4.720m which we have offset by the £1.122m balance in the Asylum Reserve.
In addition, following the results of the ongoing data matching work with both the Home Office and DCSF, a number of clients have been rejected from the main grant claims and have therefore been added to the special circumstances bids for 2006-07. This has resulted in an increase in the special circumstances bids for last year of £1.4m. Historically, to be prudent, we have assumed that we will be successful in receiving only part of this income, if we continue to assume that the same proportion will be successful then a further £0.757m will need to be found to fund the shortfall, adding to the pressure in the current year. However lobbying will continue to ensure a successful outcome.
At the Joint Councils meeting held at the LGA on 13 November to discuss the money which nine local authorities, including Kent, Hillingdon and Hammersmith & Fulham, claim is owed to them by the Government for the care of unaccompanied asylum seeking children, it was agreed to commission an independent audit of these costs. PWC have now completed this audit which has verified our figures and confirmed that KCC has £9.9m outstanding from the government relating to 2005-06, 2006-07 and 2007-08. After several days of intense negotiations with government, with support from MPs who have lobbied on our behalf, this position remains unresolved. It was hoped that there would be a meeting with the Home Office on 18 February to discuss this further but this meeting was cancelled. We continue to work with other local authorities to identify the next course of action and a major part of this must be to establish a system for the future where all costs are reimbursed.
Further details of these pressures are provided in Annex 1.

3.4.2 **Kent Adult Social Services portfolio**: Forecast **+£2.853m**
This pressure is mainly as a result of demographic and placement pressures on most client groups but most significantly people with learning difficulties where we are experiencing young adults transferring from Children's Services and increasing numbers of clients over 65 in line with the trend for people to live longer and many of these clients have very complex needs. In addition, within services for older people, there is increasing demand for domiciliary care which is often seen as the alternative to seeking a permanent placement. Although both the number of clients and the amount of hours provided have dropped slightly since the last detailed monitoring report, the actual average hours provided to each client has increased. This reflects the increasing level of support that is required to enable those clients, who would otherwise be in residential care, to remain in their own homes. As a result there is an increasing number of cases where two care workers are required to meet the needs of the client leading to increased costs overall. Also, our success in meeting the direct payments target continues to identify previously unmet demand/need. These pressures have been partially offset by management action and we have secured funding from the Eastern & Coastal Kent PCT, following a successful agreement in respect of intermediate care proposals and services for patients leaving hospital and requiring social care. This funding recognises the growing pressures that have been seen within our financial forecast on services for older people, and also allows us to start working jointly on a strategy for intermediate care across the East Kent area for 2008-09.
Further details are provided in Annex 2.

3.4.3 In the Environment & Regeneration directorate, the key issues are:

3.4.3.1 **Environment, Highways & Waste portfolio**: Forecast **-£2.565m**

There is a large underspend on waste, mainly because the Waste to Energy plant at Allington has not been working as expected. As a result, more waste is sent to landfill than budgeted for, which is currently a cheaper means of disposal. This is offsetting a gap in the budget identified in the 2007-10 MTP as requiring an in-year management action plan of one-off actions and increased demand for operational highway maintenance works. This forecast also assumes that corrective work of £0.650m following the earthquake and floods in June and January will be funded from the Emergency Conditions Reserve, consistent with previous practice. There are also a number of projects which are re-phasing into 2008-09 including Street Lighting maintenance programme and Inventory completion and design for the Borough Green and Platt bypass.

3.4.3.2 **Regeneration & Supporting Independence portfolio**: Forecast **-£1.055m**

Within the portfolio a number of projects are re-phasing into 2008-09, including the de-dualling of Fort Hill, Margate, Shaw Grange remedial works and the Minerals and Waste Local Development Framework, and £1.190m will be required to roll forward to reflect the revised timing of these projects. This leaves an underlying pressure of £0.135m which mainly relates to a post for which the external funding has now ceased.

Further details are provided in Annex 3.

3.4.4 **Communities portfolio**: Forecast **+£1.130m**

The main pressures are within Adult Education, Coroners, and the Arts Unit. The pressures within the Adult Education service are largely in respect of a significant reduction in tuition fee income due to lower than anticipated take-up of courses, the additional costs associated with the restructuring of the service and the rationalisation of premises, and difficulties the service has faced in delivering the challenging target of generating a £500k surplus to repay the loan from the Finance portfolio provided in 2006-07. The 2008-11 MTP now assumes that this loan will be repaid in 2008-09 and 2009-10. There is a continuation of the pressures experienced in 2006-07 on the Coroners Service and a reduction in EU grants for the Arts Unit. In addition there is a £0.3m overspend resulting from mediation and litigation costs incurred on the original Turner Gallery. If we are successful these costs involved in preparing our case against the architects and their professional advisers responsible for the original design will be recovered. Delivery of management action has partially offset these pressures.

Further details are provided in Annex 4.

3.4.5 In the Chief Executive's directorate, the key issues are:

3.4.5.1 **Operations, Resources & Skills (CFE) portfolio**: Forecast **+£0.248m**

Increased costs and reduced income for services provided to schools within Kent Works. A review of the service to try to address this has been delayed due to staff absence.

3.4.5.2 The underspending within the other portfolios (Public Health -£0.050m; Corporate Support -£0.449m and Finance -£0.110m) is largely related to the re-phasing of projects into 2008-09.

Further details are provided in Annex 5

3.4.6 On the Financing Items budgets, the key issues are:

Finance portfolio: Forecast **-£6.534m**

Savings as a result of debt restructuring, lower assumed external borrowing for the capital programme and increased investment income are partially offset by an anticipated reduction in the contribution from Commercial Services as a result of a delay in letting the contract for outdoor advertising and sponsorship and further delays due to the requirement by districts to obtain planning consent for the erection of these signs.

Further details are provided in Annex 6

3.4.7 Directorates have implemented management action plans and the effects are largely reflected in the current overall forecast of -£0.028m as shown in table 1b, and this is expected to reduce further by year end to -£3.215m (including Asylum). There are a number of projects which are re-phasing into 2008-09 and roll forward will be required in order to fund their completion. In addition, residual pressures are currently anticipated at year end within KASS, OR&S (CFE) (in relation to Kent Works) and Communities portfolios. With regard to Asylum, the current forecast of +£4.355m is after the balance of the Asylum Reserve is utilised. Provisionally this residual pressure at year end, will be considered as a call on any Finance portfolio underspend, although KCC fully expects Government to meet the full costs of this national pressure. The underspend within the Finance portfolio will also be expected to offset the £0.3m overspend due to mediation and litigation costs incurred on the original Turner Gallery. If we are successful with our case then these costs will be recovered and returned to our corporate reserves.

3.5 Implications for future years/MTFP

3.5.1 The key issues and risks identified above have largely been addressed in directorate medium term plans (MTP) for 2008-11. Although these are forecast to be largely offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. These and other pressures are detailed in the Annex reports.

4. CAPITAL

4.1 Changes to budgets

4.1.1 This year the capital monitoring focuses on projects which are re-phasing by £1m or more and it distinguishes between real variances/re-phasing on projects which are:

- part of our year on year rolling programme or projects which already have approval to spend and are underway , and
- projects which are still only at the preliminary stage or are only at the approval to plan stage and their timing remains uncertain.

We now separately identify projects which have yet to get underway, but despite the uncertainty surrounding their timing they were included in the budget because there is a firm commitment to the project. By identifying these projects separately, we can focus on the real re-phasing in the programme on projects which are up and running. It is intended that from 2008-09 the presentation of the capital budget will also change to show this distinction between projects.

4.1.2 This quarter, the following adjustments have been made to the 2007-08 capital budget. Further details are provided in the relevant annex reports, including the effect on the future years of the capital programme, where applicable.

		£000's
1.	As reported to Cabinet on 3 December (excl. PFI)	363,568
2.	Marsh Academy Sponsorship (OR&S (CFE) portfolio)	750
3.	DCSF grant for Academies (OR&S (CFE) portfolio)	850
4.	DCSF grant for Implementation of Primary Strategy (OR&S (CFE) portfolio)	1,015
5.	External funding from Channel Corridor Partnership for Arts Projects within Major Road Scheme Designs (EH&W portfolio)	110
6.	Fastrack Delivery Executive, DCLG grant to install ticket machines (R&SI portfolio)	500
7.	Kent Science Resource Centre – new project funded by 100% DCLG grant (R&SI portfolio)	717
8.	Gravesend Old Town Hall refurbishment - funded by DCLG Grant and SEEDA monies (R&SI portfolio)	442
9.	East Kent Resource Centre external contribution from East Kent Coastal PCT (CF&EA portfolio)	10
10.	Re-phasing included in the 2008-11 MTP:	
	• Operations, Resources & Skills (CFE) portfolio	-41,532
	• Children, Families & Educational Achievement portfolio	-1,159
	• Kent Adult Social Services portfolio	-5,771
	• Environment, Highways & Waste portfolio	-25,987
	• Regeneration & supporting Independence portfolio	-3,724
	• Communities portfolio	-18,280
	• Finance portfolio	-1,994
	• Corporate Support portfolio	-1,369
11.	Thamesway – additional external funding from Kent Police and London & Continental Railways (EH&W portfolio)	407
		£000s
12.	External funding from Arts Council for Arts Projects within Major	50

	Road Scheme Designs (EH&W portfolio)	
13.	Gravesend Old Town Hall Refurbishment – removal of revenue costs, funded by SEEDA (R&SI portfolio)	-92
14.	Additional external funding and revenue contributions for Gypsy sites (KASS portfolio)	10
		268,521
15.	PFI	11,593
		280,114

4.1.3 In addition to the cash limit adjustments above, there has been a few virements since the last report:

- £40k from CF&EA portfolio to KASS portfolio in respect of Systems Replacement project funded by Improving Information Management grant.
- £199k from Grants to Village Halls to Herne Bay Youth & Community Centre within the Communities portfolio.
- £100k from Grants to Village Halls to Grant for Outdoor Education Facilities within the Communities portfolio.

4.2 **Table 3** – Portfolio/Directorate position – capital

			Directorate				
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED
	£k	**£k**	£k	£k	£k	£k	£k
O,R&S (CFE)	**+109,758**	**-4,698**	-4,698				
CF&EA	**+5,438**	**-557**	-557				
KASS	**+5,302**	**-795**		-795			
E,H&W	**+86,831**	**-1,370**			-1,370		
Regen & SI	**+8,450**	**-2,471**			-2,471		
Communities	**+5,381**	**-563**				-563	
Corporate Support	**+2,626**	**-320**					-320
Policy & Performance	**+501**	**0**					0
Finance	**+4,533**	**-598**					-598
TOTAL (excl Schools)	**+228,820**	**-11,372**	-5,255	-795	-3,841	-563	-918
Schools	**+39,701**	**-46**	-46				
TOTAL	**+268,521**	**-11,418**	-5,301	-795	-3,841	-563	-918

Real Variance		**+758**	+608		+284	-64	-70
Re-phasing (detailed below)		**-12,176**	-5,909	-795	-4,125	-499	-848
		2007-08	**2008-09**	**2009-10**	**Future yrs**		**Total**
Re-phasing		-12,176	+11,120	+1,056			0

4.2.1 Table 3 shows that there is an overspend of £0.758m on the capital programme for 2007-08 and £12.176m of re-phasing of expenditure into later years. This is in addition to the £99.816m re-phasing reflected in the 2008-11 MTP (excluding PFI). In excess of £5m of the current £12m forecast re-phasing is made up of projects with variances of under £0.25m which do not get reported in detail in this report. A further £4.9m relates to projects with variances between £0.25m and £1m and these are identified in table 6. Only £2.1m relates to projects with variances of £1m or more which are identified in table 6 and section 4.6 below and reported in detail in the annex reports.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2007-08 as shown in table 3, between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and the timing remains uncertain, and
- projects at the preliminary stage.

Table 4 – Analysis of forecast capital variance by project status (excl. Devolved Capital to Schools & PFI)

		Variance			
	budget	real variance	re-phasing	total	
Project Status	£'000s	£'000s	£'000s	£'000s	
Rolling Programme	97,756	809	-318	491	
Approval to Spend	110,946	208	-8,959	-8,751	
Approval to Plan	20,018	-213	-2,809	-3,022	
Preliminary Stage	100	-	-90	-90	
Total	228,820	804	-12,176	-11,372	
	2007-08	**2008-09**	**2009-10**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-318	-223	541	-	-
Approval to Spend	-8,959	8,444	515	-	-
Approval to Plan	-2,809	2,809	-	-	-
Preliminary Stage	-90	90	-	-	-
Total	-12,176	11,120	1,056	-	-

4.3.1 Table 4 shows that of the -£11.372m forecast capital variance (excluding devolved capital to schools) -£3.112m is due to projects which are still only at the approval to plan or preliminary stages and their timing remains uncertain. This leaves a variance of -£8.260m which relates to projects that are either underway or are part of our year on year rolling programme.

4.3.2 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported and prudential) is -£2.502m and this, together with the -£34.669m of re-phasing against borrowing reflected in the 2008-11 MTP, is a contributory factor in the underspend reported within the Finance portfolio.

Table 5: 2007-08 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	0.137
Prudential	-3.214
Prudential/Revenue (directorate funded)	0.575
Grant	-5.650
External Funding - Other	-0.129
External Funding - Developer contributions	-0.696
Revenue & Renewals	0.453
Capital Receipts	-1.244
General Capital Receipts (generated by Property Enterprise Fund)	-1.650
TOTAL	**-11.418**

4.4 Table 6 below details all projected capital variances over £250k, in size order. These variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications; or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m, which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 of the individual Directorate annex reports, and all real variances are explained in section 1.2.5 of the individual Directorate annex reports, together with the resourcing implications.

Table 6 - All Capital Budget Variances over £250k in size order

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Major Maintenance	Phasing	+2,329			
EHW	Integrated Transport Programme	Real	+516			
R&SI	East Kent Empty Property Initiative	Phasing		+398		
			+2,845	**+398**	**+0**	**+0**
		Real	*+516*	*0*	*0*	*0*
		Phasing	*+2,329*	*+398*	*0*	*0*
Underspends/Projects behind schedule						
R&SI	Eurokent Spine Road	Phasing			-1,650	
EHW	Ashford Ring Road	Phasing		-1,535		
R&SI	Arts & Business Centre at Folkestone	Phasing		-1,219		
EHW	Re-shaping Kent Highways Accommodation	Phasing		-694		
OR&S	Childrens Centres - Swanscombe PS	Phasing		-628		
EHW	Integrated Transport Programme	Phasing	-507			
OR&S	Dev Opps - Darford Campus	Phasing		-494		
FIN	Management & Modernisation of Assets	Phasing	-428			
EHW	Newtown Way Improvement	Phasing			-421	
OR&S	Kennington Juniors	Phasing	-402			
EHW	Everards Link Phase 2	Phasing		-374		
OR&S	Childrens Centres - Knockhall PS	Phasing		-295		
OR&S	Childrens Centres - Broadwater Down PS	Phasing		-280		
OR&S	Childrens Centres - East Stour PS or its replacement	Phasing		-267		
CF&EA	Management & Modernisation of Assets	Phasing	-265			
OR&S	Specialist Schools 2007/08	Phasing	-250			
			-1,852	**-5,786**	**-2,071**	**0**
		Real	*0*	*0*	*0*	*0*
		Phasing	*-1,852*	*-5,786*	*-2,071*	*0*
			993	**-5,388**	**-2,071**	**0**
		Real	*516*	*0*	*0*	*0*
		Phasing	*477*	*-5,388*	*-2,071*	*0*

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

4.5.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. The main areas of under and overspending in 2007-08 are listed below together with their resourcing implications:-

- +£0.5m on the Integrated Transport programme which will be met by a revenue contribution.
- -£0.2m on Waste Performance Grant funded projects; however there will be a compensatory reduction in grant.

Additional funding has been secured from developer contributions to offset these 3 overspends on the CFE capital programme:

- +£0.1m St James the Great Development Opportunities project – additional works required at the request of English Heritage to secure planning permission.
- +£0.1m Development Opportunities Consultancy due to additional costs incurred in supporting the New Line Learning project.
- +£0.2m Crockenhill Primary School as tender costs came in higher than budgeted.

Further details of smaller real variances are provided in the annex reports.

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

4.6.1 The projects that are re-phasing by £1m or more are identified below: -

- -£1.65m Eurokent Spine Road - the proposal for this project assumed that there would be an earlier start date, however the complex suite of agreements needing to be in place before committing to a contract has meant that the construction contract has only recently been awarded.
- -£1.5m Ashford Ring Road - there has been a delay in the construction programme partly due to slower progress than anticipated but also to the adjoining development in County Square encountering problems, which has had an impact.
- -£1.2m Folkestone Arts & Business Centre - there has been a delay in the construction programme due to adverse weather and difficulties in pursuing the ground-works because of archaeological findings.
- +£2.3m Highway Major Maintenance – there has been an acceleration of this programme. The previously declared slippage (which has been reflected in the budget figures in the 2008-11 MTP and therefore also in the cash limits now used in this report) has been reversed and further works are to be completed late in the programme.

In addition there is £3.6m of re-phasing into 2008-09 on the Children's Centres programme, which is made up of variances on 50 projects. A few of these projects have variances in excess of £250k and these are identified in table 6 but the majority are below £250k. The main reasons for this re-phasing on this programme are difficulties in securing planning permission, legal delays in signing contracts and a degree of over optimistic forecasting

4.7 **Key issues and risks**

4.7.1 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. The impact on service delivery of projects which are re-phasing by £1m or more, as identified in table 6 above, is highlighted in section 1.2.4 of the annex reports.

4.7.2 The funding of the 2007-11 capital programme, is reliant upon capital receipts of some £210.060m. 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.

4.8 **Implications for future years/MTFP**

4.8.1 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.

4.8.2 As a result of the level of capital re-phasing experienced this year, a series of meetings took place to scrutinise the reasons for it. These broadly fell into three categories:

- Delays in obtaining planning permission/public objections ie outside of our control
- Delays caused by a re-think of the project/ new opportunities
- Over optimism in the original budget phasing

To address these issues for next year's capital programme, to avoid as far as possible a repeat of the level of re-phasing experienced in the last few years, the budget setting process included a session for detailed scrutiny of capital spend planned for 2008-09 to help ensure a more realistic timing of delivery of projects was reflected in the budget and that assumptions made around the time required to gain the necessary planning approvals etc are in line with more recent past experience and therefore more realistic. In the 2008-09 budget, capital schemes have been categorised according to the stage of development that they are at, including "projects at preliminary planning stage" to identify the more embryonic schemes, in line with the format of the monitoring adopted this year.

4.9 **Impact on Treasury Management**

4.9.1 The re-phasing of the capital programme from 2006-07, resulting in high cash balances at the end of the 2006-07 financial year, and the re-phasing on the capital programme projected in this report are contributory factors in the £7m underspend reported against the Interest on cash balances/debt charges budget within the Financing Items revenue budget. Further details are provided in Annex 6. This re-phasing will impact upon the phasing of the debt charges within the revenue budget and this has been reflected in the 2008-11 MTP.

4.10 **Resourcing issues**

4.10.1 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 period of the MTP, the level of receipts required to support the programme is expected to have been ‘banked’. At this stage, there are no other significant risks to report.

4.11 **Prudential Indicators**

4.11.1 The latest monitoring of Prudential Indicators is detailed in **appendix 1**. There has been some deviation from the prudential indicator for the upper limit for principal sums invested for periods longer than 364 days. The limits set for sums invested for 1-2 years, 2-3 years and 4-5 years have all been exceeded because this is where we have been able to get best value in our long term investments. A decision was therefore taken to ‘over-invest’ against these indicators to take the best advantage of the market yield curve and capitalise on rates prior to a fall in the yield curve, however this has been compensated for by lower 3-4 year and 5-6 year investments. Investments are still within the overall prudential limit of £135m. Further details are provided in section 9 of appendix 1.

5. RISK MANAGEMENT

Directorate risk registers have been refreshed and will be presented to the Governance & Audit Committee in March. The strategic risk register is being refreshed by Resource Directors in April and will be presented to the Governance & Audit Committee in June along with the directorate and financial Governance Statements.

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 2007 is provided at **appendix 2**. 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 31/3/08 £m	Balance at 31/3/07 £m
Earmarked Reserves	65.5	80.9
General Fund balance	25.8	25.8
Schools Reserves *	52.6	67.6

* 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 £15.4m in earmarked reserves is mainly due to the anticipated movements in the rolling budget reserve, Asylum reserve, Insurance reserve, Consumer Direct reserve and Emergency Conditions reserve and planned movements in reserves such as PRG, Kent Regeneration, Environmental Initiatives, IT Asset Maintenance and the Kingshill Smoothing reserve.

6.1.3 The reduction of £15m in schools reserves is our assessment of the impact of the introduction of the 'balance control mechanism' since January 2007, which is a means of clawing back schools reserves over and above a specified level. The December forecast from schools indicates a draw down of approximately £15m this year, as they undertake projects that formed part of their 'committed' balances (which were £37.6m of the total £67.6m of schools reserves as at 31 March 07) to avoid any clawback, but past experience suggests that this is overstated and we are therefore projecting a possible drawdown of reserves of between £10m-£15m.

7. RECOMMENDATIONS

Cabinet is asked to:

7.1 Note the latest monitoring position on both the revenue and capital budgets.

7.2 Note the additional revenue grant income as identified in table 2 and throughout the annexes of this report.

7.3 Note the changes to the capital programme, as detailed in section 4.1.

Appendix 1

2007-08 OCTOBER Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2006-07 £237.059m

Original estimate 2007-08 £315.683m

Revised estimate 2007-08 £257.103m (this includes the rolled forward re-phasing from 2006-07 & the re-phasing from 2007-08 into later years reflected in the 2008-11 MTP)

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

	2006-07 Actual £m	2007-08 Original Estimate £m	2007-08 Revised Estimate £m
Capital Financing Requirement	1,010.127	1,131.934	1,090.567
Annual increase in underlying need to borrow	96.796	104.598	80.440

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 2006-07	11.33%
Original estimate 2007-08	12.01%
Revised estimate 2007-08	10.90%

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 2007-08.

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

	Prudential Indicator 2007-08 £m	Position as at 31.01.08 £m
Borrowing	1,084.0	919.0
Other Long Term Liabilities	8.0	1.5
	1,092.0	920.5

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

	Prudential Indicator 2007-08 £m	Position as at 31.01.08 £m
Borrowing	1,139.0	972.6
Other Long Term Liabilities	8.0	1.5
	1,147.0	974.1

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 2007-08 are:

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

	£m
Borrowing	1,121
Other long term liabilities	8
	1,129

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

	£m
Borrowing	1,179
Other long term liabilities	8
	1,187

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 2007-08

(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 2007-08. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.01.08
	%	%	%
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	24	0	8.7
10 years and above	100	40	91.3

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

	Indicator	Actual
1 year to 2 years	£35m	£39m
2 years to 3 years	£35m	£40m
3 years to 4 years	£35m	£22m
4 years to 5 years	£20m	£26m
5 years to 6 years	£10m	£0m
	£135m	**£127m**

The best value in long-term investments has mostly been in the period of up to 3 years duration. A decision was taken to over-utilise against the Prudential Indicator for investments with a duration of 2-3 years to take best advantage of the market yield curve. Additional long-term investments have been made to capitalise on rates prior to a fall in the yield curve. Investments are still within the overall prudential limit with £127m invested against an overall allowance of £135m.

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 2007		31 March 2006 Restated	
	£'000	£'000	£'000	£'000
Fixed assets				
Intangible Fixed Assets		4,732		5,935
Tangible Fixed Assets				
Operational assets				
Land and buildings	1,414,844		1,239,411	
Vehicles, plant and equipment	15,863		17,511	
Roads and other highways infrastructure	514,320		518,182	
Community assets	7,775		6,664	
Non-operational assets				
Investment Property	6,584		1,955	
Assets under construction	237,813		131,573	
Surplus and non-operational property	95,423		74,349	
Total Tangible Assets		2,292,622		1,989,645
Total fixed assets		2,297,354		1,995,580
Long-term investments		115,000		66,000
Long-term debtors		59,736		62,002
Deferred Premiums		20,990		21,940
PFI debtor		441		0
Total long-term assets		2,493,521		2,145,522
Current assets				
Stocks and work in progress	5,905		6,809	
Debtors	175,613		173,145	
Investments	153,059		153,234	
Cash and bank balances	96,652		102,615	
Total current assets		431,229		435,803
Current liabilities				
Temporary borrowing	-38		-40	
Creditors	-266,856		-237,452	
Cash balances overdrawn	-124,609		-101,924	
		-391,503		-339,416
Total assets less current liabilities (Net Assets Employed)		2,533,247		2,241,909
Long-term liabilities				
Long-term borrowing	-952,365		-882,523	
Deferred liabilities	-957		-1,523	
Deferred credit - Medway Council	-55,609		-57,926	
Provisions	-13,786		-12,855	
Government grant deferred account	-174,435		-173,058	
Liability related to defined benefit pensions schemes - KCC	-637,700		-719,900	
Liability related to defined benefit pensions schemes - DSO	-2,487		-2,017	
		-1,837,339		-1,849,802
Total assets less liabilities		695,908		392,107

Balance Sheet

Fixed asset restatement account		-664,125		-498,986	
Capital financing account		-462,092		-416,820	
Earmarked capital reserve		-26,698		-24,884	
Usable capital receipt reserve		-7,942		-7,473	
Pensions reserve	- KCC	637,700		719,900	
	- DSO	2,487		2,017	
Earmarked reserves		-80,929		-74,094	
General Fund balance		-25,835		-25,835	
Schools reserves		-67,639		-65,626	
Surplus on trading accounts		-835		-306	
Total net worth			-695,908		-392,107

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY JANUARY 2007-08 FULL MONITORING REPORT

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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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	
OPERATIONS, RESOURCES & SKILLS (CFE) portfolio							
Delegated Budget:							
- Delegated Schools Budget	836,939	-80,517	756,422	15,000	0	15,000	Expected drawdown of reserves of up to £15m due to the balance control mechanism
- Standards Fund (incl SSG)	101,794	0	101,794	0	0	0	
TOTAL DELEGATED	**938,733**	**-80,517**	**858,216**	**15,000**	**0**	**15,000**	
Non Delegated Budget:							
- Finance	3,384	-931	2,453	-19	0	-19	
- Awards	5,067	-1,000	4,067	-10	87	77	
- Grant income & contingency	4,771	-924,445	-919,674	-1,130	0	-1,130	Management action - one off pensions money, superannuation uplift, TRP funding
- Personnel & Development	15,799	-3,493	12,306	329	87	416	Pensions overspend £474k; redundancy overspend due to closed schools £225k; Savings on recruitment budget £195k and training £77k, employment tribunals £30k
- School Support Service	53	0	53	0	0	0	
- Capital Strategy	4,880	-3,284	1,596	1,284	-43	1,241	Costs previously charged to capital £970k; Revenue maintenance due to school closure and vandalism £250k
- Building Schools for the Future	693	-243	450	0	0	0	
- Client Services	6,810	-4,281	2,529	294	-223	71	Increase cost and take up of contracts balanced by increased income
- Business Management	2,760	-143	2,617	15	-10	5	
- ICT	13,512	-3,770	9,742	-5	0	-5	
- Health & Safety	434	-8	426	4	-12	-8	
- Strategic Management	2,395	-103	2,292	1	-1	0	
- Kent Music School	838	0	838	0	0	0	
- Extended Schools	5,931	-2,378	3,553	0	-16	-16	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
-14-24 unit	1,690	-435	1,255	0	0	0	
- School Organisation	2,803	-141	2,662	-9	-7	-16	
- Mainstream HTST	15,432	-484	14,948	-175	104	-71	Less than expected numbers of children travelling. Reduction in tickets purchased
- SEN HTST	14,806	0	14,806	895	-2	893	Travel requirements of SEN children have increased and the service is unable to meet all of the savings targets of £989k
- Clusters	18,299	-2,654	15,645	-34	0	-34	
- Kent Children's Trusts	536	0	536	0	0	0	
- AEN & Resources	13,719	-3,917	9,802	202	0	202	Additional staffing costs
- Independent Sector Provision	9,719	-260	9,459	0	0	0	
TOTAL NON DELEGATED	**144,331**	**-951,970**	**-807,639**	**1,642**	**-36**	**1,606**	
OR&S Assumed Mgmt Action				**-1,606**		**-1,606**	
OR&S Non delegated forecast after Mgmt Action				**36**	**-36**	**0**	
Total OR&S incl delegated	**1,083,064**	**-1,032,487**	**50,577**	**15,036**	**-36**	**15,000**	
CHILDREN, FAMILIES & EDUCATIONAL ACHIEVEMENT portfolio:							
- Attendance & Behaviour Service	16,656	-5,359	11,297	21	-22	-1	
- Specialist Teaching Service	3,064	-337	2,727	0	0	0	
- Educational Psychology Service	3,721	-129	3,592	-123	34	-89	Staff vacancies
- Minority Community Achievement Service	1,850	-96	1,754	0	0	0	
- Children's Safeguard Service	763	-13	750	0	0	0	
- Joint Commissioning	1,716	-226	1,490	0	0	0	
- Commissioning General	646	0	646	0	0	0	
- In House Residential care	2,630	-25	2,605	-214	-6	-220	Savings from closure of Alderden £150k, income from internal trading additional £70k
- Ind sector residential care	3,424	-403	3,021	2,847	-757	2,090	Higher number of placements than budgeted for, plus 3 children in secure accommodation costing £750k in 07-08. Additional income for placements
- Residential care - not looked after children	649	-7	642	-160	-13	-173	Number of placements reduced
- KCC Family support	9,804	-960	8,844	-178	-113	-291	Staff vacancies; Various income for projects
- Family group conferencing	1,106	-241	865	-10	-21	-31	
- Fostering service	21,389	-97	21,292	1,606	-203	1,403	Increase in independent fostering allowances £1.2m and County fostering team £400k
- Adoption service	6,026	-22	6,004	213	-74	139	Adoption payments £150k, County adoption team £62k
- Independent Sector day care	885	0	885	-87	0	-87	
- Section 17	1,030	-5	1,025	-196	0	-196	Planned underspend
- Link placements	232	0	232	-32	0	-32	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Grants to voluntary organisations	7,166	-398	6,768	0	0	0	
- Direct payments	826	0	826	-166	0	-166	planned underspend
- Teenage pregnancy	616	0	616	0	0	0	
- Leaving care/16+	3,399	0	3,399	-359	-6	-365	Budget historically underspent - planned underspend
- Other services support	5,262	-824	4,438	652	-148	504	Legal costs, Out of Hours service increased costs & income
- Assessment and related	19,029	-16	19,013	497	-342	155	high social worker recruitment costs, various income
- Policy & Service Development	9,436	-2,363	7,073	-184	0	-184	Legal savings £100k, staff savings £84k
- Management Information	28,356	-35	28,321	-34	-12	-46	
- International Development	194	-100	94	115	-8	107	Additional staffing costs; health and safety expenditure
- Early Years & Childcare Operations unit	17,379	-234	17,145	31	-25	6	
- Advisory Service Kent (ASK) Secondary Team	3,577	-160	3,417	-11	1	-10	
- ASK Primary Team	4,455	-650	3,805	63	-17	46	
- ASK Early Years Team	6,564	-12	6,552	15	-10	5	
- ASK Improvement & Leadership	2,665	-150	2,515	72	-69	3	
- ASK Improvement Partnerships	3,975	0	3,975	129	-130	-1	Additional project costs balanecd by increased income from schools
- ASK Professional Development	4,975	-2,262	2,713	658	-437	221	TRP costs; Additional training for schools expenditure and income
- Grant income & contingency	1,715	-75,390	-73,675	-2,144	0	-2,144	Management action - superannuation uplift, LAA roll forward
Total CF&EA	**195,180**	**-90,514**	**104,666**	**3,021**	**-2,378**	**643**	
CF&EA Assumed Mgmt Action				**-643**		**-643**	
CF&EA Forecast after Mgmt Action	**195,180**	**-90,514**	**104,666**	**2,378**	**-2,378**	**0**	
- Asylum Seekers	13,200	-13,200	0	-1,122	5,477	4,355	grant shortfall offset by draw down from reserve
Total CF&EA incl. Asylum	**208,380**	**-103,714**	**104,666**	**1,256**	**3,099**	**4,355**	
SUMMARY:							
Total Delegated	**938,733**	**-80,517**	**858,216**	**15,000**	**0**	**15,000**	
Total Non Delegated (excl. Asylum)	**339,511**	**-1,042,484**	**-702,973**	**4,663**	**-2,414**	**2,249**	
Total Directorate Controllable (excl. Asylum)	**1,278,244**	**-1,123,001**	**155,243**	**19,663**	**-2,414**	**17,249**	
Directorate Assumed mgmt action				**-2,249**	**0**	**-2,249**	
Total Directorate Controllable (excl. Asylum) after mgnt action	**1,278,244**	**-1,123,001**	**155,243**	**17,414**	**-2,414**	**15,000**	
Directorate Net Total (incl. Asylum) before mgmt action	**1,291,444**	**-1,136,201**	**155,243**	**18,541**	**3,063**	**21,604**	
Directorate Net Total (incl. Asylum) after mgmt action	**1,291,444**	**-1,136,201**	**155,243**	**16,292**	**3,063**	**19,355**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

O,R&S (CFE) Portfolio

1.1.3.1 Grant Income and Contingency (Gross)
The following management action has been put into place to reduce the predicted pressure within the Operation, Resources and Skills Portfolio: holding back of superannuation and Technology Refresh Programme (TRP) budgets from managers (£463k and 132k respectively) and use of a one-off payment from the DCSF for prior year mandatory student awards (£535k). These are discussed further in section 1.1.4.

1.1.3.2 Personnel and Development (Gross)
The Personnel and Development unit is projecting a £416k net pressure. The pensions budget is due to overspend by £474k, the majority of which is due to early retirements resulting from school closures and amalgamations. The remainder of the overspend is mainly attributed to the redundancy costs associated with closing schools (£225k) as a result of the implementation of the primary strategy and the transfer of 6 secondary schools to academies. The overspends have been partly offset by savings on the recruitment budget due to staff vacancies and reduced spending on advertising of £195k. The balance of the net pressure is made up of a number of small savings including employee tribunal and training budgets and additional Medway income.

There is a gross and income variance of £100k which represents a reduction in income compared to budget, associated with additional pensions contributions where teaching staff who have been incorrectly charged against the Kent pensions scheme, and the corresponding reduction in expenditure, compared to budget, as this money is passed on to the teachers pension agency.

1.1.3.3 Capital Strategy (Gross)
Following the audit of the accounts and latest advice from the external auditors, £970k of items previously charged to capital will be processed through revenue. This includes tree safety costs of £270k and the costs of moving and hiring mobile classrooms estimated at £700k. This has been reported previously. The remainder of the overspend is largely attributed to the revenue maintenance costs associated mainly with the boarding up of closing schools and repairs caused by vandalism (£250k).

1.1.3.4 Client Services (Gross and income)
The increased spend on cleaning and refuse collection contracts in schools and additional schools taking up the contract have led to a corresponding increase in income of £214k.

1.1.3.5 Mainstream Home to School Transport (Gross and income)
The number of children travelling has been below affordable levels for much of the year, as reflected in the activity data in section 2.1, and this has resulted in a gross saving of £175k. There is a reduction in the anticipated income by £104k due to the number of vacant seat places purchased by parents being lower than anticipated

1.1.3.6 SEN Transport (Gross)
As part of the 2007-10 MTP process the SEN transport budget was reduced by 10% over the period 2007-09 and the Directorate was asked to look at implementing purchase cards as a way of delivering part of that saving (£870k) and keeping price increases to under 5% (£119k). It is anticipated that the purchase card saving will not be fully realised this financial year and as a consequence a pressure of £470k has been created. The remaining pressure of £423k is due to the increasing number of children requiring transport to schools (as reflected in the activity data in section 2.1), renegotiating of contracts and increased fuel costs.

1.1.3.7 AEN & Resources
A forecast overspend of £202k is due the costs of temporary staff providing sickness cover and the budget being unable to absorb the additional cost of increments.

CF&EA Portfolio:

1.1.3.8 Educational Psychology Service (Gross)
A forecast underspend of £123k is due to staff vacancies.

1.1.3.9 In House Residential Care (Gross)
A part year saving of £150k is forecast as a result of the closure of the Alderden Centre and a saving of £70k from internal trading with the County Provider Unit.

1.1.3.10 Independent Sector Residential Care (Gross and Income)
A pressure of £2,847k is forecast which is an increase of £141k due the particular needs of a small number of children and the difficulty in securing foster placements for them. Of the total, £750k has been previously reported resulting from 3 children being placed in high-cost secure placements. The remainder of the overspend is attributed to a 33% increase in the number of paid placement weeks compared to last year and an increase in the unit cost of these placements by 15%.

Additional funding of £757k from education and health is due for placements following agreement from the Joint Residential Assessment Panel for this financial year.

1.1.3.11 Residential Care – Non Looked after Children (Gross)
A saving of £160k is forecast from a reduction of 2 placements; these children have been moved to looked after children residential care budget lines.

1.1.3.12 KCC Family Support (Gross and Income)
A forecast underspend of £178k is due to the management of staff vacancies. A number of posts are being held vacant to help with pressures on other budget lines. The £113k income variance is due to funding received for Social Work Ready for Practice and Adolescent Resource Centres (ARC) projects.

1.1.3.13 Fostering Service (Gross and Income)
The independent fostering allowances budget is forecasting an overspend of £1,232k. There have been growing difficulties placing difficult children with foster parents, along with resistance from both the Guardians and the children themselves from being moved to alternative placements. This has resulted in a net increase of 22 placements since April 2007. This is now only partly being offset by £37k savings on other fostering lines due to management action.

The County Fostering Team is due to overspend by £411k due to staffing. This is partly offset by an increase of £203k in training income from this team and income received from other local authorities for work with non Kent children.

1.1.3.14 Adoption service (Gross)
An overspend of £213k is forecast due mainly to an increase in the number of allowances. There have been 44 new allowances approved since April 2007 at a cost of £150k. The County Adoption Team is due to overspend by £62k due to staffing.

1.1.3.15 Section 17 (Gross)
An underspend of £196k is forecast due to the management of section 17 payments to help with the pressure on the Fostering service budget lines.

1.1.3.16 Direct Payments (Gross)
An underspend of £166k is forecast due to managing a delay in introducing new clients to the direct payment scheme. This will result in a reduced take-up of direct payments for this financial year which will help with pressures on other children social services budget lines.

1.1.3.17 Leaving care/16+ (Gross)
Expenditure against this service is being managed through revised contracts, in order to assist with pressures on other Children's Social Services budget lines, and is currently forecasting an underspend of £359k.

1.1.3.18 Other Services Support (Gross and Income)
There is a pressure of £549k forecast against the budget for Legal services due to higher than average monthly bills. This service line is currently under review with a view to identifying efficiencies. There is also a £148k overspend on the Out of Hours Service offset by equivalent increase in income.

1.1.3.19 Assessment and Related (Gross and Income)

The forecast pressure on the assessment and related gross budget line is down to a shortfall in achieving the staffing savings target for 07/08 plus the introduction of market premium for new front-line social work staff (£264k and £30k respectively). This has been further increased through a number of key front line posts that cannot be left vacant (£200k). Much of this has been offset by further income received from other projects mainly Education for Best Project £150k (Social Workers visiting schools to promote best behaviour), Support Service for Kids and Young People (SSKY) project and income from Swindon contract (£192k).

1.1.3.20 Policy and Service Development (Gross)

The budget for legal services (non children's social services) is forecast to underspend by £100k and there are forecast staff savings of £84k.

1.1.3.21 Advisory Service (ASK) Improvement Partnerships

The forecast overspend of £129k for additional projects has been offset by £130k of income received from schools attending the projects.

1.1.3.22 Advisory Service (ASK) Professional Development

Professional Development is forecasting a net overspend of £221k. The training budget for training of school staff is forecast to overspend by £408k due to additional training courses. This is offset by income received from schools for attending courses of £437k.

There is a forecast overspend of £250k for additional computer related costs incurred during the Technology Refresh Programme (TRP) process.

1.1.3.23 Grant Income and Contingency (Gross)

The following management action has been put into place to reduce the predicted pressures within the Children, Families and Educational Achievement Portfolio: holding back of superannuation budget (£644k) and use of the remaining 2006-07 LAA Grant underspend totalling £1,500k. These are discussed further in section 1.1.4.

1.1.3.24 Asylum

The Asylum Service is now forecast to have a funding shortfall of £4,720k for the 2007-08 financial years, £4,220k of direct spending and £500k of indirect spending. This is mainly due to the fact that the unit costs claimable under the grant conditions set by the Home Office and Department for Children, Schools & Families (DCSF) are significantly lower than the real unit costs of providing the service.

The forecast pressure on this budget has worsened by £202k since the last report. This is partly due to higher duty referrals which have an increased pressure of £102k; (section 2.10 of this report highlights the additional number of referrals). In January there were 80 referrals, which is the highest number of referrals for a single month in over 4 years and our forecast for the whole of the fourth quarter is 100. The remaining £100k is due to a change in the number of clients: lower client numbers (under 18) have resulted in £70k decreased spend and £145k decreased income, and higher client numbers (over 18) have resulted in £40k increased spend and increased income of £15k.

The outstanding special circumstances bids for 2006-07 currently stand at £2.4m from the Home Office and £2.1m from the DCSF. These have increased by £0.9m and £0.5m respectively since we closed the accounts for 2006-07, following the results of the ongoing data matching work with both departments. A number of clients which were rejected from the main claims due to data matching problems have been added to the special circumstances bids. If we continue to assume that we will be successful in receiving only part of this income then a further £757k will need to be found to fund the shortfall, therefore increasing the pressure on the Asylum budget this year. In addition, there is £0.7m outstanding from the DCSF relating to the Special Circumstances bid for 2005-06. There is no formal procedure for the DCSF SC bids and we are reliant on lobbying central government to meet these additional costs.

The overall funding shortfall is partly offset by the expected draw down of the remaining balance in the corporate asylum reserve of £1,122k, leaving a residual net pressure of £4,355k. However, if we receive less income than we have assumed from these SC bids, then this pressure will increase.

In conjunction with other local authorities, the 2006/07 and 2007/08 figures mentioned above have been subject to an independent audit by PWC which have confirmed these figures are sound. It was hoped there would be a meeting with the Home Office on 18th February to discuss this further. However, as the Leader reported at county Council on 19th February this meeting was cancelled. We are now working with other local authorities to identify the next course of action and a major part of this must be to establish a system for the future where all costs are re-imbursed.

Other Issues

1.1.3.25 Payments to PVI providers for the free entitlement for 3 and 4 year olds (DSG)

The latest forecast suggests an underspend of around £1.2m on payments to PVI providers for 3 and 4 year olds. This budget is funded entirely from DSG and therefore any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations, and cannot be used to offset over or underspends elsewhere in the directorate budget. Therefore, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast in this report.

1.1.3.26 **Delegated Schools Budgets**

The December forecast from schools indicates a draw down of reserves this year of approximately £15m. Past experience indicates that this figure is overstated, but January 2007 saw the introduction of the ‘balance control mechanism’ which is a means of clawing back schools reserves over and above a specified level. We predict that this will start to have an impact on the level of reserves held by schools in this financial year, and we are therefore projecting a possible drawdown of reserves of £10m-15m as schools undertake the projects that formed part of their ‘committed’ balances in the previous year.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ORS	Schools delegated budgets - expected drawdown of reserves	+15,000	CFEA	use of remaining 2006-07 LAA grant - badge against qualifying expenditure within Children's Social Services budgets	-1,500
CFEA	Asylum - Shortfall in grant (income)	+4,720	CFEA	Asylum - draw down of residual balance in Corporate Asylum reserve	-1,122
CFEA	Independent Sector Residential Care - increased number and cost of placements (gross)	+2,097	CFEA	Independent sector residential care - funding from health and education (income)	-757
CFEA	Fostering Service - independent fostering allowances (gross)	+1,232	CFEA	Holding back of budget for superannuation increase from budget managers	-644
ORS	Capital Strategy - costs previously charged to capital (gross)	+970	ORS	one-off payment from DCSF for prior year mandatory student awards	-535
CFEA	Asylum - anticipated shortfall relating to increase in 2006-07 SC bids due to data matching exercise	+757	ORS	Holding back of budget for superannuation increase from budget managers	-463
CFEA	Independent Sector Residential Care - children in secure accommodation (gross)	+750	CFEA	Advisory Service Professional Development - Training courses income from schools	-437
CFEA	Other Services Support - Recharges from Legal services (gross)	+549	CFEA	Leaving care/16+ - managed underspend (gross)	-359

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ORS	Personnel and Development - Pensions budget (gross)	+474	ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (income)	-214
ORS	SEN Home to School Transport - savings targets linked to purchase cards	+470	CFEA	Fostering service - training income from county fostering team (income)	-203
ORS	SEN Home to School Transport - increased take-up and fuel costs (gross)	+423	CFEA	Section 17 - managed underspend (gross)	-196
CFEA	Fostering Service -County Fostering team staffing costs (gross)	+411	ORS	Personnel and Development - Recruitment team vacancies and advertising savings (gross)	-195
CFEA	Advisory Service Professional Development - Training courses for schools	+408	CFEA	Assessment & Related - additional income for SSKY project and Swindon Contract (income)	-192
CFEA	Assessment & Related - delay in achieving staffing savings target (gross)	+264	CFEA	KCC Family Support - management of staff vacancies (gross)	-178
ORS	Capital Strategy - closing schools revenue maintenance (gross)	+250	ORS	Mainstream Home to School Transport - less take-up (gross)	-175
CFEA	Advisory Service Professional Development - TRP costs	+250	CFEA	Direct payments - managed underspend	-166
ORS	Personnel and Development - closing schools redundancy costs (gross)	+225	CFEA	Residential care - Non Looked after children - reduction in placements (gross)	-160
ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (gross). Offset by income	+214	CFEA	In-house residential care - closure of Alderden House (gross)	-150
ORS	AEN & resources - staff related costs (gross)	+202	CFEA	Assessment & Related - additional income for Education for best project (income)	-150
CFEA	Assessment & Related - recruitment to frontline posts (gross)	+200	CFEA	Other Services Support - Out of hours service covered by additional income (income)	-148
CFEA	Adoption - allowance costs (gross)	+150	ORS	Holding back of TRP budgets from managers	-132
CFEA	Other Services Support - Out of hours service costs covered by additional income	+148	CFEA	Advisory Service Improvement Partnership - project income	-130
CFEA	Advisory Service Improvement Partnership - project costs (gross)	+129	ORS	Educational Psychology - staffing vacancies (gross)	-123
ORS	Mainstream Home to School Transport - reduction in income	+104	CFEA	KCC Family Support - income from projects	-113
ORS	Personnel and Development - reduction in income from incorrectly placing staff on pension schemes	+100	CFEA	Policy - Legal costs (Gross)	-100
			ORS	Personnel and Development - reduction in expenditure from incorrectly placing staff on pension	-100
		+30,497			-8,642

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

The above position can only be achieved as a result of a number of management actions which are now in place and reflected within the grant income & contingency forecasts shown in table 1:

- Use of £535k one-off payment from the DCSF for prior year mandatory student awards, which had not been accrued for in the accounts in the interests of prudence, as the debt dated back to 2002-03. This has resulted in an opportunity cost of the funding not being able to be used elsewhere.

- Use of this year's superannuation uplift of £1,107k (ORS £463k, CFEA £644k) and the budget for the costs of the technology refresh programme (£132k). This may impact on service delivery and running costs of services as managers have been required to cover any cost increases associated with superannuation and TRP from within existing budgets so that these funds could be used to offset other pressures identified this year.
- Use of the directorate underspent LAA grant in 2006-07. This is one-off money which was rolled forward as a receipt in advance in accordance with the grant rules. The remaining £1,500k has been used to badge against qualifying expenditure within the Children's Social Services budgets in order to fund some of the overspends in the current financial year.

The balance control mechanism is designed to discourage schools from holding excessive reserves for future years and instead to spend their budgets for the benefit of the pupils in school today. The £15m "pressure" above represents an anticipated drawdown of reserves which would not be achievable without such a scheme being in place.

The pressure on the directorate budget would be significantly greater without the management action which has been put in place within the Children's Social Services budget lines. A number of vacancies are being held and various other budgets are being managed in order to assist with the difficulties within the residential care and fostering lines.

1.1.5 **Implications for MTFP**:

Some of these ongoing pressures have been addressed in the 2008-11 MTP, such as fostering and covering the costs of services previously funded from capital. We are expecting to manage the remaining pressures downwards on an ongoing and sustainable basis, however if this is not fully achieved we may need to develop further actions to address these pressures and this will be on top of what has already been an extremely difficult 2008-11 MTP.

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

None

1.1.7 **Details & impact of proposals for residual variance**:

The Directorate intends to balance the 2007-08 budget using the proposals listed below:

- The majority of the pensions and redundancy overspends relate to school staff and following a recent change there are now specific limited circumstances under which these costs can be charged to the DSG. The redundancy costs associated with closing schools may also be chargeable to DSG. This would be subject to proving an overall saving in the schools budget, such as that arising from a school closure under the Primary Strategy. In addition to this condition, it would also require school funding forum approval. Therefore we are currently investigating the possibility of using one-off DSG underspend from the previous financial year, to fund this £699k pressure.

This will leave a pressure of £1,550k and the directorate is currently exploring a variety of options to cover this shortfall including further managing the pressures downwards and identifying possible eligible expenditure that could be re-badged against any underspends on specific grant where current commitments have had to been re-phased. The directorate is confident they will achieve a balanced position at the end of the year.

Although these measures will cover this year's overspend, there will still be an underlying significant pressure in the base budget, as most of the actions detailed above and in paragraph 1.1.4 are using one-off monies. This will amount to over £4m. Some of this has been addressed within the 2008-11 MTP but this will still leave the directorate with substantial additional pressures to manage in the new financial year.

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect the following adjustments:

	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Years £000s
Operations, Resources & Skills (CFE) portfolio:				
▪ Marsh Academy Sponsorship	750			
▪ DCSF grant for Academies	850			
▪ DCSF grant for Implementation of Primary Strategy	1,015			
▪ Re-phasing per the 2008-11 MTP	-41,532	9,118	51,118	105,762
- Devolved Capital to Schools:				
▪ Re-phasing per the 2008-11 MTP		-1,534	-1,584	22,921
Children, Families & Educational Achievement portfolio:				
▪ East Kent Resource Centre – external contribution from East Kent Coastal PCT	10			
▪ Re-phasing per the 2008-11 MTP	-1,159	188	896	250
▪ Reversal of previous virement from KASS portfolio in respect of Improving Information Management grant	-40			

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Operations, Resources & Skills (CFE) portfolio						
Revised Budget per Dec Cabinet	94,490	148,675	96,077	53,180	53,863	446,285
Adjustments :						
- Marsh Academy Sponsorship		750				750
- DCSF Grant for Academies		850				850
- Implementation of Primary Strategy		1,015				1,015
- re-phasing per 2008-11 MTP		-41,532	9,118	51,118	105,762	124,466
Revised Budget	94,490	109,758	105,195	104,298	159,625	573,366
Variance		-4,698	+4,399	+1,024	0	+725
split:						
- real variance		+658	+99	-32	0	+725
- re-phasing		-5,356	+4,300	+1,056	0	0
Children & Family & Educational Achievement portfolio						
Revised Budget per Dec Cabinet	5,627	6,627	300	350	500	13,404
Adjustments :						
- East Kent Resopurces Centre		10				10
- re-phasing per 2008-11 MTP		-1,159	188	896	250	175
- Virement to KASS portfolio		-40				-40
Revised Budget	5,627	5,438	488	1,246	750	13,549
Variance		-557	+553	0	0	-4
split:						
- real variance		-4	0	0	0	-4
- re-phasing		-553	+553	0	0	0
Directorate Total						
Revised Budget	100,117	115,196	105,683	105,544	160,375	586,915
Variance	0	-5,255	4,952	1,024	0	721
Operations, Resources & Skills (CFE) portfolio						
Devolved Capital to Schools						
Revised Budget per Dec Cabinet		39,701	27,673	27,673	55,346	150,393
Adjustments :						
- re-phasing per 2008-11 MTP			-1,534	-1,584	22,921	19,803
Revised Budget	0	39,701	26,139	26,089	78,267	170,196
Variance		-46	0	0	0	-46
split:						
- real variance		-46	0	0	0	-46
- re-phasing		0	0	0	0	0

Real Variance		**+608**	**+99**	**-32**	**0**	**+675**
Re-phasing		**-5,909**	**+4,853**	**+1,056**	**0**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary planning stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
OR&S	Childrens Centres - Swanscombe PS	Phasing		-628		
OR&S	Dev Opps - Darford Campus	Phasing		-494		
OR&S	Kennington Juniors	Phasing	-402			
OR&S	Childrens Centres - Knockhall PS	Phasing		-295		
OR&S	Childrens Centres - Broadwater Down PS	Phasing		-280		
OR&S	Childrens Centres - East Stour PS or its replacement	Phasing		-267		
CF&EA	Management & Modernisation of Assets	Phasing	-265			
OR&S	Specialist Schools 2007/08	Phasing	-250			
			-917	**-1,964**	**0**	**0**
			-917	**-1,964**	**0**	**0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.4 **Projects with real variances**

The overall variance over the lifetime of the recently updated Medium Term Plan indicates an overspend of £0.675m (OR&S portfolio +£0.725m, CF&EA portfolio -£0.004m & Schools -£0.046m).

The main contributing factors to the £0.675m overspend over the lifetime of the MTFP are as follows:

- Crockham Hill Primary School (+£0.233m). This project is part of the 2006/07/08 Modernisation Programme. This overspend has arisen because tender costs were higher than the resources that had been earmarked for the project.
- Develop Opportunities Consultancy (+£0.120m) - additional costs incurred in supporting the New Line Learning project.
- St James the Great Primary School (+£0.108m). A development opportunities project where the overspend has occurred because additional works have been required, at the request of English Heritage, to secure planning permission.
- Catering Equipment (+£0.054m) - additional costs required to renew equipment to meet current Health and Safety guidelines

- Site Acquisitions (+£0.050m) - additional stamp duty & consultancy fees on the Clarendon House land swap project.
- There is also a residual balance of +£0.110m on a number of more minor projects.

The additional expenditure of £0.675m will be funded by a mixture of: Developer Contributions (£0.636m), Revenue Contributions (£0.043m) and External Funding (£0.008m) offset by a small saving on prudential borrowing (-£0.012m).

1.2.6 **General Overview of capital programme**:

(a) 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. This is particularly relevant to The Bridge Development at Dartford which is to be fully funded by development contributions. In the event that the developer contribution is insufficient to cover the costs of the project the capital programme will either need to be reduced to compensate or additional resources will need to be found.

(b) 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 cancellation of projects.

1.2.7 **PFI projects**

- <u>Schools PFI</u>

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 assets are ready for use and this is by way of a unitary charge which is charged to the revenue budget through an equalisation reserve and supported by grant.

	Previous Years	2007-08	2008-09	2009-10	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget	89,709	2,701	0	0	92,410
Actual/Forecast	85,735	6,675	0	0	92,410
Variance	-3,974	3,974	0	0	0

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

It is envisaged that the third party contractor will have incurred some additional costs beyond the capital expenditure originally priced as a result of the delays. This is a risk that is borne entirely by the third party contractor and is not reported to the Authority.

(b) **Implications for KCC of details reported in (a) ie could an increase in the cost result in a change to the unitary charge ?**

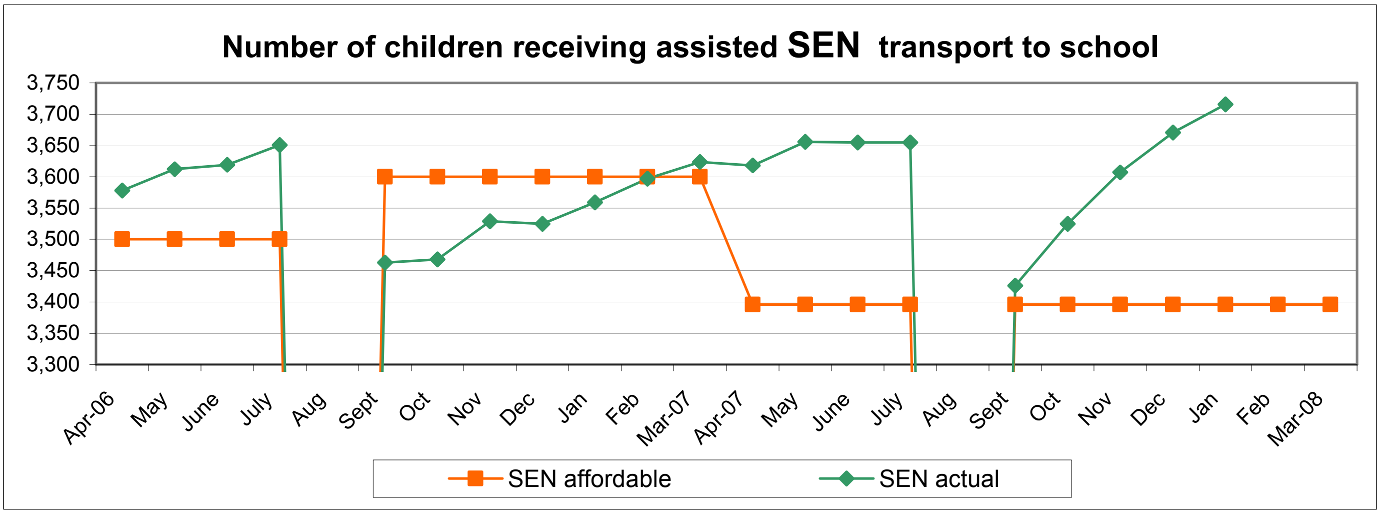
The delays to the construction programme do not impact on the level of the unitary charge that is payable by KCC to the contractor as any delays, unless caused by the Authority, are at the risk of the third party contractor. The unitary charge (as a percentage for each school) does not become payable until the relevant school (or phase) has been completed and is ready for occupation. As a consequence, the unitary charge that is met from the equalisation reserve for 2007/08 is less than originally anticipated.

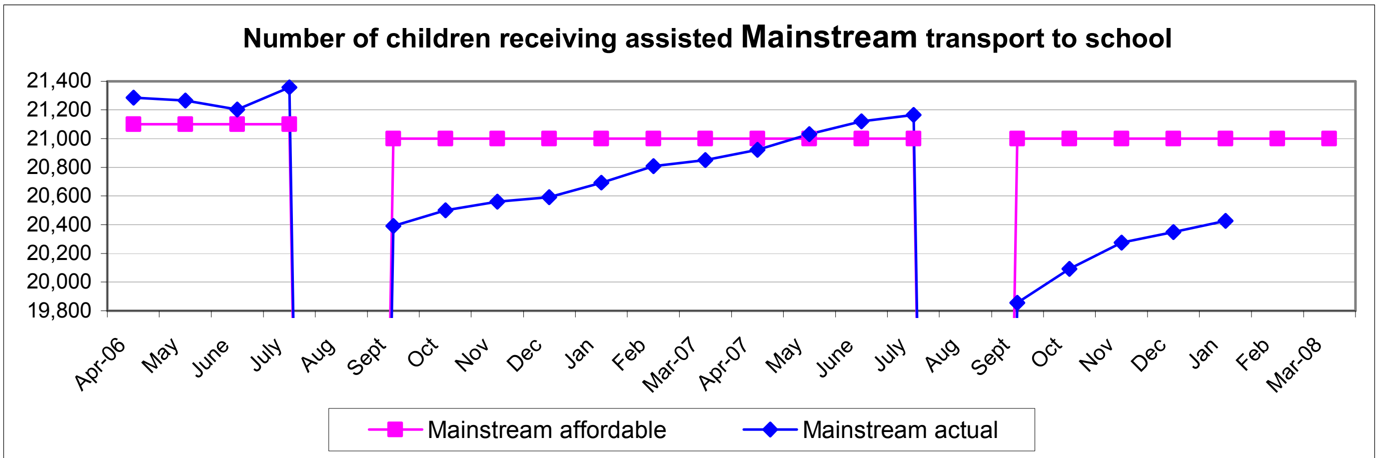
Overall, there will be no net effect on the forecast revenue position for the current year as payments will continue to be made into the equalisation reserve to meet future expenditure.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2006-07				2007-08			
	SEN		Mainstream		SEN		Mainstream	
	planned	actual	planned	actual	affordable	actual	Affordable	actual
April	3,500	3,578	21,100	21,285	3,396	3,618	21,000	20,923
May	3,500	3,612	21,100	21,264	3,396	3,656	21,000	21,032
June	3,500	3,619	21,100	21,202	3,396	3,655	21,000	21,121
July	3,500	3,651	21,100	21,358	3,396	3,655	21,000	21,164
August	0	0	0	0	0	0	0	0
September	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855
October	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093
November	3,600	3,529	21,000	20,561	3,396	3,607	21,000	20,276
December	3,600	3,525	21,000	20,591	3,396	3,671	21,000	20,349
January	3,600	3,559	21,000	20,694	3,396	3,716	21,000	20,426
February	3,600	3,597	21,000	20,810	3,396		21,000	
March	3,600	3,624	21,000	20,852	3,396		21,000	



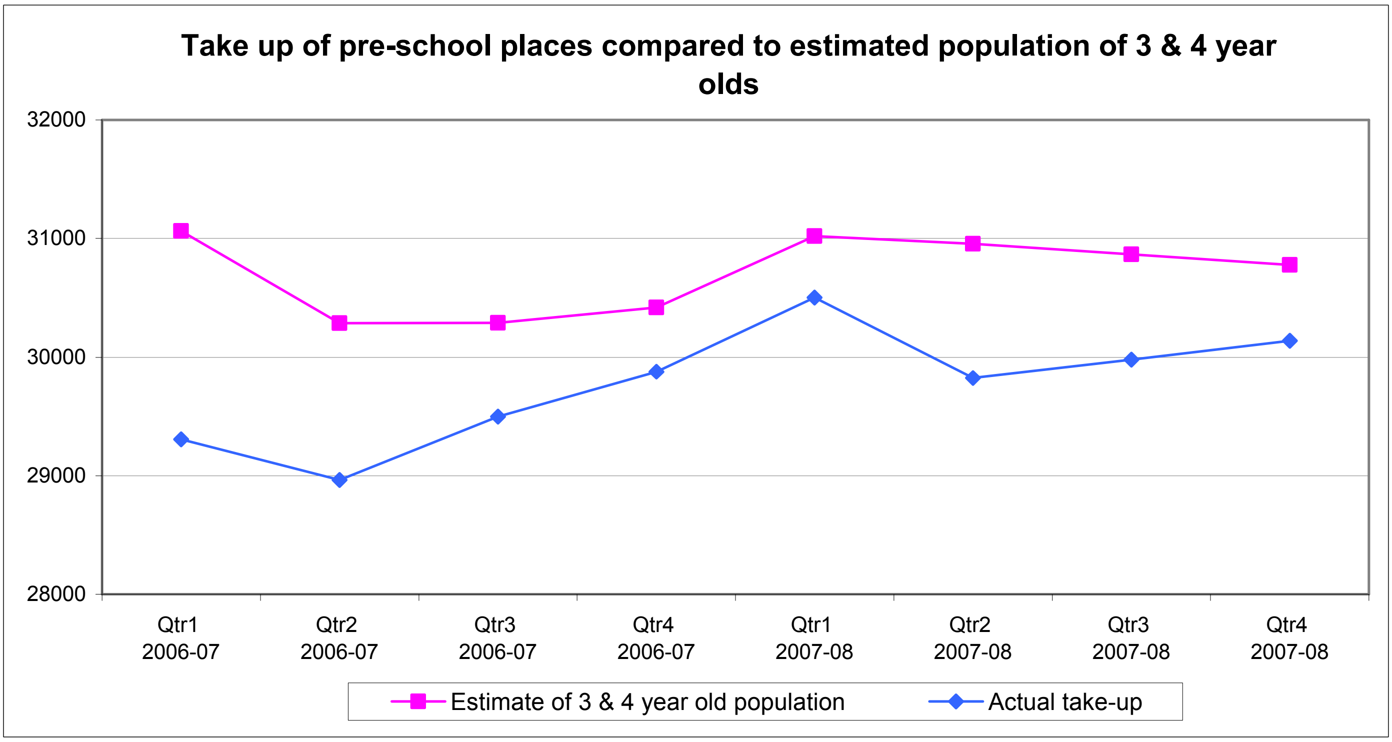


Comments:

- **SEN HTST** - The significant gap between the actual and affordable assisted SEN transport to school relates to the savings targets which have significantly reduced the affordable level from last year, and the fact that the service is currently unable to achieve these savings in full as reported in section 1.1.3.6 of this annex. The affordable level has been calculated by dividing the 2007/08 budget (after it has been reduced for the savings target) by the current average cost per child.
- **Mainstream HTST** - There is a slight decease in the actual number of children receiving assisted mainstream transport to schools and this is reflected by the £175k gross saving shown in table 1 above.

2.2.1 Take up of pre-school places against the estimate of 3 & 4 year old population, split between Private Voluntary and Independent Sector (PVI) places and School places:

	2006-07			2007-08				
	Total places taken up	Estimate of 3 & 4 year old population	% take up	*PVI places taken up*	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up
April - June	29,307	31,062	94%	*21,027*	*9,475*	30,502	31,019	98%
July - Sept	28,963	30,287	96%	*20,323*	*9,496*	29,823	30,956	97%
Oct - Dec	29,498	30,289	97%	*14,691*	*15,290*	29,981	30,867	97%
Jan - March	29,878	30,419	98%	*17,772*	*12,366*	30,138	30,778	98%

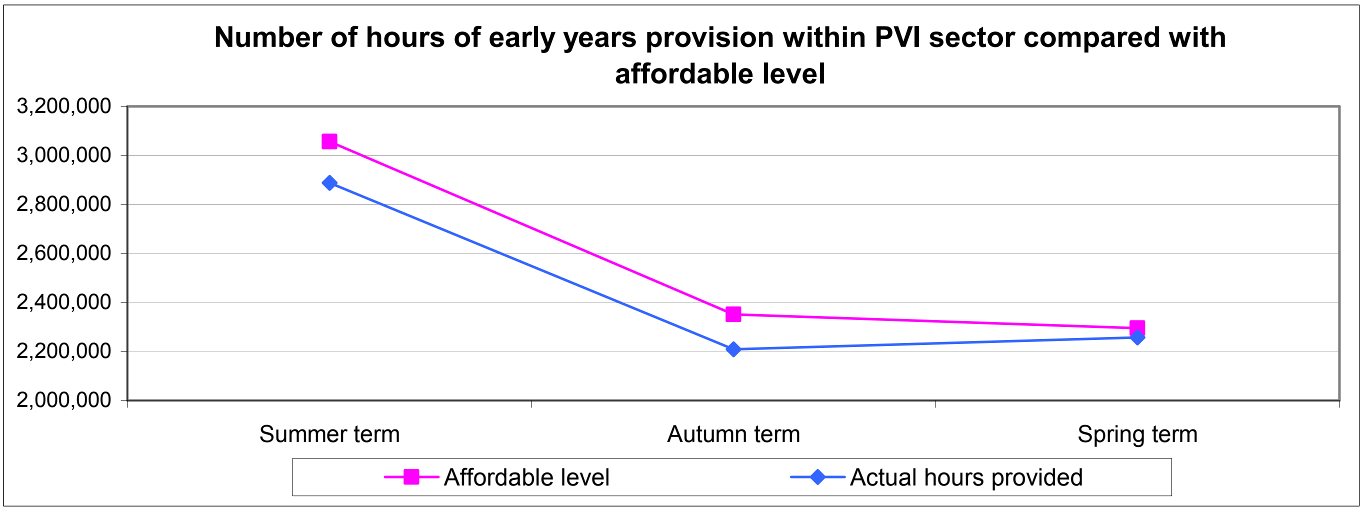


Comments:

- Please note the total places taken-up for January to March is an estimate and may change marginally once the reconciliation process is complete. This estimate is based on the take-up at the beginning of the term but is subject to a large number of adjustments as parents are allowed to alter their take-up and the provider used mid term rather than at the end of term.
- This graph shows that currently 98% of the estimated population of 3 and 4 year olds are receiving some level of early years provision, whether this be one session per week for 33 weeks or the maximum of five sessions per week for the full 38 weeks. This activity indicator is based on headcount and provides a snapshot position at a point in time, whereas the activity data in 2.2.2 below provides details of the number of hours provided in the Private, Voluntary & Independent sector, and will correlate with the variance on the Early Years budget within the Management Information Unit. However as this budget is funded entirely from DSG, any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations, and cannot be used to offset over or underspends elsewhere in the directorate budget. Therefore, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast shown in table 1, but is reported in the narrative in section 1.1.3.25 of this annex.
- The split between PVI and school places is weighted more heavily to school places in the 3rd quarter as 4 year olds move into reception classes in mainstream schools at the start of the autumn term. This gradually balances back out again as more 3 year olds take-up PVI places throughout the remainder of the year. The number of school places taken up reduces in the 4th quarter as some of the children turn 5 and are no longer included in the count.

2.2.2 **Number of hours of early years provision provided to 3 & 4 year olds within the Private, Voluntary & Independent Sector compared with the affordable level:**

	2007-08	
	Affordable number of hours	Actual hours provided
Summer term	3,056,554	2,887,134
Autumn term	2,352,089	2,209,303
Spring term	2,294,845	2,257,051
	7,703,488	**7,353,488**



Comments:

- Please note the total number of hours of early provision within the PVI sector for January to March is an estimate and may change marginally once the reconciliation process is complete. This is due to the large number of adjustments that now take place as parents are allowed to alter the number of hours taken up and the provider used mid term rather than at the end of term.
- The affordable number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The current activity suggests an underspend on this budget which has been mentioned in section 1.1.3.25 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

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

	2005-06	2006-07	2007-08
	as at 31-3-06	as at 31-3-07	Projection
Total number of schools	600	596	575
Total value of school revenue reserves	£70,657k	£74,376k	£59,376k
Number of deficit schools	9	15	16
Total value of deficits	£947k	£1,426k	£1,150k

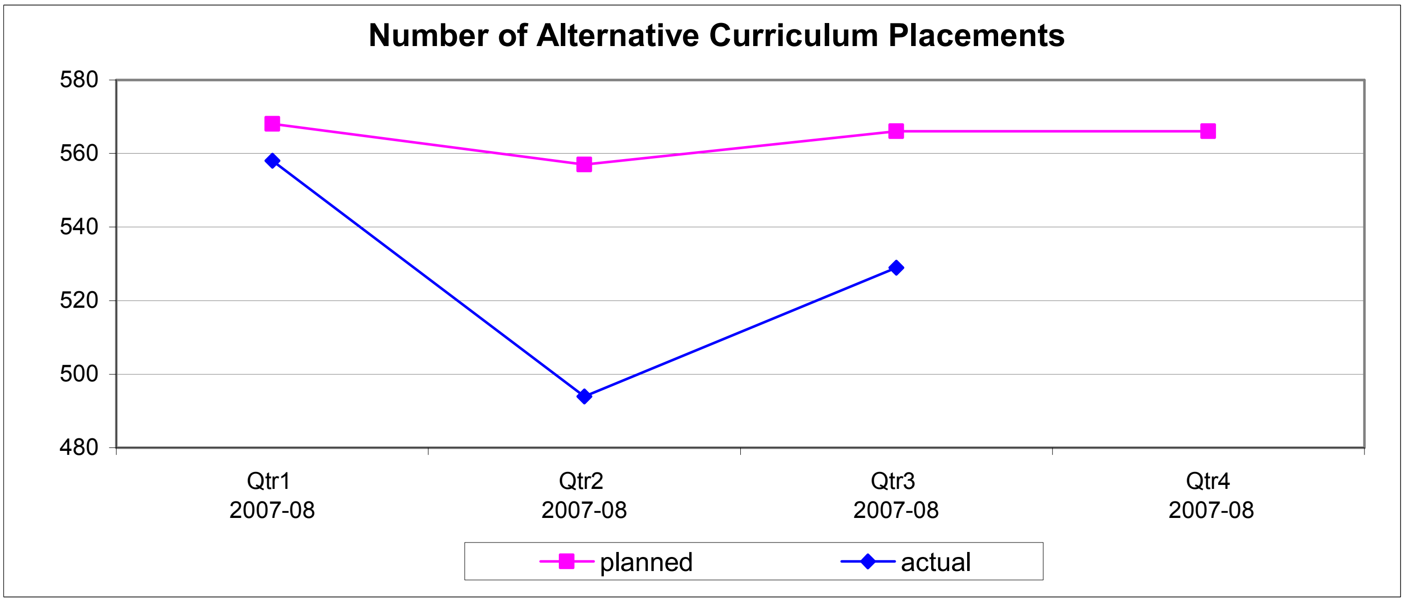
Comments:

- We are currently forecasting that schools will drawdown up to £15m of their reserves this year in response to the introduction of the balance control mechanism, which is a means of clawing back schools reserves over and above a specified level.

- 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 LA, which could ultimately mean suspending delegation.
- The CFE Deficit and Compliance team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.

2.4 **Number of Alternative Curriculum Placements**:

	2007-08	
	planned	actual
April - June	568	558
July - September	557	494
October - December	566	529
January - March	566	



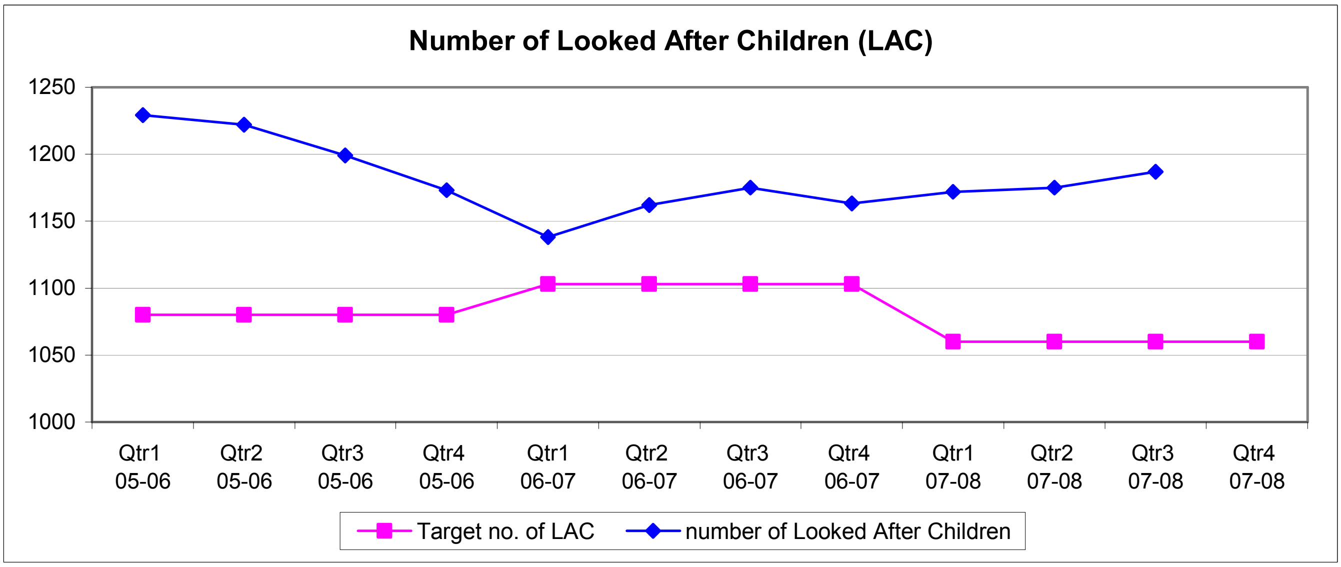
Comments:

- Full time alternative curriculum places need to be purchased 6 months in advance in order to secure them. From September 2007, Government guidelines required excluded pupils to be placed in full-time education within 6 days of being excluded. This target is now being met in the vast majority of cases.

- Please note that spare capacity is expected at this stage in the school year and is essential to cope with predicted demand throughout the school year.

2.5 **Numbers of Looked After Children (LAC)**:

	2005-06		2006-07		2007-08	
	Target	**number of Looked After Children**	**Target**	**number of Looked After Children**	**Target**	**number of Looked After Children**
Apr – Jun	1,080	1,229	1,103	1,138	1,060	1,172
Jul – Sep	1,080	1,222	1,103	1,162	1,060	1,175
Oct – Dec	1,080	1,199	1,103	1,175	1,060	1,187
Jan – Mar	1,080	1,173	1,103	1,163	1,060	

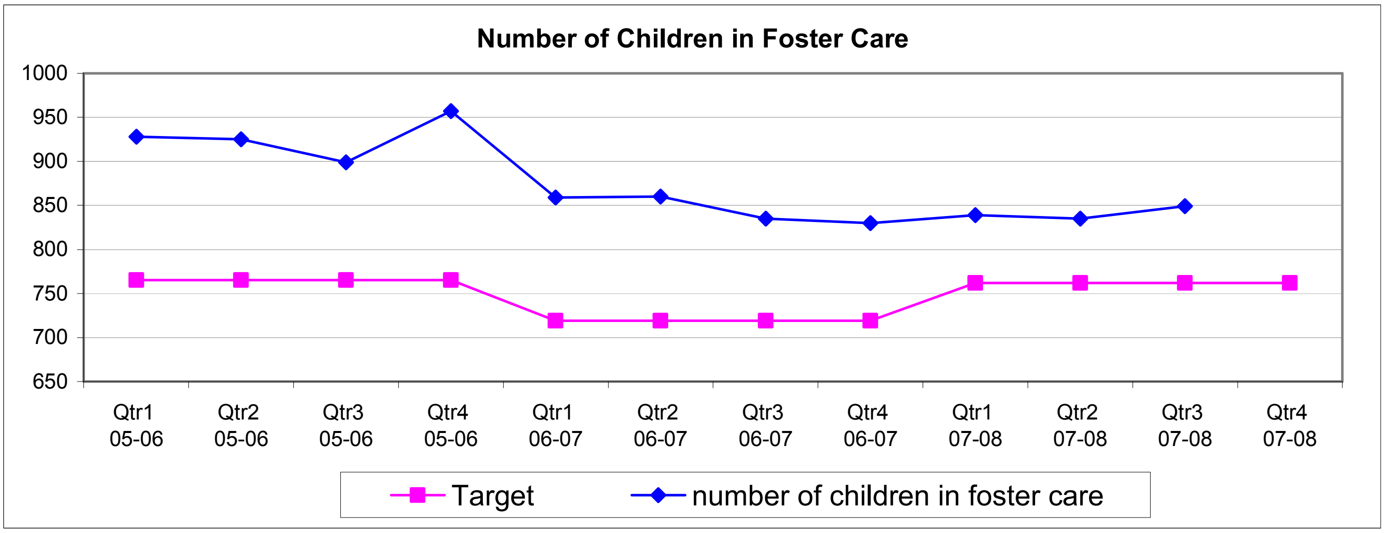


Comments:

- The current number of looked after children compared to the targeted level is of cause for concern.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve.
- The financial implications of the current level of looked after children has been reported in section 1.1.3 and steps have been taken in the MTP to help address some of these pressures however further actions may need to be developed.

2.6 **Number of Children in KCC Foster Care placements**:

	2005-06		2006-07		2007-08	
	Target	**number of children in foster care**	**Target**	**number of children in foster care**	**Target**	**number of children in foster care**
Apr - Jun	765	928	719	859	762	839
Jul - Sep	765	925	719	860	762	835
Oct - Dec	765	899	719	835	762	849
Jan - Mar	765	957	719	830	762	



Comments:

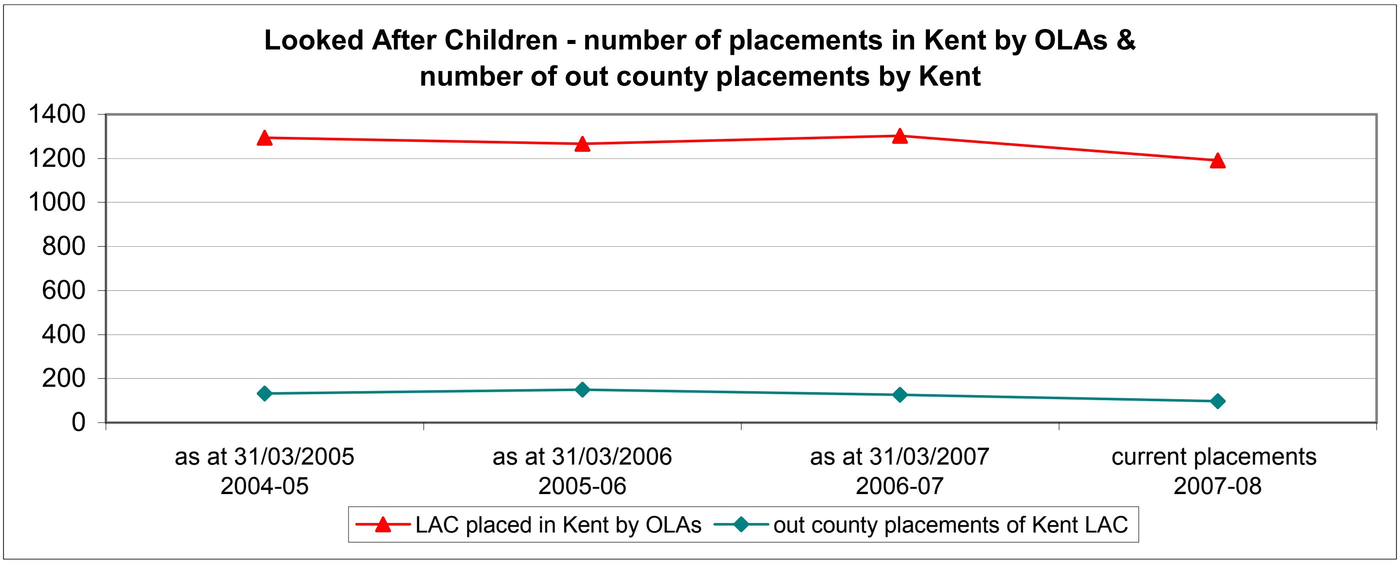
- The number of children in foster care represents the number of children placed in KCC placements. It excludes foster placements in the independent sector.
- The current number of children in foster care compared to the target is of cause for concern.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve. There are expected to be no financial implications, as although we are above the target number of children in foster care provided by KCC, we are within affordable levels. (The budget pressure reported in section 1.1.3.13 relates to independent sector foster care placements. We will look to include this activity indicator in the monitoring for 2008-09).

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 as at 31/03/2007	2007-08 Current placements
1,294	1,266	1,303	1,191

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 As at 31/03/2007	2007-08 Current placements
132	149	127	97

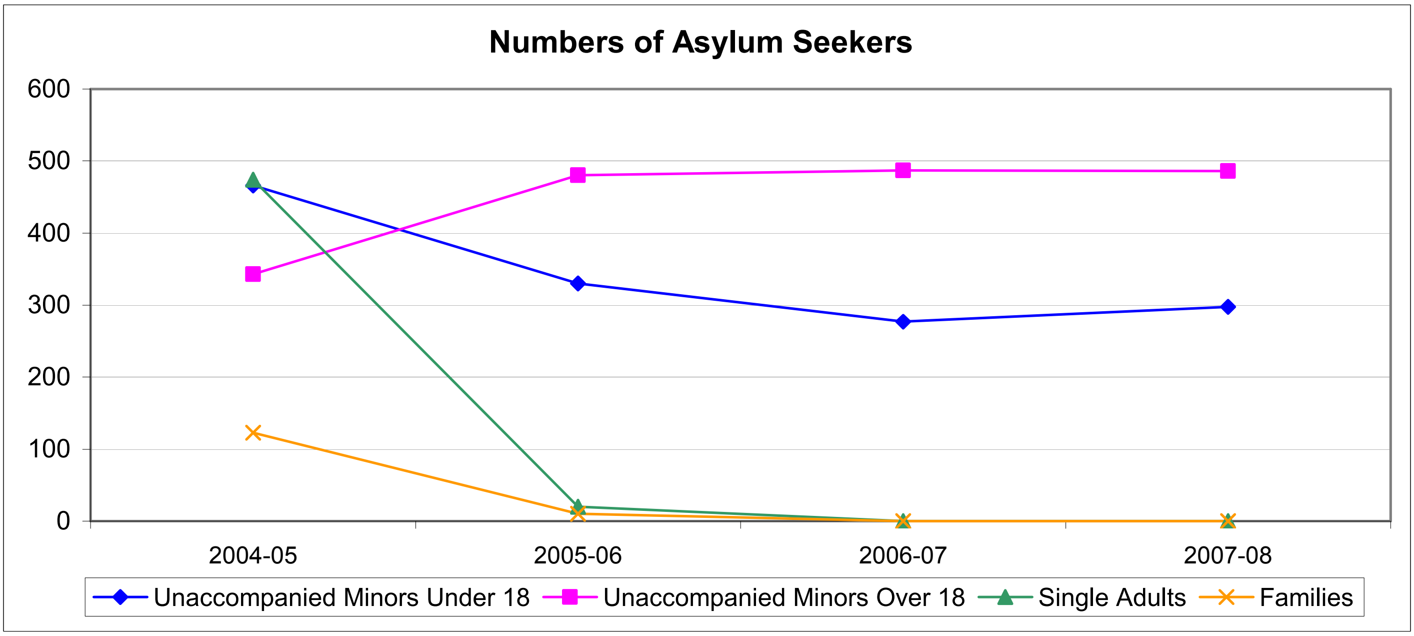


Comment:

- 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	2007-08
	31-03-05	**31-03-06**	**31-03-07**	**31-01-08**
	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	298
Unaccompanied Minors Over 18	343	480	487	486
Single Adults	474	20	0	0
Families	123	10	0	0

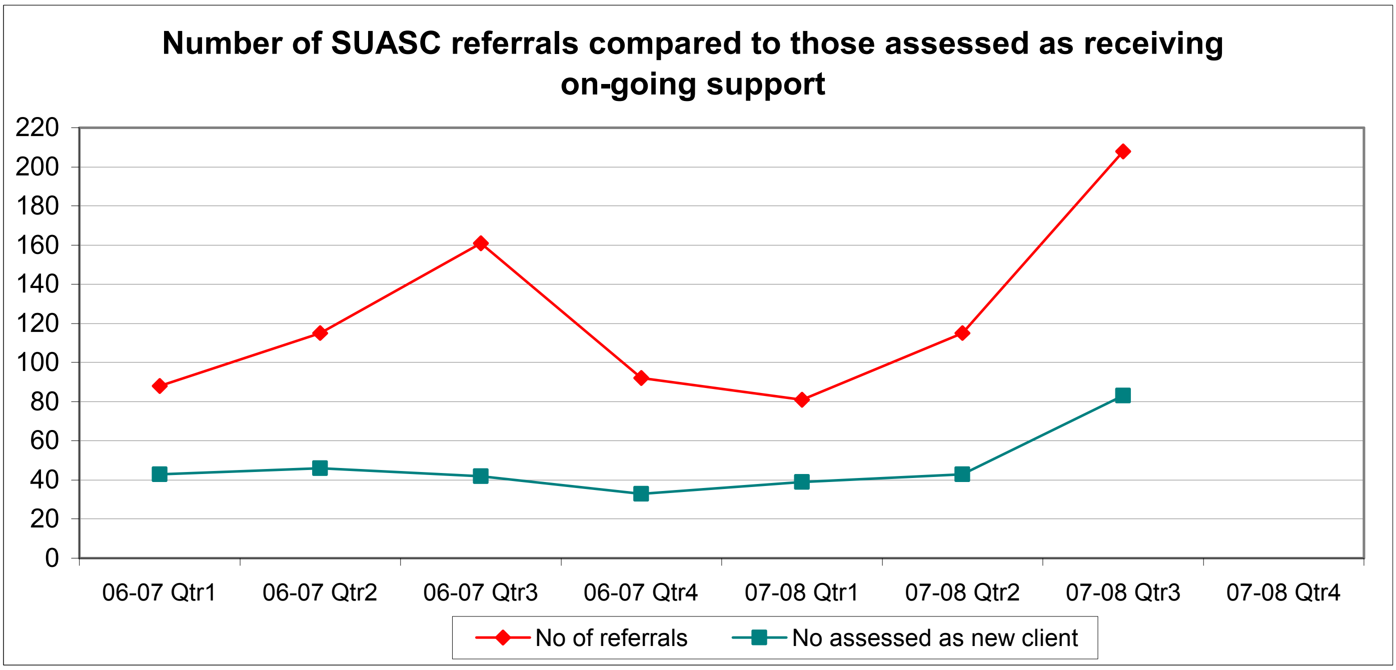


Comment:

- The numbers above refer to clients who have been assessed as qualifying for asylum. The numbers are slightly lower than originally forecast. This is a result of the numbers leaving the Service being higher than we originally anticipated.

2.10 **Numbers of Asylum Seeker referrals compared with the number assessed as qualifying for on-going support from Service for Unaccompanied Asylum Seeking Children (SUASC) ie new clients**:

	2006-07			**2007-08**		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April - June	88	43	49%	81	39	48%
July - Sept	115	46	40%	115	43	37%
Oct - Dec	161	42	26%	208	83	40%
Jan - March	92	33	36%	80 (January only)		



Comments:

- The number of referrals in the third quarter is significantly higher than the forecast of 140 and is greater than the total for the two previous quarters.

- The percentage of referrals that become on-going referrals remains below the forecast level of 50%. As a result the number of on-going new referrals is in line with the original forecast of 165 by the end of December. The forecast to the end of the financial year is 215, but based on the number of referrals this quarter to date, we anticipate that we may exceed this forecast.

- In January we had 80 referrals, our forecast for the whole of the fourth quarter is 100. This is the highest number of referrals in a single month for over 4 years.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY JANUARY 2007-08 FULL MONITORING REPORT

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” i.e. 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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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	167,460	-68,849	98,611	1,246	-1,439	-193	Demographic and placement pressures
People with a Learning Difficulty	72,939	-20,502	52,437	4,267	514	4,781	Demographic and placement pressures
People with a Physical Disability	26,089	-5,558	20,531	1,454	38	1,492	Demographic and placement pressures
Adults Assessment & Related	29,559	-4,357	25,202	-730	-209	-939	Management action around staffing
Older Persons Direct Service Unit	24,273	-3,712	20,561	275	-15	260	Staffing & utility costs
Adult Service Provider Unit	13,868	-780	13,088	-128	7	-121	Management action
SESEU	1,876	-436	1,440	14	10	24	
Occupational Therapy Bureau	9,055	-2,885	6,170	670	-837	-167	Release of provision for replacement hoists
Mental Health Service	23,323	-7,275	16,048	-216	106	-110	Management action around residential placements and staffing
Supporting People	33,006	-33,006	0	-20	0	-20	
Gypsy Unit	625	-280	345	-9	6	-3	
Asylum All Appeal Rights Exhausted	100	0	100	-20	0	-20	
Strategic & Area Management	649	-3	646	21	3	24	
Performance, Contracting & Planning	7,331	-1,784	5,547	-696	-147	-843	Management action around staffing
Training, Duty & Support	15,248	-4,110	11,138	-1,245	-67	-1,312	Staff savings, training budget and facilities
Total Adult Services controllable	**425,401**	**-153,537**	**271,864**	**4,883**	**-2,030**	**2,853**	
Assumed Management Action				**-1,227**	**289**	**-938**	
Forecast after Mgmt Action				**3,656**	**-1,741**	**1,915**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 General Comment

KASS continues to face significant budget pressures in common with many other local authorities. These primarily relate to demographic and price pressures within services for People with Learning Disabilities.

Contributions to KASS from the Eastern & Coastal Kent PCT

Over recent weeks, we have reached a successful agreement with the Eastern & Coastal Kent PCT in respect of intermediate care proposals and services for patients leaving hospital and requiring social care. We have secured funding from the PCT, which both recognises the growing pressures that have been seen within our financial forecast on services for older people, but also allows us to start working jointly on a strategy for intermediate care across the East Kent area for 2008-09. The income and any associated costs have now been included within the forecast

1.1.3.2 Older People (-£193k)

The number of permanent residential placements continues to fall, both as result of higher than expected attrition, together with the implementation of management actions. The number of placements remains at a level well below target and this has resulted in a significant underspend of £703k. Although the number of permanent nursing placements has fallen since a high of 1,433 in September, the number remains at a level in excess of target and this has resulted in a forecast overspend of £242k. Despite the on-going demand for beds for transfers from hospitals, as with residential, there has been a higher than expected level of attrition in nursing placements. The Directorate also continues to benefit from the Preserved Rights Specific Grant as attrition remains higher than allowed for in the grant allocation. The current underspend against this line is £556k.

Expenditure on domiciliary care remains the most significant pressure within Older People. The reduced rate of residential placements continues to impact on this line as domiciliary care is often seen as the alternative to seeking a permanent placement. From Section 2 of this report it can be seen that although both the number of clients and the amount of hours provided have dropped slightly in Quarter 3, the actual average hours provided to each client has increased. This reflects the increasing level of support that is required to enable those clients, who would otherwise be in residential care, to remain in their own homes. As a result there is an increasing number of cases where two care workers are required to meet the needs of the client leading to increased costs overall. This, together with on-going demographic pressures, and the transfer of budget to Direct Payments without evidence of a corresponding reduction in activity as clients switch to Direct Payments, have all contributed to the forecast overspend of £1,630k.

The forecasts also include the impact of the Ombudsman decision in relation to our practices on charging for domiciliary care, specifically that we backdate charges to the date that a service starts and not to the date of notification of the charge to the client. This has resulted in a reduction in income of £225k. However there have been increases in income of £525k across a number of other budget lines as a result of increased activity.

Following review it has been identified that both the gross and income forecasts relating to the Partnerships for Older People Projects (POPPS) – Independence through the Voluntary Action of Kent's Elders (INVOKE) project in East Kent were incorrectly included against Assessment & Related. Although there has been no impact on the net position this has resulted in a transfer of forecast of £454k gross and income to Older People. The project will be run by a number of partners including KASS, the Eastern & Coastal Kent PCT, Voluntary Sector Providers and Community Action groups. Its objectives include reducing inappropriate hospital admissions and long term placements, creating community services that focus on prevention of ill health and promotion of wellbeing, and involving the public, patients, and other members of the community in the redesign of services and service delivery.

As indicated above funding has been secured from the Eastern & Coastal Kent PCT to allay some of the pressures within Older People and to date some £550k of additional income has been factored into the forecast.

1.1.3.3 People with Learning Disabilities (+£4,781k)

Services for this client group remain under extreme pressure as a result of both demographic and placement price pressures. As a result there continue to be significant forecast overspends against the main budget lines – residential, direct payments and supported accommodation/independent living, day care and domiciliary. Part of the pressure relates to the impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support. Alongside these so-called "transitional" placements is the increasing number of older learning disabled clients who are currently cared for at home by ageing parents who will begin to require more support. There are also more cases of clients becoming "ordinarily resident" in Kent. This is the term used to describe people deemed to be living in the county and therefore the responsibility of KCC, rather than just receiving care in a residential or nursing placement. A client would become "ordinarily resident" following de-registration of a residential home and conversion to supported accommodation, something which is starting to happen more frequently.

In December the Directorate reached agreement with Health over a number of jointly funded residential placements, the responsibility for whom had been in dispute for several years. These clients were jointly assessed as having social care needs rather than health, with the result that the Directorate has had to write off over £300k of invoices that had been raised. Although these invoices had been 100% provided for in previous years, the action of writing off a debt reduces the income reported for the current year.

1.1.3.4 <u>People with Physical Disabilities (+£1,492k)</u>

There are similar pressures here to those for services for People with Learning Disabilities – an increase in direct payments, without a corresponding reduction in domiciliary and other costs, together with demand and demographic pressures against residential care budgets, day-care and supported accommodation.

1.1.3.5 <u>Assessment & Related (-£939k)</u>

The underspend results from management action around staffing vacancies. There is planned slippage across all areas including the Policy team, Direct Payments Advisory service and Exchequer services (Specialist Finance Teams).

Also within this position is £200k of income from the Eastern & Coastal Kent PCT which in part is being used to offset staffing pressures within the hospital care management team. These relate to posts that could not be held vacant and could therefore not form part of the Directorate's Management Actions.

1.1.3.6 <u>Older People Direct Services Unit (+£260k)</u>

The overspend is a combination of higher than anticipated utility costs, together the continuing need to cover sickness and other absence with agency staff in order to meet care standards set by the regulator (Commission for Social Care Inspection).

1.1.3.7 <u>Adult Services Provider Unit (-121K)</u>

The underspend relates to vacancy management, some additional rent for group homes and the decision to close some respite units over the Christmas period, which was not previously anticipated.

1.1.3.8 <u>Occupational Therapy Bureau (-£167k)</u>

This underspend has arisen for two reasons. Firstly, although a provision of £100K was set up last year to fund the bulk replacement of hoists on health and safety grounds, the OTB has been able to absorb these costs within existing budgets'. This allows the full amount of the provision to be released as an underspend. Secondly there is also some slippage against planned recruitment.

1.1.3.9 <u>Mental Health (-£110k)</u>

The underspend within Mental Health relates to Management Actions, primarily reductions and delays in planned residential placements which has brought the forecast down by £90K in recent months, together with vacancy management.

1.1.3.10 Other (-£2,150k)

Principally relates to management action around staffing vacancies, but there are some specific savings including:

- -£525k – management action against training.
- -£468k – provision for risks in SRP costs not now required
- -£122k – delay in recruitment of the systems support team.
- -£278k – management action in facilities.
- -£336k – management of vacancies in area business units.
- -£207k – Performance, Planning & Contracting – management of vacancies
- -£89k – management of vacancies in Finance.
- -£20k – Asylum All Appeal Rights Exhausted – underspend
- -£326k – management action – Resources
- -£20k – Supporting People Admin underspend

Alongside these savings are several areas of budget pressure:

- +£15k – pressure on Personnel.
- +£80k – pressure on legal costs of Housing PFI
- +£50k – pressure on legal services SLA
- +£79k – pressure on enhanced pensions

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Older People Domiciliary expenditure	+1,630	KASS	Eastern & Coastal Kent PCT income	-750
KASS	Learning Disability Residential	+1,059	KASS	Assessment & Related - Management action around staffing	-739
KASS	Learning Disability Supported Accommodation	+1,012	KASS	Older People Residential	-703
KASS	Learning Disability Independent Living Schemes & Group Homes	+1,002	KASS	Older People Preserved Rights	-556
KASS	Learning Disability Direct Payments	+839	KASS	Management Action on Training	-525
KASS	Physical Disability Direct Payments	+769	KASS	Older People income	-525
KASS	Learning Disability Domiciliary expenditure	+348	KASS	Provision for risk within SRP expenditure not now required	-468
KASS	Learning Disability Day Care/Day Opportunies	+346	KASS	Area Contracts & planning Teams - management action around staffing	-336
KASS	Learning Disability Impact of review of joint funded placements with Health	+306	KASS	Management Action - Resources	-326
KASS	Physical Disability Supported Accommodation	+268	KASS	Mental Health Assessment & Related - vacancy management	-292
KASS	Older Persons Direct Services Unit (staffing costs)	+247	KASS	Management Action in Facilities	-278
KASS	Older People Nursing (excl Pres Rights)	+242	KASS	HQ Policy & Performance - management action around staffing	-207

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Physical Disability Day Care Exp.	+226	KASS	Part year saving on establishment of SRP Systems Support Team	-122
KASS	Part year impact of 'fairer charging' decision by Ombudsman	+225	KASS	Occupational Therapy Bureau - Provision for Replacement Hoists	-100
KASS	Mental Health Residential Care exp.	+151			
		+8,670			-5,927

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

Management Action plans were finalised in August which, at the time, were anticipated to bring us back to a breakeven position. Whilst there has been some progress in Management Actions within the Area commissioning budgets, doubts remain about achieving the full amount required to bring the Directorate back to a balanced position. It is therefore considered prudent to continue to forecast a year end pressure, after Management Action, of £1,915k.

It should be noted that the management actions that KASS has implemented, were considered to be within existing policy and targeted across all expenditure lines. The main elements were:

- Higher level of scrutiny through panel process on new placements of residential and nursing.
- Review all domiciliary care packages to maximise throughput, reduce long term dependency & increase recovery / rehabilitation.
- Invest to Save Scheme for LD Residential Change to reduce residential placements in favour of supported living arrangements.
- Continue to pursue large health debt cases for specific clients.
- Recruit only to posts in care management where the traffic light system indicated as essential.
- Reduce use of agency staff and other costs across the non-direct service lines.

However as a result of discussion in November with the Leader and Chief Executive a number of those actions which potentially impacted on transfers of care and hospital staffing were relaxed.

We do feel that management actions have been achieved in the following areas:

- Older People Residential & Nursing Care – a net reduction of approximately 130 permanent clients, this has however been offset by some increases in non-permanent and intermediate care placements. This has been partly achieved by the joint working with the NHS in respect of their contribution to hospital transfers and the setting up of intermediate care schemes.
- Less clients are now in receipt of domiciliary care, however those new clients now requiring services, generally have more complex needs and therefore the hours being provided have increased, and hence costs have not reduced significantly.
- In the past 5 months there has been no net increase to the number of learning disabled clients in residential care, and there have been significant increases in clients being placed in supported living arrangements. It should be noted however that those clients who are requiring residential care, have far more complex needs and their costs are significantly more than those who are able to move into community type placements.
- The Mental Health service has achieved some £400K of management action in the past 5 months which has been across a number of services.
- Successful negotiation has been reached with the Eastern & Coastal Kent PCT regarding all aged debts, and this has allowed us to release some £300K of our bad debt provision back to revenue.
- We have achieved approximately £200K of savings in Assessment and Related services in recent months.
- A further £200K of savings has been achieved across the non-direct service lines since August.

1.1.5 **Implications for MTFP**:

The 2008-11 Medium Term Plan fully reflects the underlying pressure the directorate faces.

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

No revenue projects have been re-phased.

1.1.7 **Details & impact of proposals for residual variance**:

The roll forward of the £1.915m residual variance to 2008-09 will be considered at year end in the light of the overall outturn position for the Authority.

1.2 CAPITAL

1.2.3 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08	2008-09	2009-10	Future Years
	£000s	£000s	£000s	£000s
▪ Re-phasing per 2008-11 MTP	-5,771	155	2,438	2,053
▪ External funding and revenue funding for Gypsy Sites	10			
▪ Reversal of previous virement to CF&EA portfolio in respect of Improving Information Management grant	40			

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Kent Adult Social Services portfolio						
Revised Budget per Dec Cabinet	16,764	11,023	5,786	1,794	4,687	40,054
Adjustments:						
- Re-phasing per 2008-11 MTP		-5,771	155	2,438	2,053	-1,125
- Gypsy Sites		10				10
- virement from CF&EA portfolio		40				40
						0
Revised Budget	16,764	5,302	5,941	4,232	6,740	38,979
Variance		-795	795	0	0	0
split:						
- real variance		0				0
- re-phasing		-795	+795			0

Real Variance		**0**	**0**	**0**	**0**	**0**
Re-phasing		**-795**	**+795**	**0**	**0**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary planning stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Even though table 3 above shows re-phasing of £0.795m into 2008-09, table 4 and section 1.2.4 below, contain no detail of forecast capital variances over £250k, and slippage in excess of £1m in 2007-08 respectively, as the individual projects affected fall below these amounts now that the capital cash limits have been adjusted for the re-phasing reflected in the 2008-11 MTP.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			0	**0**	**0**	**0**
Underspends/Projects behind schedule						
	None					
			0	**0**	**0**	**0**
			0	**0**	**0**	**0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

KASS are currently not forecasting any real variances within its capital programme.

1.2.6 **General Overview of capital programme**

(a) Risks

The majority of the directorate's capital programme comprises 'back-to-back' schemes predicated on generating capital receipts. There is a risk around the valuations of the identified capital receipts.

(b) Details on action being taken to alleviate risks

Schemes reliant on capital receipts are being reviewed regularly with our Corporate Property colleagues.

1.2.7 **PFI projects**

- PFI Housing

The £72.489m investment in the PFI Housing 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, to be funded from the PFI credits.

	Previous years	**2007-08**	**2008-09**	**2009-10**	**TOTAL**
	£000s	£000s	£000s	£000s	£000s
Budget	-	8,892	51,818	11,779	72,489
Forecast	-	8,892	51,818	11,779	72,489
Variance	-	-	-	-	0

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

Overall costings are still as planned.

(b) **Implications for KCC of details reported in (a) i.e. could an increase in the cost result in a change to the unitary charge?**

The unitary charge is not subject to indexation as the contractor has agreed to a fixed price for the duration of the contract. Deductions will be made during the contract period if performance falls below the standards agreed or if the facilities are unavailable for use.

During the contract period if one of the partners proposes a change that either results in increased costs or a change in the balance of risk this must be taken to the Project Board for agreement. Each partner has a vote and any decision resulting in a change to the costs or risks would need unanimous approval.

(c) **Reason for Variance/Rephasing**

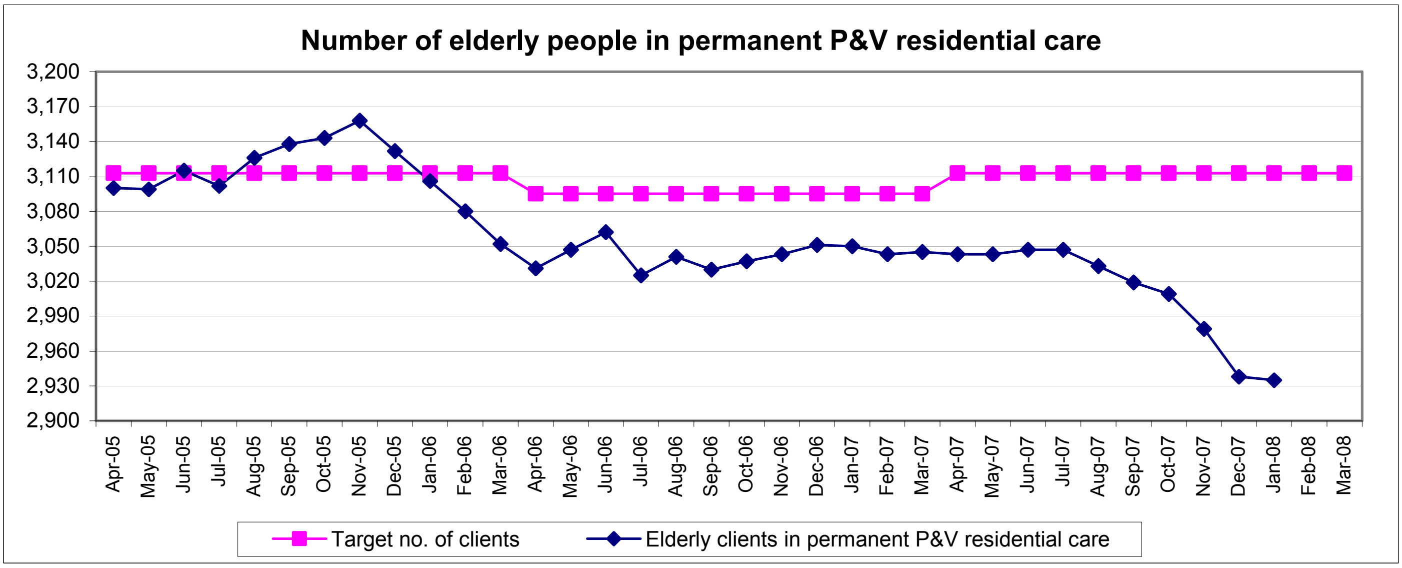
The forecast reflects the anticipated capital expenditure by the contractor in the PFI contract. The contract was signed on 5th October and any figures prior to this were estimated.

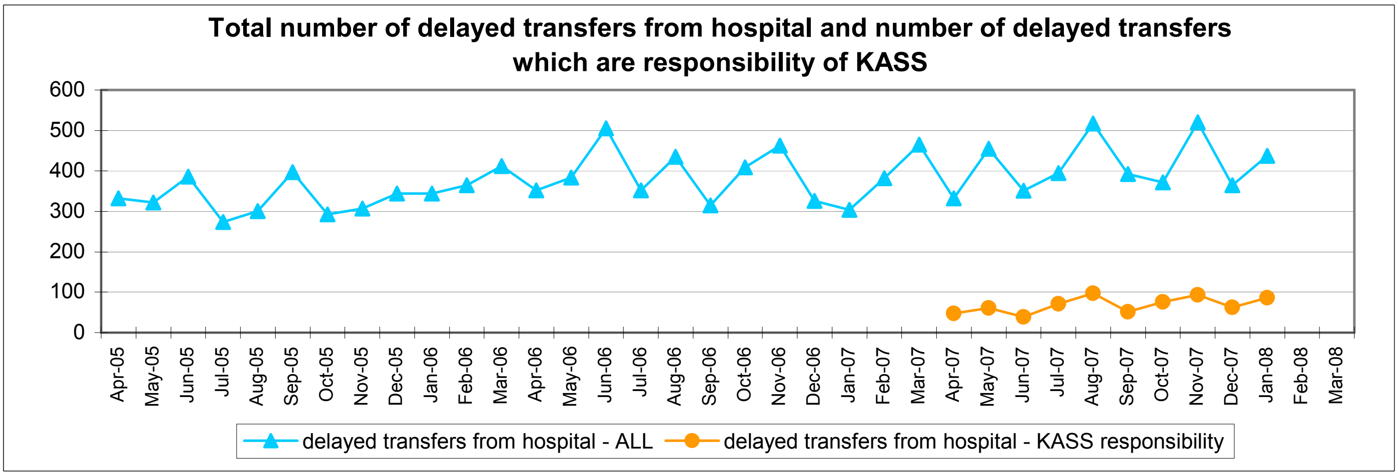
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

Owing to delays in implementing SWIFT (client activity system), the activity data for the period August 2006 to March 2007 has been reliant on local records and manual counts.

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

	2005-06			2006-07			2007-08			
	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital (DTCs) All	Delayed transfers from hospital (DTCs) KASS
April	3,113	3,100	332	3,095	3,031	352	3,113	3,043	332	47
May	3,113	3,099	322	3,095	3,047	384	3,113	3,043	455	61
June	3,113	3,115	386	3,095	3,062	505	3,113	3,047	351	39
July	3,113	3,102	274	3,095	3,025	352	3,113	3,047	395	71
August	3,113	3,126	301	3,095	3,041	435	3,113	3,033	517	97
September	3,113	3,138	397	3,095	3,030	315	3,113	3,019	392	51
October	3,113	3,143	293	3,095	3,037	409	3,113	3,009	372	76
November	3,113	3,158	307	3,095	3,043	463	3,113	2,979	520	93
December	3,113	3,132	344	3,095	3,051	326	3,113	2,938	365	62
January	3,113	3,106	344	3,095	3,050	304	3,113	2,935	437	86
February	3,113	3,080	365	3,095	3,043	382	3,113			
March	3,113	3,052	412	3,095	3,045	465	3,113			



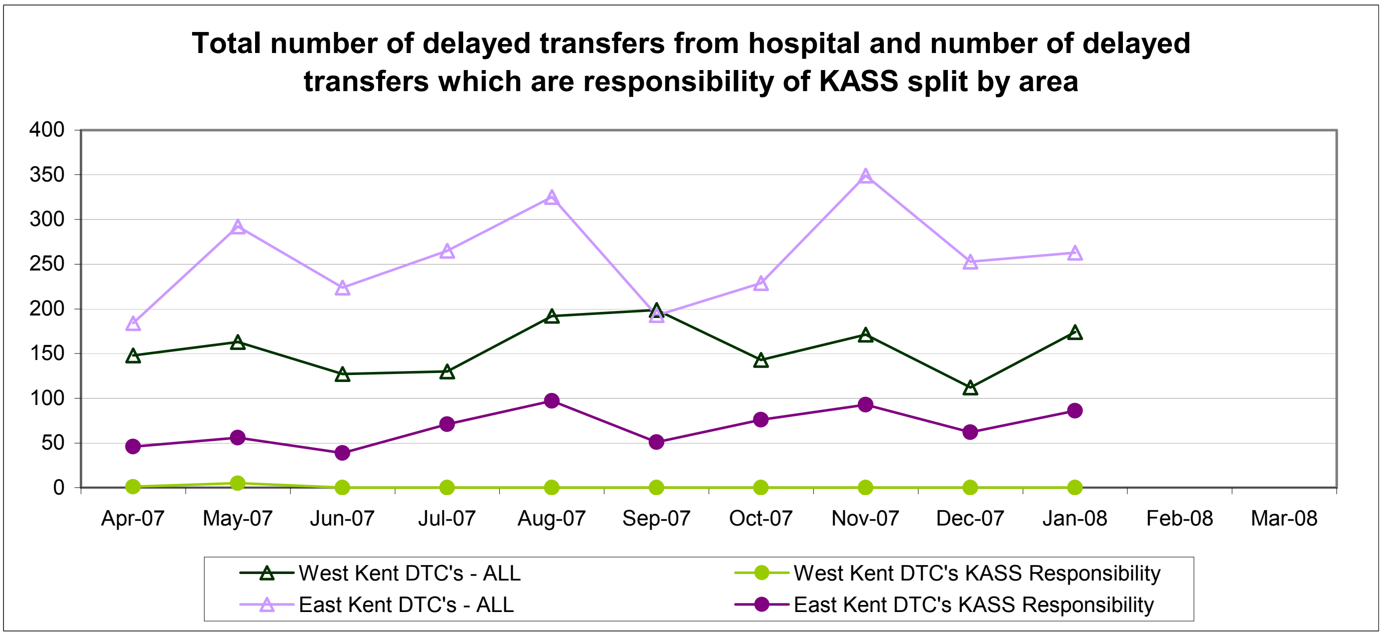


Comments:

- 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 Social Services, and therefore subject to the reimbursement regime, are a minority and these are also now shown on the graph. 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. It should also be noted that each third month is a five-week month.

2.1.2 **Indicators on delayed transfers, split between East and West Kent**

2007-08						
	Delayed transfers from hospital (DTCs)					
	West Kent		East Kent		TOTAL	
	ALL	KASS	ALL	KASS	ALL	KASS
April	148	1	184	46	332	47
May	163	5	292	56	455	61
June	127	0	224	39	351	39
July	130	0	265	71	395	71
August	192	0	325	97	517	97
September	199	0	193	51	392	51
October	143	0	229	76	372	76
November	171	0	349	93	520	93
December	112	0	253	62	365	62
January	174	0	263	86	437	86
February						
March						

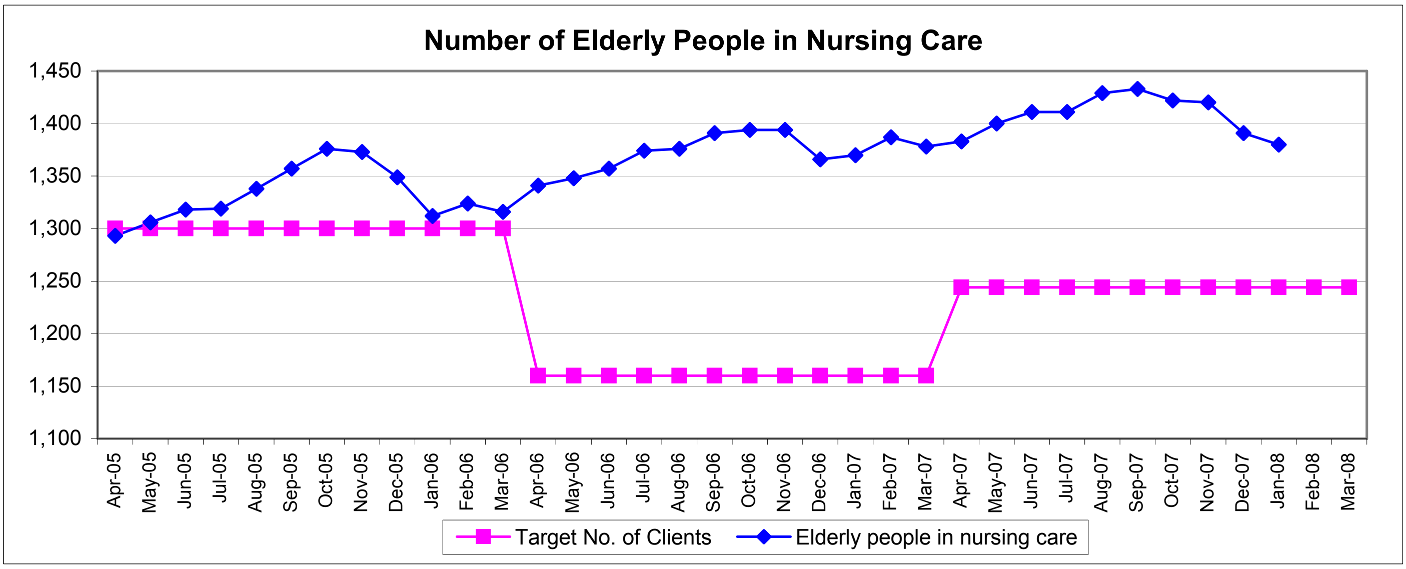


Comments:

- This graph analyses the data by KASS Area in order to reflect the differences in both the finances and performance of the East Kent and West Kent PCTs.

2.2 Numbers of elderly people in nursing care:

	2005-06		2006-07		2007-08	
	Target	Elderly people in nursing care	Target	Elderly people in nursing care	Target	Elderly people in nursing care
April	1,300	1,293	1,160	1,341	1,244	1,383
May	1,300	1,306	1,160	1,348	1,244	1,400
June	1,300	1,318	1,160	1,357	1,244	1,411
July	1,300	1,319	1,160	1,374	1,244	1,411
August	1,300	1,338	1,160	1,376	1,244	1,429
September	1,300	1,357	1,160	1,391	1,244	1,433
October	1,300	1,376	1,160	1,394	1,244	1,422
November	1,300	1,373	1,160	1,394	1,244	1,420
December	1,300	1,349	1,160	1,366	1,244	1,391
January	1,300	1,312	1,160	1,370	1,244	1,380
February	1,300	1,324	1,160	1,387	1,244	
March	1,300	1,316	1,160	1,378	1,244	

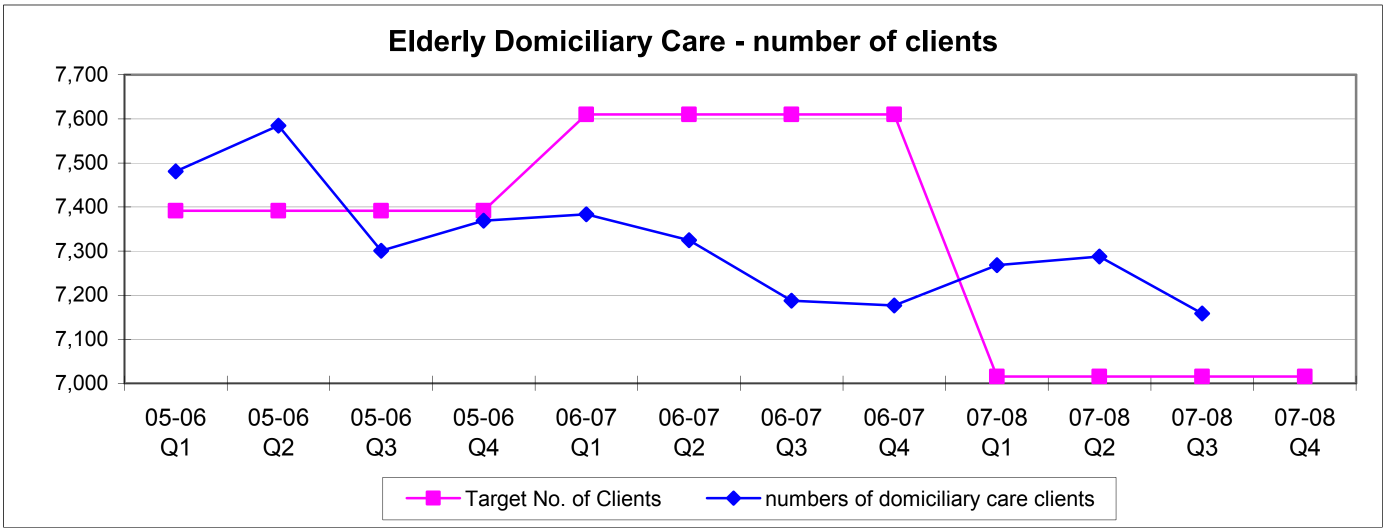


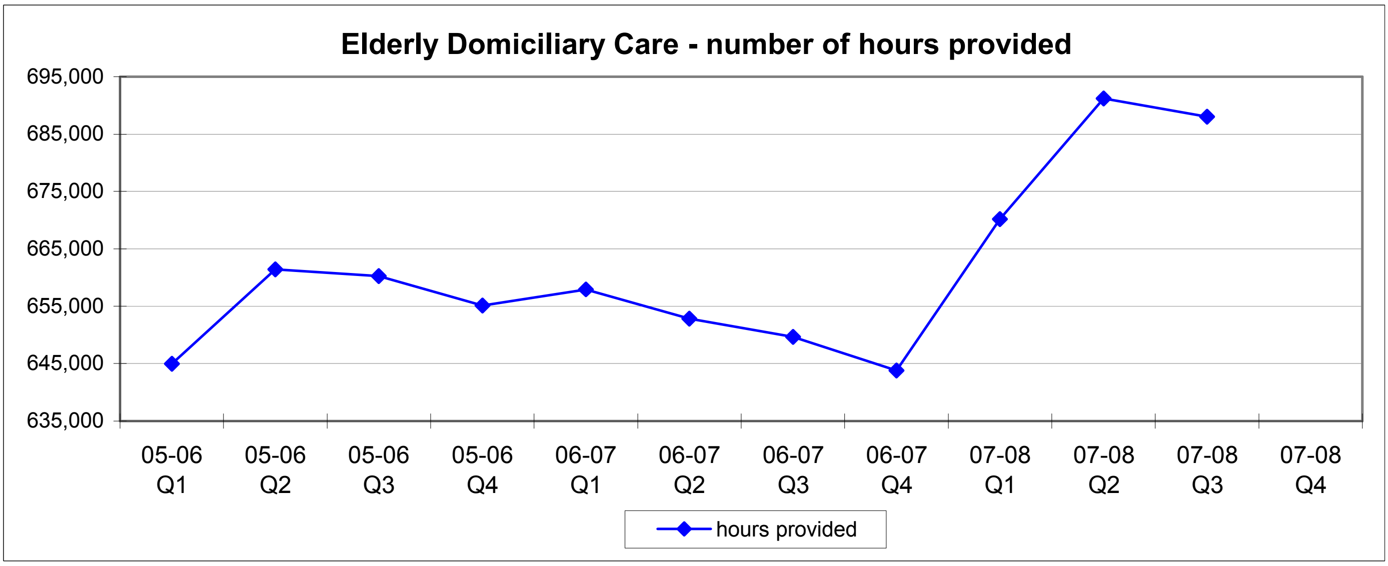
Comment:

- Increases in permanent nursing care may happen for many reasons. The main influences over the last year have been the closure of hospital beds in the East of the County. The knock on effect of minimising delayed transfers of care has resulted in an increase in the number of older people being admitted to nursing care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing more intense nursing care. The recent downturn in placements is the result of higher than expected attrition.

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

	2005-06			2006-07			2007-08		
	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	7,391	7,481	644,944	7,610	7,383	657,948	7,015	7,268	670,203
Jul - Sep	7,391	7,585	661,415	7,610	7,325	652,789	7,015	7,288	691,231
Oct - Dec	7,391	7,301	660,282	7,610	7,188	649,624	7,015	7,159	688,032
Jan - Mar	7,391	7,369	655,071	7,610	7,177	643,777	7,015		



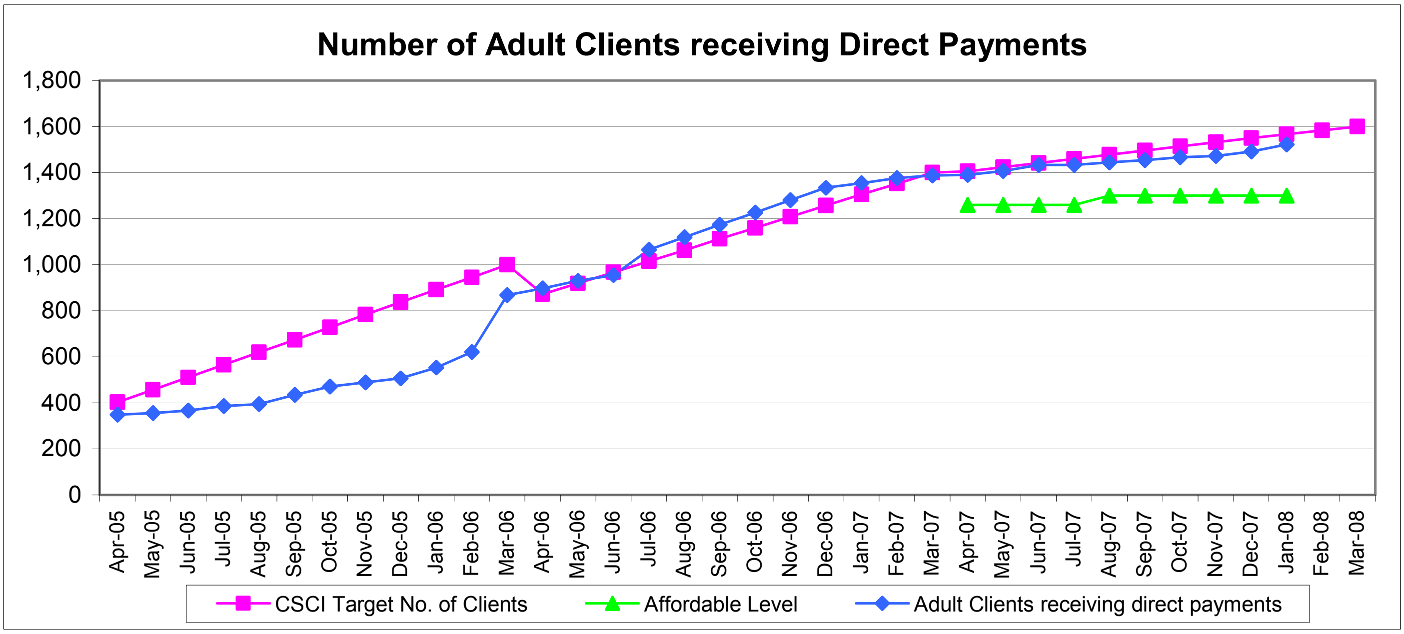


Comment:

- Although the number of people receiving domiciliary care, together with the number of hours provided, has decreased in Quarter 3, the average number of hours provided per client has increased slightly. Indeed the average has been higher than in previous years and reflects the increasing number of clients who require a higher level of support to enable them to remain within their own homes. Often this support could be through two care workers rather than one. As indicated earlier in the report the reduction in residential placements has also had an impact on activity, as this is often the alternative to seeking a permanent placement. Data quality issues in Swift make comparison with last year more difficult which might also explain the significant increase in clients.

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

	2005-06		2006-07		2007-08		
	CSCI Target	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**
April	403	349	871	896	1,406	1,259	1,390
May	457	355	919	930	1,424	1,259	1,407
June	511	366	967	954	1,442	1,259	1,434
July	566	386	1,015	1,065	1,460	1,259	1,434
August	620	395	1,063	1,119	1,478	1,299	1,444
September	674	434	1,112	1,173	1,496	1,299	1,454
October	728	470	1,160	1,226	1,514	1,299	1,467
November	783	489	1,208	1,280	1,532	1,299	1,472
December	837	507	1,256	1,334	1,549	1,299	1,491
January	891	553	1,304	1,355	1,566	1,299	1,522
February	945	621	1,352	1,376	1,583		
March	1,000	868	1,400	1,388	1,600		



Comments:

- Direct payments are increasing, however a body of evidence is growing which suggests that the introduction of direct payments is identifying some previously unmet demand/need. Work is ongoing to track all new direct payment clients to prove /disprove this belief.

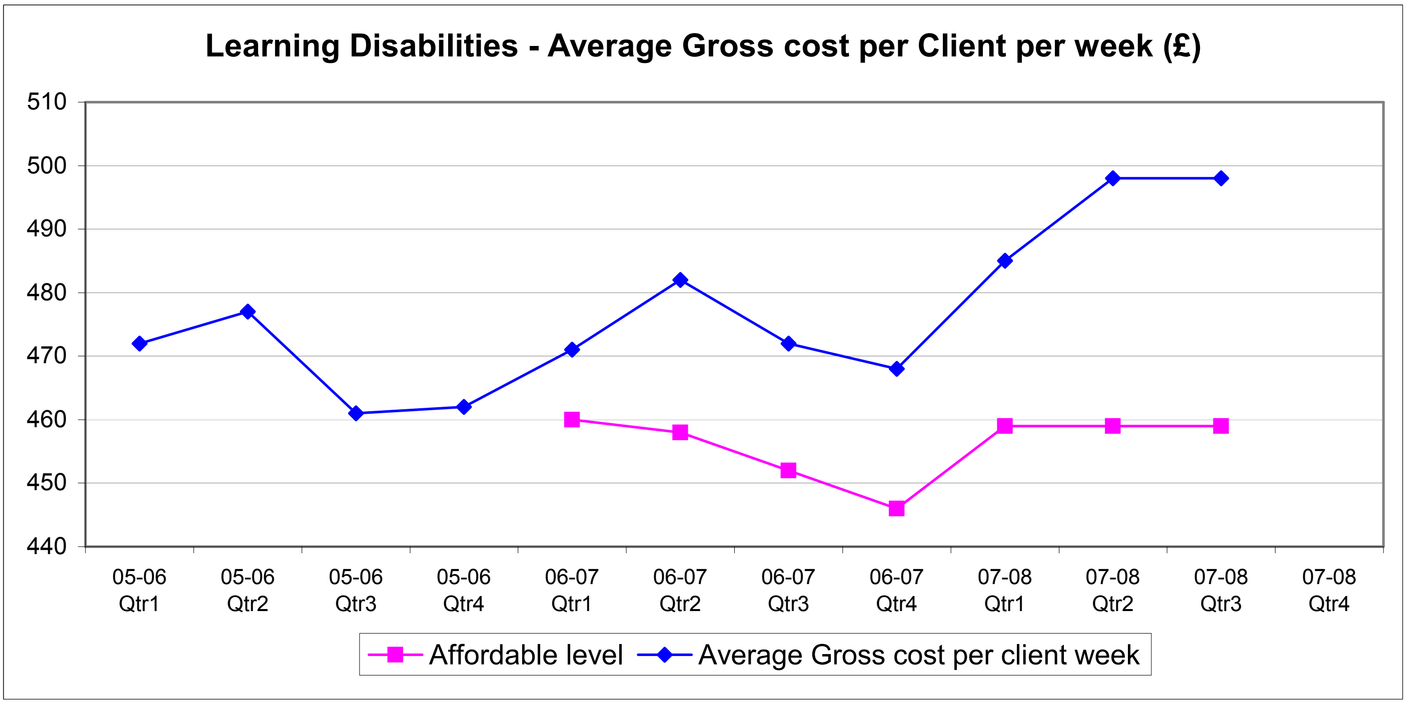
- It should be noted that the affordable level is 1,299, which relates to the budgets that are currently set for direct payments. This level has been increased since July to reflect budgets vired from other service lines, such as domiciliary and day-care, to recognise the move away from traditional services into self directed support.

- The financial forecast and variances being reported cover the ongoing costs of the 1,491 direct payment users we currently have.

- The original target of 1,662 clients was a self-reported target to the Commission for Social Care Inspection (CSCI). Following review the Directorate has now decided to assume a target of 1,600 clients by year-end which would still leave us in the top band.

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

	2005-06	2006-07		2007-08	
	Average Gross cost per client £	Affordable level £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April - June	472	460	471	459	485
July - September	477	458	482	459	498
October - December	461	452	472	459	498
January - March	462	446	468		



Comments:

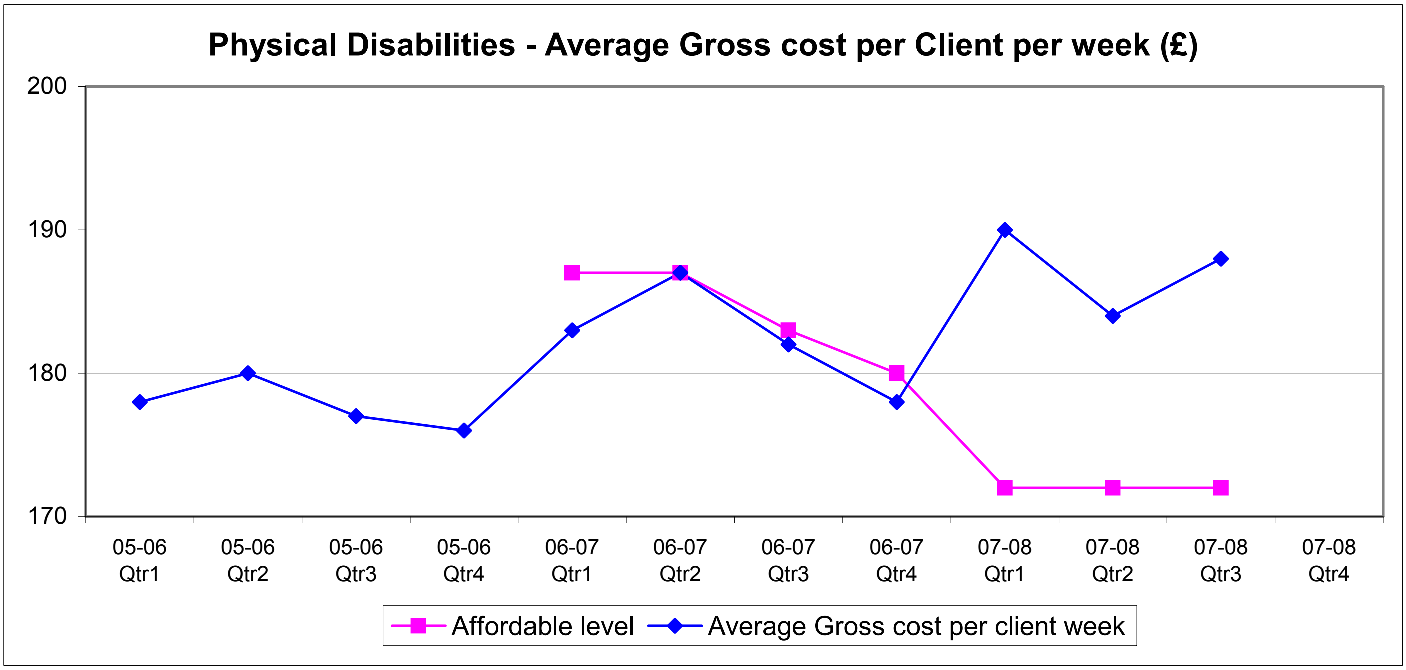
- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It is merely intended to demonstrate the general upward trend in the cost of supporting clients with Learning Disabilities.

- This graph reflects the average cost per client week across all Learning Disability services, including those with the lowest levels of need.

- The basis for calculation has changed from last year in order to include both the costs of services provided by the private and voluntary sector and in-house service provision. The previous years' figures have been adjusted accordingly.

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

	2005-06	2006-07		2007-08	
	Average Gross cost per client £	Affordable level £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April - June	178	187	183	172	190
July - September	180	187	187	172	184
October - December	177	183	182	172	188
January - March	176	180	178		



Comments:

- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It merely attempts to demonstrate the general upward trend in the cost of supporting clients with Physical Disabilities.

- This graph reflects the average cost per client week across all Physical Disability services, including those with the lowest levels of need.

- The basis for calculation has changed from last year in order to include both the costs of services provided by the private and voluntary sector and in-house service provision. The previous years' figures have been adjusted accordingly.

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY JANUARY 2007-08 FULL MONITORING REPORT

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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget, and the following virements:
  - £0.2m from Waste Management to Capital Programme Group for the initial design costs of the Borough Green & Platt bypass
  - £0.195m from Waste Management to Environment Group for Health & Safety requirements, SSSI obligation, income generation priming and e-Government initiative.
  - £0.190m from Waste Management to Regeneration & Supporting Independence portfolio for £0.050m contribution to Dover Pride Programme Team; £0.050m Kent Empty Properties Initiative – continued engagement of consultancy advice to handle wider County remit; £0.090m Production of Regeneration Strategy and subsequent consultation and production.

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	56,646	-8,511	48,135	1,030	-415	615	Additional Depot, Running Costs and SLA charges. Assumes Emergency Works met by Corporate Centre. Extra Recharges & Fees
Public Transport Contracts	7,677	-634	7,043	-25	-175	-200	Income from CFE and others above budget expectation
Rural Bus Grant	2,276	-2,276	0	430	-430	0	Non-grant income supporting further rural service.
Capital Programme Group	889	-444	445	-115	0	-115	A bid will be made to roll £160k of the design funds for Borough Green and Platt Bypass
Waste Management	60,037	-2,749	57,288	-3,245	-445	-3,690	Less tonnage via Allington and less tonnage overall. WEEE Grant and improved sales/Op. Cubit income.
Environmental Group	8,096	-3,931	4,165	795	-660	135	More project expenditure, supported by external funding, than included in the budget. Reduced income from Country Parks.
Transport Strategy	558	0	558	-115	0	-115	Vacant post. Slippage on CTRL Impact Study.
Resources	4,449	-467	3,982	970	-165	805	Directorate Budget Gap. IT licences higher than budgeted. Extra recharge (AIT) income.
Total E, H & W	**140,628**	**-19,012**	**121,616**	**-275**	**-2,290**	**-2,565**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects - Area Teams & Major Projects	5,422	-1,112	4,310	-35	-565	-600	Extra DCLG activity. De-dualling of Fort Hill Road will slip to 2008/09 as will part of the funding for EK Empty Properties and Manston/Eurokent
Economic Development	2,946	-988	1,958	40	-65	-25	Minor Variations
Planning & Development	1,181	-57	1,124	-310	20	-290	£280k of delay in Local Development Framework, to be bid for roll forward. Similarly for Household & LT Crossing Studies. Reduced grant from Government.
Planning Applications	1,580	-468	1,112	-275	10	-265	Vacant posts. Delay on Shaw Grange remedials £250k, to be bid for roll forward.
Change & Development	285	0	285	220	-95	125	Unfunded post and seconded staff, with income
Kent Regeneration Fund	954	-850	104	-100	100	0	Projects held-back due to shortfall in funding.
Total Regen & SI	**12,368**	**-3,475**	**8,893**	**-460**	**-595**	**-1,055**	
Total Directorate Controllable	**152,996**	**-22,487**	**130,509**	**-735**	**-2,885**	**-3,620**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances of £100k and over. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 Kent Highway Services (KHS):
The budget requirement for the running costs of the KHS depot network was under estimated, at a cost of £340k, and SLA charges from Legal Services will be £265k in excess of budget reflecting an upsurge in the volume of work submitted.

Recharge and fees income for KHS is estimated to exceed the budget, particularly in the area of Section 38 Agreements (developer contributions towards the KHS design and supervision fee in respect of new housing developments), generating an extra £450k.

The demand, for operational (non street lights) maintenance on the Highway, will lead to an over spend of some £400k. However, a £240k under spending on Street Lighting Maintenance will form a roll forward bid.

A number of vacant posts in KHS Division have led to temporary appointments and there will be a cost overrun of £125k.

1.1.3.2 Public Transport Contracts:
One of the Towards 2010 targets is the provision of a Freedom Pass for public transport usage by 11 to 16 year olds. Two pilots are in progress. The take-up of passes has exceeded expectations but there hasn't been a commensurate increase in costs due to greater use of non-peak travel than anticipated. There will be additional income received from the Education Service, and others, exceeding the budget assumption by £175k.

1.1.3.3 Rural Bus Grant:
Additional non-grant income of £430k on Rural Bus Services is supporting further service provision.

1.1.3.4 Capital Programme Group:

There will be a re-phasing into 2008-09 of the design work on the Borough Green and Platt Bypass and £160k will be sought as roll-over.

1.1.3.5 Waste Management:
The Allington Waste to Energy plant is still not fully operational. After a long period of shutdown for repairs it began to come back on stream again on February 8th. As a result more waste is sent to Landfill than budgeted for, but this is at a cheaper rate, for the moment. Also, the waste tonnage to date, compared to last year, is reduced but remains volatile, hence an estimated saving on the budget of some £3.4m is the result. Within this forecast an assessment has been made as to the period needed before full working of the Waste to Energy plant is achievable.

KCC has received WEEE grant income of £350k that was not built into the budget. Additional sales and Operation Cubit income of some £670k will be achieved. However, some £810k of WPEG budgeted income has been paid as a capital grant and therefore is not available to support the revenue budget as planned.

Income has been received from the district councils for the work of the Kent Waste Partnership and the Clean Kent Campaign (£230k).

A bid will be made to roll forward £280k to support the Kent Waste Partnership objectives.

1.1.3.6 Environmental Group:
In Environment, an ability to increase the level of external funding received, compared to the budget assumption, has enabled more projects to be achieved, resulting in an increase in both costs and income of £700k. However a reduction in the income from Country Parks, ascribed to the poor summer weather, has meant a shortfall on the budget of £100k.

1.1.3.7 Resources:
The Resources Division within the E,H&W Portfolio holds the Directorate-wide budget imbalance of £735k, which relies upon a Management Action Plan to ensure a balanced Portfolio budget by the year-end. The under spending of the Waste Management budget, detailed in 1.1.3.5 above, will provide the needed funding cover.

The Analysis & Information Team within Resources Division will exceed its income target by £190k.

Regeneration & Supporting Independence portfolio:

1.1.3.8 Regeneration & Projects Team:
There is an increased volume of DCLG activity within Regeneration & Projects, in relation to the Kent Thameside and Swale Forward Boards resulting in increased costs of £500k, which will be matched by 100% grant. The budget for this item has to be determined often before knowledge of all programmes of work is available. However, slippage of £450k on the Fort Hill, Margate de-dualling project will require a bid for roll-forward to next year.

1.1.3.9 Planning & Development:
A delay in the Minerals and Waste Local Development Framework will require a bid for roll-forward of £280k.

1.1.3.10 Planning Applications:
There is also a delay in the remedial works required to Shaw Grange of £250k.

1.1.3.11 Change & Development:
Within Change and Development, one occupied post is unfunded as the external funding has now ceased, and there are three seconded staff matched by 100% external funding of £100k. Expenditure will exceed the budget by £220k.

1.1.3.12 Kent Regeneration Fund:
Due to an expected shortfall in the Kings Hill income available for the Kent Regeneration Fund, projects have been held back wherever possible, leading to a reduction in costs and income of £100k.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	The Waste WPEG grant was budgeted as 100% revenue grant but it is being paid as 50% capital grant and is therefore not available to support the revenue budget	+810	EHW	Reduced tonnage through the Allington WtE plant. Reduced tonnage in total, compared to the budget assumption.	-3,400
EHW	Directorate Budget Gap (covered from Waste under spend)	+735	EHW	Increased level of external funding enabling more projects within Environment Group	-700
EHW	More project expenditure supported by external funding within Environment Group	+700	EHW	Waste - improved sales / Operation Cubit income	-670
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Forward Boards	+500	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Forward Boards	-500
EHW	Rural Bus Services - non-grant income supporting further rural	+430	RSI	Re-phasing of Fort Hill, Margate de-dualling project	-450
EHW	Operational Highway Maintenance works	+400	EHW	Additional recharges and fees income from KHS Division	-450
EHW	Budget under-estimate on KHS depot running costs.	+340	EHW	Increase on non-grant income on rural bus services	-430
EHW	KHS Additional SLA charges (Legal Services)	+265	EHW	WEEE Grant not budgeted as income	-350
RSI	1 Unfunded post and Seconded Staff in Change & Development Division	+220	RSI	Delay in Minerals and Waste Local Development Framework activity	-280
EHW	Additional cost of temporary and agency staff within KHS	+125	RSI	Delay in Shaw Grange remedial works	-250
EHW	Reduction in Country Parks income due to poor summer weather	+100	EHW	Street Lighting Maintenance and Inventory	-240
RSI	Kent Regeneration Fund expected funding shortfall	+100	EHW	Unbudgeted income from Districts for Clean Kent and Kent Waste Partnership	-230
			EHW	Additional income from Analysis & Info Team	-190
			EHW	Additional income from base revenue supported bus services	-175
			EHW	Re-phasing into 2008-09 of design for the Borough Green & Platt Bypass	-160
			RSI	Seconded Staff funded externally in Change & Development Division	-100
			RSI	Kent Regeneration Fund - projects delayed due to expected funding shortfall	-100
		+4,725			**-8,675**

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

Whilst the Regeneration and Supporting Independence Portfolio shows a net under spending of £1,055k, it should be noted that a sum of £1,190k will be the subject of bids for roll forward into 2008/09, in order to complete key activities. Hence the imbalance is in reality +£135k, which relates, mainly, to a post in Change & Development for which the external funding has now ceased. The Directorate is confident that a funding solution will be found before the year-end.

The E, H & W Portfolio is showing a forecast net £2,565k under spend. This reflects that the Directorate budget net gap of £735k is a first call on the Waste Management under spend, which is forecast at £3,690k. Of the £2,565k net forecast under spend, a bid for roll forward will be made for £740k in order to complete a number of projects, leaving a residual £1,825k under spend. It is proposed to submit other bids for roll-over, subject to further discussion, as linked to the restructure of the Directorate and the replacement of a key management and financial information system.

It should be noted that this forecast assumes that the County Council's Emergency Reserve will provide funding to meet the estimated cost of £650k, for corrective work following the earthquake and floods in June and January, consistent with previous practice.

1.1.5 **Implications for MTFP**:

- The WtE plant at Allington is assumed to be at full operational capacity from 1st April 2008.
- The Directorate budget net gap of £735k has been re-aligned within the 2008/09 budget.

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

The following revenue projects are re-phasing into 2008-09, and therefore roll forward will be requested in order to complete these activities:

R&SI portfolio:
- £280k in respect of a delay in the Local Development Framework for Waste and Mineral Studies,
- £25k for the Lower Thames Crossing Study,
- £35k for the Household Study,
- £250k for Shaw Grange remedial works,
- £450k slippage on the Fort Hill de-dualling work
- £100k for the running costs of the Manston/Eurokent project.
- £50k for East Kent Empty Properties Initiative

EH&W portfolio:
- £60k in order to complete the CTRL Impact Study,
- £160k for the design of the Borough Green and Platt Bypass and
- £240k for Street Lighting maintenance programme and Inventory completion.
- £280k will be requested to roll forward to 2008-09 to support the Kent Waste Partnership objectives.

1.1.7 **Details & impact of proposals for residual variance**:

R&SI portfolio:
Under spends elsewhere in the Directorate will be achieved to provide a solution to the unfunded post within Change & Development Division.

EH&W portfolio:
As detailed in 1.1.4 above, roll forward bids will be submitted for the residual underspend after allowing for the re-phased projects detailed in 1.1.6, which are linked to the restructure of the Directorate and the replacement of a key management and financial information system.

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Years £000s
Environment, Highways & Waste portfolio:				
▪ Major Scheme Design – external funding for Arts Projects	160			
▪ Re-phasing per 2008-11 MTP	-25,987	6,782	15,265	79,330
▪ Thamesway – additional external funding from Kent Police & London & Continental Railways	407			
Regeneration & Supporting Independence portfolio:				
▪ Fastrack Delivery Executive – DCLG grant to install ticket machines	500			
▪ Kent Science Resource Centre – DCLG grant	717			
▪ Gravesend Community Arts Complex – DCLG grant & SEEDA funding	442			
▪ Re-phasing per 2008-11 MTP	-3,724	6,335	1,235	1,235
▪ Eurokent Road – inclusion of external funding and developer contributions in order to reflect the gross costs of the project		1,304		
▪ Gravesend Community Arts Complex – removal of revenue costs	-92	-10		

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Environment, Highways & Waste Portfolio						
Revised Budget per Dec Cabinet	64,753	112,251	67,028	53,795	88,428	386,255
Adjustments:						
- Major Scheme Design Art projects		160				160
- re-phasing per 2008-11 MTP		-25,987	6,782	15,265	79,330	75,390
- Thamesway external funding		407				407
Revised Budget	64,753	86,831	73,810	69,060	167,758	462,212
Variance		-1,370	3,409	0	0	2,039
split:						
- real variance		+284	+1,755			+2,039
- re-phasing		-1,654	+1,654			0
Regeneration & Supporting Independence Portfolio						
Revised Budget per Sept Cabinet	3,904	10,607	1,500	2,000	1,000	19,011
Adjustments:						
- Fastrack Delivery Exec DCLG grant		500				500
- Kent Science Resource Centre		717				717
- Gravesend Community Arts Complex		350	-10			340
- re-phasing per 2008-11 MTP		-3,724	6,335	1,235	1,235	5,081
- Eurokent Road external funding			1,304			1,304
Revised Budget	3,904	8,450	9,129	3,235	2,235	26,953
Variance		-2,471	+2,471	0	0	0
split:						
- real variance						0
- re-phasing		-2,471	+2,471			0
Directorate Total						
Revised Budget	68,657	95,281	82,939	72,295	169,993	489,165
Variance	0	-3,841	+5,880	+0	+0	2,039

Real Variance		**+284**	**+1,755**	**0**	**0**	**+2,039**
Re-phasing *		**-4,125**	**+4,125**	**0**	**0**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary planning stage, is explained further in section 1.2.4 below.

All real variances in excess of £250k are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status: Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Major Maintenance	Phasing	+2,329			
EHW	Integrated Transport Programme	Real	+516			
R&SI	East Kent Empty Property Initiative	Phasing		+398		
			+2,845	**+398**	**0**	**0**
Underspends/Projects behind schedule						
R&SI	Eurokent Spine Road	Phasing			-1,650	
EHW	Ashford Ring Road	Phasing		-1,535		
R&SI	Arts & Business Centre at Folkestone	Phasing		-1,219		
EHW	Re-shaping Kent Highways Accommodatior	Phasing		-694		
EHW	Integrated Transport Programme	Phasing	-507			
EHW	Newtown Way Improvement	Phasing			-421	
EHW	Everards Link Phase 2	Phasing		-374		
			-507	**-3,822**	**-2,071**	**0**
			+2,338	**-3,424**	**-2,071**	**0**

1.2.4 **Projects re-phasing by over £1m**:

There are four schemes/progammes falling into this category, namely the Arts and Business Centre at Folkestone, the Eurokent Spine Road. the Ashford Ring Road, and the Highway Major Maintenance programme of works.

1.2.4.1 **R&SI portfolio - Arts and Business Centre at Folkestone– slippage £1.219 million**

This scheme is designed to assist the regeneration and employment opportunities in this part of East Kent. The project has slipped by £1.219 million representing 35% of the total value of the scheme. There has been a delay in the construction programme due to adverse weather and difficulties in pursuing the ground-works because of archaeological findings. There will be a delay in completion until late spring 2008. There are no specific service implications of this delay. Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	477	2,223	800			3,500
Forecast	477	1,004	2,019			3,500
Variance	0	-1,219	1,219	0	0	0
FUNDING						
Budget:						
prudential	477	2,223	800			3,500
TOTAL	477	2,223	800	0	0	3,500
Forecast:						
prudential	477	1,004	2,019			3,500
TOTAL	477	1,004	2,019	0	0	3,500
Variance	**0**	**-1,219**	**1,219**	**0**	**0**	**0**

1.2.4.2 **R&SI portfolio - Eurokent Spine Road– slippage £1.650m**

This project is necessary in order that the regenerative benefits from the Manston/Eurokent developments can be achieved. The project has slipped by £1.65million representing 25% of the total value of the scheme. The proposal for this project assumed that there would be an earlier start date. However, the complex suite of agreements needing to be in place before committing to a contract has meant that the construction contract has only recently been awarded. The works are expected to complete in November 08 (3 months later than originally expected).

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		2,400	4,304			6,704
Forecast		750	5,954			6,704
Variance	0	-1,650	1,650	0	0	0
FUNDING						
Budget:						
Developer contribution			763			763
External			541			541
capital receipt		2,400	3,000			5,400
TOTAL	0	2,400	4,304	0	0	6,704
Forecast:						
Developer contribution			763			763
External			541			541
capital receipt		750	4,650			5,400
TOTAL	0	750	5,954	0	0	6,704
Variance	**0**	**-1,650**	**1,650**	**0**	**0**	**0**

1.2.4.3 **EH&W portfolio - Ashford Ring Road – slippage £1.535 million**

This scheme is one element of the infrastructure required for the Ashford growth area. The project has slipped by £1.535 million representing 11% of the total value of the scheme. There has been a delay in the construction programme partly due to slower progress than anticipated but also to the adjoining development in County Square encountering problems, which has had an impact. There will be a delay in completion, the precise effect of which is under discussion. It should be noted that this forecast is based on the full scheme, although not all the funding is yet confirmed to be in place (and hence the noted over run in 2008/09 of £1.922m). It could be necessary to trim the scheme if the required funding is not achieved. There are no specific service implications of this delay. Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	1,437	8,697	1,840			11,974
Forecast	1,437	7,162	5,297			13,896
Variance	0	-1,535	3,457	0	0	1,922
FUNDING						
Budget:						
grant	1,437	7,458	850			9,745
loan	0	117	0			117
developer contribution	0	1,122	990			2,112
TOTAL	1,437	8,697	1,840	0	0	11,974
Forecast:						
grant	1,437	7,162	3,547			12,146
loan		0	50			50
developer contribution		0	1,700			1,700
TOTAL	1,437	7,162	5,297	0	0	13,896
Variance	**0**	**-1,535**	**3,457**	**0**	**0**	**1,922**

1.2.4.4 **EH&W portfolio – Highway Major Maintenance – acceleration £2.329 million**

In previous exception reports, it was reported that this £29m programme would not be completed by the year-end. Excellent progress has turned that position around, to the extent that the slippage declared previously of £1.060m (which has been reflected in the budget figures in the 2008-11 MTP and therefore also in the cash limits now used in this report) has been reversed and further works are to be completed late in the programme. There is a £2.329m acceleration against the revised budget which represents 8% of the total value of the 2007-08 annual highway major maintenance programme. It is recognised that this position results in a funding issue, and that if temporary borrowing is needed the Directorate will be required to meet the financing costs involved. The precise funding of this accelerated spend will be reviewed at year end once the final funding streams available to finance the overall 2007-08 capital spend for the authority are known. It is also acknowledged that next year's programme of works will need to be reduced as a result of the acceleration in the current year.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		29,119	23,697	25,085	85,102	163,003
Forecast		31,448	21,368	25,085	85,102	163,003
Variance	0	2,329	-2,329	0	0	0
FUNDING						
Budget:						
Prudential		2,909	1,000			3,909
Prudential/Revenue		2,450				2,450
Loan		14,714	22,647	24,875	84,902	147,138
Grant		9,046	50	210	200	9,506
TOTAL	0	29,119	23,697	25,085	85,102	163,003
Forecast:						
Prudential		2,909	1,000			3,909
Prudential/Revenue		3,719	-1,269			2,450
Loan		15,774	21,587	24,875	84,902	147,138
Grant		9,046	50	210	200	9,506
TOTAL	0	31,448	21,368	25,085	85,102	163,003
Variance	**0**	**2,329**	**-2,329**	**0**	**0**	**0**

1.2.5 **Projects with real variances, including resourcing implications:**

Table 3 shows a real (net) over spend of £0.284m in 2007-08 and £1.755m in 2008-09, which is in respect of the following:

2007-08:

- +£516k Integrated Transport Programme which is to be met by a revenue contribution. In addition there is £0.507m being re-phased into 2008-09 funded by of supported borrowing.
- +£0.069m on Waste and country Parks projects which will be met by revenue contributions.
- -£0.213m on Waste Performance Grant funded projects; however there will be a compensatory reduction in grant.
- -£0.088m on the Thamesway project which will be matched by a compensatory reduction in grant funding.

2008-09:

- +£1.922m Ashford Ring Road – this is subject to the accessing of additional funding, otherwise the scheme will be trimmed back. A bid for additional Government grant has been submitted.
- -£0.112m Ashford Newtown Way improvement,which will be matched by a compensatory reduction in grant funding.
- -£0.055m on the Thamesway project which will be matched by a compensatory reduction in grant funding.

1.2.6 **General Overview of capital programme**:

(a) Risks:

The time limits placed on Government grant funding is posing operational problems with the timetable movements that is inherent in complex and large scale projects.

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

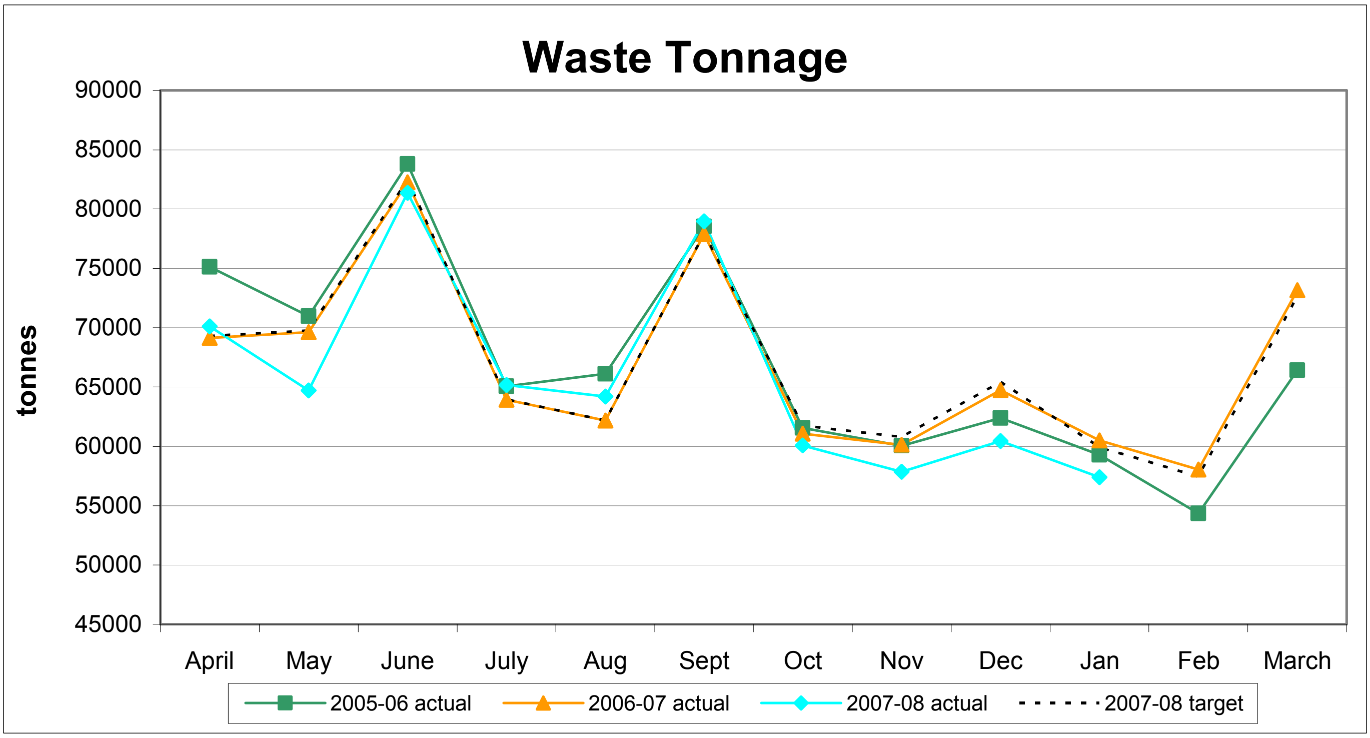
Monthly meetings with project managers take place to revise the forecast.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2005-06	2006-07	2007-08	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Business Plan Target *
April	75,142	69,137	70,102	69,290
May	70,964	69,606	64,715	69,760
June	83,770	82,244	81,351	82,425
July	65,063	63,942	65,172	63,953
August	66,113	62,181	64,202	62,189
September	78,534	77,871	78,956	77,912
October	61,553	61,066	60,086	61,751
November	60,051	60,124	57,853	60,807
December	62,397	64,734	60,450	65,426
January	59,279	60,519	57,382	59,932
February	54,337	58,036		57,443
March	66,402	73,171		72,610
TOTAL	**803,605**	**802,631**	**660,269**	**803,498**

* there has been some minor re-alignment of the profile since the first detailed monitoring report for 2007-08 to reflect outstanding data received from a number of district councils



Comments:

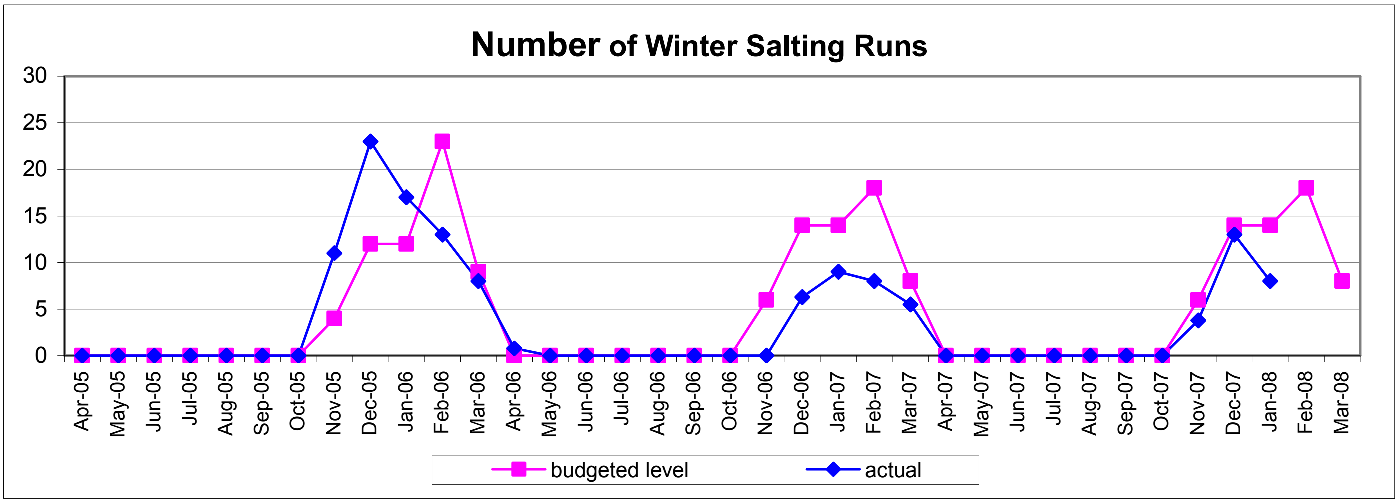
- Tonnage has declined slightly from last year. Also the expected volume to be put through the Allington WtE Plant is significantly below expectation. As, in the early years, the cost of Allington processing is higher than standard Landfill, the budget benefits from reduced costs. So, even if the total tonnage to be managed was the same as last year, there would still be an under spending on the budget, all other things being equal.

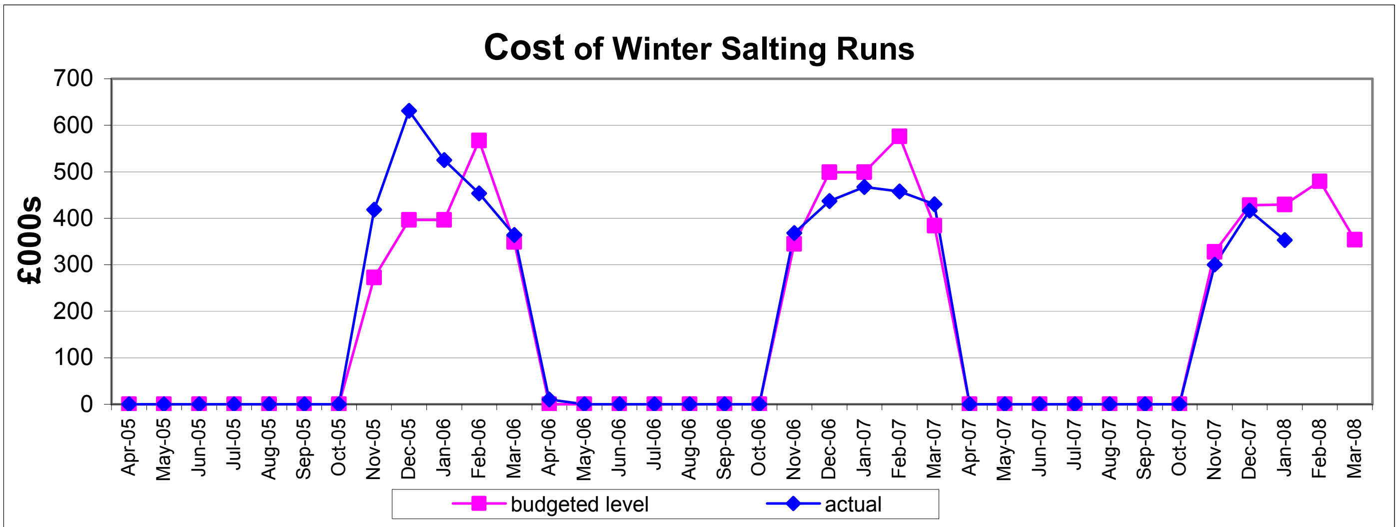
- The target tonnage profile has been amended slightly since the first detailed monitoring report for 2007-08.

2.2 Number and Cost of winter salting runs:

	2005-06				2006-07				2007-08			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual	Budgeted level	Actual	Budgeted level	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level [2] £000s
					£000s	£000s						
April	-	-	-	-	0.8 [1]	-	10	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-	-	-
November	11	4	418	272	-	6	368	345	3.8	6	300	328
December	23	12	631	396	6.3	14	437	499	13	14	416	428
January	17	12	525	396	9.0	14	467	499	8	14	353	429
February	13	23	453	567	8.0	18	457	576		18		479
March	8	9	364	349	5.5	8	430	384		8		354
TOTAL	**72**	**60**	**2,391**	**1,980**	**29.6**	**60**	**2,169**	**2,303**	**24.8**	**60**	**1,069**	**2,018**

Note [1]: only part of the Kent Highways Network required salting
Note [2]: the 2007-08 budget excludes overheads, as these are now charged centrally



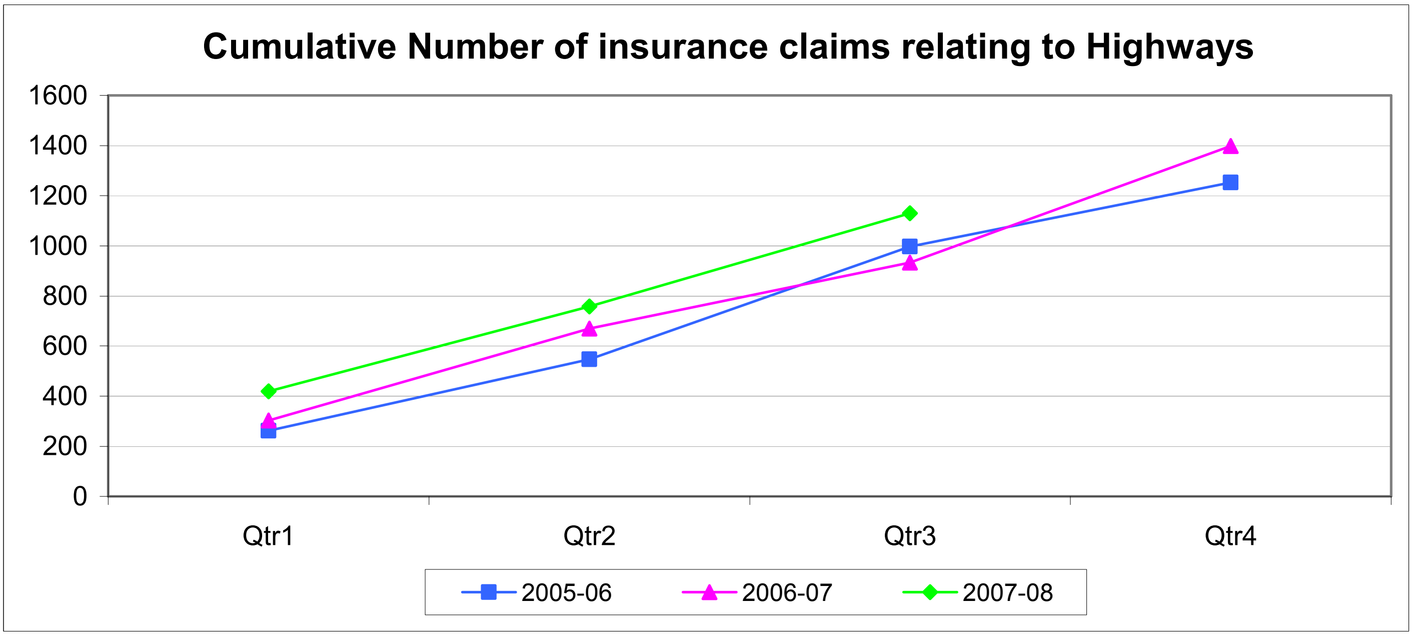


Comment:

- The charges for the Winter Maintenance Service reflect a large element of fixed cost; the smaller element being the variable cost of the salting runs. 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**:

	2005-06	2006-07	2007-08
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	263	303	419
July – September	547	669	758
October – December	997	933	1,130
January - March	1,252	1,398	



Comments:

- The increase in claims between 2005-06 and 2006-07 appears to reflect a national trend. Nearly all other county councils in South East England have reported a similar rise in 2006. Carriageway claims are starting to increase and this may be evidenced by the relatively high figure for the first three quarters of this financial year.

COMMUNITIES DIRECTORATE SUMMARY
JANUARY 2007-08 FULL MONITORING REPORT

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" i.e. 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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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							
Turner Contemporary	885	-82	803	234	-234	0	Increased grant from Arts Council and expenditure on activities
Kent Drug & Alcohol Action Team	15,165	-13,438	1,727	976	-1,004	-28	Increased income from NTA and expenditure on Stonehouse PFI
Youth Offending Service	5,613	-1,889	3,724	1,017	-927	90	Additional income from prevention grant & partners & associated expenditure
Adult Education	12,667	-13,213	-546	1,097	-267	830	Non delivery of surplus, additional grant and contract income with associated expenditure, and loss of tuition fee income
Cultural Development	1,404	-225	1,179	38	102	140	Ongoing impact of the loss of EU grants which have supported unit budget since restructuring in 2003/04
Libraries, Information & Archives	26,069	-2,787	23,282	-152	-98	-250	Directorate savings & book fund purchases funded from developers contributions.
Dover Discovery Centre	383	-383	0				
Sports, Leisure & Olympics	1,128	-312	816	1,180	-1,203	-23	External grants and directorate savings.
Youth Services	9,092	-1,570	7,522	-23		-23	Directorate savings
Key Training	4,000	-3,865	135	7	-134	-127	Bonuses on European Social Fund projects
Kent Community Safety Partnership	4,706	-134	4,572	-86	75	-11	Directorate savings
Contact Centre	4,877	-1,921	2,956	-299	266	-33	income shortfall due to reduced CDSE activity & directorate savings
Coroners	2,089	-322	1,767	255	-49	206	Mortuary & specialist fees, pay award & income from Medway
Emergency Planning	753	-172	581	-41	30	-11	Directorate savings

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Scientific Services	1,575	-1,578	-3	-81	36	-45	Directorate savings
Registration	4,242	-2,452	1,790	123	-188	-65	Accommodation expenditure & additional fee income
Trading Standards	4,432	-485	3,947	64	-93	-29	Directorate savings
Policy & Resources	1,456	-97	1,359	2	-8	-6	Directorate savings
Centrally Managed directorate budgets	75	-1,738	-1,663	-418	633	215	Deficit rollover from 06-07, unachieved vacancy savings, DSG and draw down from reserves
Total Communities controllable	**100,611**	**-46,663**	**53,948**	**3,893**	**-3,063**	**830**	
Original Turner Contemporary				300		300	
Total	**100,611**	**-46,663**	**53,948**	**4,193**	**-3,063**	**1,130**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Turner Contemporary – The latest forecast gross expenditure and income on Turner Contemporary are £234k more than the cash limit. The additional income includes £200k secured from the Arts Council to support activities on Turner Contemporary. The additional expenditure relates to these activities.

1.1.3.2 Kent Drug and Alcohol Action Team – The latest forecast gross expenditure is £976k more than the cash limit and income is £1004k more than cash limit giving a net under spend of £28k. The net under spend represents the service's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends in other services within the directorate.

The main reason for the variation in expenditure and income is £900k received from the National Treatment Agency to support the Stonehouse PFI project which provides 16 in patient de-toxification beds in a dedicated facility in Dartford.

1.1.3.3 Youth Offending Service – The latest forecast gross expenditure on YOS is £1.017m more than the cash limit and income is £927k more than cash limit giving a net overspend of £90k. Earlier forecasts identified that the net pressure was due to anticipated placement of offenders in secure accommodation following decisions by the courts. As the year has progressed there have been fewer placements in secure accommodation than we had forecast and this pressure has been resolved. Nonetheless, decisions by courts remain an unavoidable pressure for the service requiring a contingency in future year's budgets. However, a net £90k overspend is still being reported as since the last quarter's report we have identified unbudgeted office accommodation charges that have to be paid.

The main reason for the variation in expenditure and income is £566k Prevention Grant secured from the Youth Justice Board that was not included in the original budget. The remainder of the variances arise from expenditure on the head office and area teams and specific projects, which is offset by increased contributions from partners and funding for specific projects that were not included when the original budget was set. The staff element is £300k as when budgets have been set in the past the element of staff costs funded from partners has not been included as partner's additional contributions had not been finalised in time.

1.1.3.4 Adult Education – The latest forecast gross expenditure on the AE service is £1,097k more than cash limit, income is £267k more than the cash limit giving a net over spend of £830k which can be attributed to the difficulty the service has faced to deliver the challenging target to generate a £500k surplus in 2007/08 to fully repay the loan from Finance portfolio used to cover the deficit in 2006/07, the significant loss of tuition fee income due to lower than anticipated take-up of courses which cannot be fully offset by reducing expenditure on course provision, and the additional costs associated with restructuring and premises reorganisation. All the other variances represent matching income and expenditure and have no impact on the net costs.

The major reasons for the variances are by and large as previously reported and include:

- *Immigration Service* – The budget included the removal of the previous contract for the prisons service which came to end in July 2006 and transferred to the voluntary sector. Following a review the service has retained the provision of education services to the Immigration Service effective from April 2007. The revised forecast includes planned income of £381k and expenditure of £340k under this contract.
- *Business Development* – since the budget was agreed the AE service has adopted a new strategy towards business development and has employed a business development manager with a remit to generate more than twice as much income (£260k) than the annual salary and running costs (£120k).
- *LSC Formula Grants* – The service has received £230k more in its final settlement from the LSC for Adult and Community Learning (ACL) and Further Education (FE) than expected when the budget was set. Some of this additional funding has to be spent on particular activities e.g. £161k additional guided learning hours for Family Language, Literacy and Numeracy (FLLN) and Family Learning (FL) programmes. The service is facing the loss of Information and Guidance grant and clawback on LSC grants for 2005/06 and 2006/07 which collectively reduce grant income by £117k.
- *Tuition Fees* – The budget included proposed changes to the fee and concession structures which would have increased total fee income by £133k but these have not been fully implemented as they were deemed not necessary in light of the other changes in income and expenditure. The budget also included an increase in the yield from tuition fees due to increased enrolments and charges. We are forecasting a further shortfall on tuition fees of £568k due to lower than anticipated take-up of courses in September. Enrolments in January are also slightly lower than planned but the impact is minimal as the majority of enrolments happen at the start of the academic year in September.
- *Staff Restructure & Redundancies* – The restructuring of the service in response to reductions in LSC funding has resulted in significant redundancies in 2006/07 and 2007/08. It was agreed that up to £240k would be funded from a corporate reserve. In 2007/08 the service is estimating redundancy costs of £176k of which only £95k can be funded out of the remainder of the £240k available leaving a net pressure of £81k. There is also a pressure of £15k resulting from delays in implementing the new arrangements resulting in an overall net pressure in 2007/08 of £96k.
- *Projects* – these include a number of projects that were not finalised at the time the budget was set that attract external funding increasing income (£161k) and expenditure (£104k).
- *Neighbourhood Learning and SIP* – The original budget included contributions of £135k towards the cost of these programmes which we no longer expect to receive. There has been a one-off contribution from the roll forward of Finance Portfolio under spend from 2006/07 towards the deficit carried forward from the 2006/07 programme but the service has to cover the ongoing cost of the programme within its overall income from 2007/08 and beyond without receiving these additional contributions.

1.1.3.5 Cultural Development Unit – The latest forecast spending is £38k more than cash limit, income is £102k less than cash limit, giving a net overspend of £140k. We had previously identified a shortfall of £100k on the Arts Unit budget due to the loss of income from EU grants. This will be addressed through a staff restructuring which will take effect in 2008/09. It was agreed to exclude the small team that produces audio visual resources for schools on a trading basis from the restructuring even though it was identified that the team is not fully recovering its costs from sales of audio visual materials to schools. The additional £40k overspend reflects this deficit on trading activities. We are seeking to outsource this venture and we have had some encouraging expressions of interest.

1.1.3.6 Libraries and Archives – The latest forecast spending is £152k less that the cash limit, income is £98k more than the cash limit giving a net under spend of £250k. The main contributing factor to the under spend is £100k savings being achieved by slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends in other services within Communities.

The service has faced diminishing income from the rental of audio visual materials. The service undertook a thorough review and concluded that they could significantly increase issues if they focussed on the more specialist areas, offered loans for longer periods and reduced the cost of loans. This review resulted in a revised income projection of £701k against a budget of £821k. Although the graph and statistics in section 2.3 indicate we are falling short of this revised projection, the income for quarter 3 is incomplete as a number of districts missed the deadline for banking December income over the Christmas period which meant it was not included in January reports. This income has now been banked and will be reflected in February reports. The service is confident they will still deliver the revised income projection resulting in £120k overspend. This will be offset by a combination of additional income from other sources not included in the original budget and a further reduction in spending on consumables. The income forecast also includes £60k of developer contributions which will be used to fund the cost of new library stock purchases in response to housing developments.

1.1.3.7 Sports, Leisure and Olympics – The latest forecast spending is £1.180m more than the cash limit and income £1.203m leaving a net under spend of £23k representing the unit's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends elsewhere within Communities.

The main sources of the additional income are grants from Sport England £300k, Regional Sports Board (RSB) of £250k, and the balance from a range of other bodies. Additional expenditure includes £113k on community sports coaches and £250k on staff and running costs associated with RSB grants.

1.1.3.8 KEY Training – The service has secured an additional £127k grant from the European Social Fund which was not included in the original income budgets. This relates to bonuses received on closure of ESF funded projects through the LSC where expenditure has already been incurred resulting in a net under spend in 2007/08.

1.1.3.9 Contact Centre – The latest forecast expenditure is £299k less than the cash limit and a shortfall in income of £266k leaving a net under spend of £33k representing the unit's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends elsewhere within Communities.

The main reason for the reduced income is due to lower than anticipated activity for Consumer Direct South East (CDSE), as demonstrated by the graph and statistics in section 2.1. This service is provided under a contract with Trading Standards South East Ltd (TSSL) which receives grant from the Office for Fair Trading. Under the contract CDSE receives funding according to the number of calls received. The income received is £249k less than budgeted. The service has made some savings on staff and other running costs but to achieve a balanced budget is drawing down £172k from reserves established to cover trading fluctuations.

1.1.3.10 Coroners Service – The latest forecast spending is £255k more than the cash limit, income is £49k more than cash limit giving a net overspend of £206k. The single major reason for this over spend is the increased cost of mortuary fees (£107k). This pressure arises from a number of factors including more referrals by doctors following the Shipman report, above inflation fees being charged by NHS hospital trusts for post mortems, and the cost of the transfer of bodies from Maidstone to Medway following the closure of the mortuary at Maidstone hospital. We have renegotiated these fees reducing the pressure from earlier forecasts. The service is also facing a pressure of £60k for other specialist fees due to increased referrals.

The Coroners pay award for 2007-08 (finally settled in November 2007) worked out to a 10.775% increase. This quarter's forecast includes the impact of the award which results in a £40k additional pressure on staff costs. We have negotiated an increase in contributions from Medway Council to reflect their share of the pressures and intend to draw up a more formal agreement to cover inflationary and demand increases. This will generate an extra £49k income.

1.1.3.11 Registration Service – The latest forecast spending is £123k more than the cash limit and income £188k leaving a net under spend of £65k.

The main reason for the additional spending is £126k on premises as a result of property acquisitions/lease renewals in previous years not reflected in the budget. The service is also spending £67k on the new Ceremonies and Registration Appointment system (CARA) that was not included in the budget and is saving on planned expenditure on enhancements to records storage facilities at the Tunbridge Wells office of £70k which needs to be included in the modernisation of assets programme in the capital budget for 2008/09.

The additional £188k income arises from a higher yield from charges for wedding and citizenship ceremonies than budgeted.

1.1.3.12 Centrally Managed Budgets – The centrally retained budget includes day to day buildings maintenance, income from DSG and recharges to AE, deficit rollovers on Coroners and Policy from 2006/07 and other issues that arise during the year. The deficits rolled forward amount to £221k and a number of one-off issues of £82k have arisen. To balance these we have undertaken a review of all the reserves and have identified £303k in reserves that could be drawn down if other savings cannot be achieved.

The Dedicated Schools Grant includes the allocation of £562k of income for services provided to schools in Libraries, Community Safety, Youth Service and Contact Centre which can be funded from the grant. The total income budget identified through the MTP is £782k. We have investigated our ability to charge individual schools for services but concluded this is not feasible. This leaves a residual pressure of £220k on the central budget which we have resolved from under spends in other services within Communities.

1.1.3.13 Mediation and Litigation on Original Turner Gallery – The directorate is forecasting expenditure in 2007/08 of £300k on legal and other professional fees related to the claim against the architects and their professional advisers responsible for the original design of the Turner Gallery in Margate. The basis of KCC's claim is that the architect and their advisors were negligent in substantially under estimating the costs of constructing a steel structure to be based in the sea. If we are successful the £300k costs involved in preparing our case would be recovered but it is unlikely this will now be resolved this year.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	KDAAT Costs associated with Stonehouse PFI supported by additional NTA funding	+900	CMY	KDAAT NTA income for Stonehouse PFI	-900
CMY	AE loss of Tuition Fees	+568	CMY	YOS Prevention Grant Income	-566
CMY	YOS Prevention Grant Expenditure	+566	CMY	AE Income for Immigration Contract	-381
CMY	AE Immigration Contract Expenditure covered by increased income	+340	CMY	Central draw down from reserves	-303
CMY	Expenditure on mediation and litigation on original Turner Gallery	+300	CMY	Sports - Grant income from Sports England	-300
CMY	YOS share of staff costs funded from Partner contributions	+300	CMY	Increased partner contributions for YOS	-300
CMY	Sports - RSB acitvity expenditure supported by income	+250	CMY	AE Business Development Income	-260
CMY	CDSE income shortfall due to reduced calls	+249	CMY	Sports - RSB income to support activities	-250
CMY	Rolled forward deficits form 2006/07	+221	CMY	Additional LSC AE Formula Grants	-230
CMY	Services chargeable to Dedicated Schools Grant	+220	CMY	Turner ACE Grants to support activities	-200

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Expenditure on Turner Contemporary Activities supported by ACE Grant	+200	CMY	Registration Fees from weddings and citizenship ceremonies	-188
CMY	Increased guided learning hours for Family and Lifelong Learning in AE	+161	CMY	CDSE draw-down from reserves	-172
CMY	Neighbourhood Learning & SIP	+135	CMY	AE Project grants	-161
CMY	AE fee and concessions policy revisions not implemented	+133	CMY	Key Training bonuses on European Social Fund grant	-127
CMY	Registration premises leases	+126	CMY	Libraries & Archives savings from reduced expenditure on non staffing budgets	-100
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	Libraries & Archives underachievement of AV income	+120			
CMY	AE loss of Information & guidance grant and clawback of LSC grants from 2005-06 and 2006-07	+117			
CMY	Sports - project expenditure on community sports coaches	+113			
CMY	Coroners Mortuary fees	+107			
CMY	AE project expenditure covered by increased income	+104			
CMY	Arts unit reduction in grant income	+100			
		+5,450			-4,438

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

We have reviewed the YOS budget and tackled a number of issues relating to staffing and premises budgets, and income from partners. We have identified some unbudgeted expenditure for accommodation recharges which can be covered by under spends in other services within Communities. The Youth Offending Service will make provisions for these recharges within 2008/09 budget through reductions elsewhere. The budget for secure accommodation for young offenders sentenced by courts remains the only area for outstanding concern although the 2008-11 MTP includes provision for a £100k contingency for this.

The Adult Education service has undertaken a major restructuring in response to a 16% reduction in LSC funding allocations and made changes to its tuition fee structure. This has resulted in the loss of nearly 70 permanent staff posts and a reduction in sessional tutor hours of over 30%. Some unforeseen one-off costs associated with the restructuring and loss of tuition fee income means the service cannot return to a balanced budget position this year and generate the necessary surplus to repay the £500k loan from the Finance portfolio allocated to cover previous year's overspends without resulting in irreparable damage to the service's reputation. Without the loss of tuition fee income due to lower than expected enrolments, the service would not have incurred the additional £330k deficit. The actions proposed to address the £500k and £330k are detailed in paragraph 1.1.7.

We have embarked on a restructuring of the Cultural Development unit. Consultation with staff and unions has taken place on the proposed structure. Four members of staff have opted for voluntary redundancy and we are currently completing recruitment to the new structure affecting the remaining 9 members of staff at risk. The savings accruing from the restructuring are needed to deliver the current MTP and will not deliver any additional savings. The cost of voluntary redundancies will be funded from the workforce reduction fund.

We have reviewed all budgets to identified areas where services can slow down expenditure on non essential non staffing budgets. Actions plans have been agreed with divisional directors and

Heads of Services and £388k of savings are being delivered to offset the significant overspends in Coroners, Cultural Development and YOS identified in previous monitoring returns. These savings will not have any impact on front line services. We have also reviewed balances held in reserves and will be using some of these to offset against overspends rolled forward from 2006-07 and unachieved staffing savings.

The budget for the Policy Unit has an underlying pressure of £300k. This mainly relates to £165k for the Asset Management Team, which when funding was disaggregated was funded from the capital programme, but latest advice from external auditors is that this can no longer be treated as capital expenditure. We have been able to contain this pressure during 2007-08 by a number of factors including revising the amount of overheads recharged to externally funded services, holding vacancies longer than planned and identifying other revenue expenditure which can be charged to capital.

1.1.5 **Implications for MTP**:

The pressures on Coroners and YOS for secure accommodation are imposed outside the direct control of the authority and are reflected in the MTP as additional pressures.
The restructuring of the Cultural Development Unit is also reflected in the MTP through reduced income and expenditure following restructuring. The cost of ongoing early retirement payments arising from this restructuring have also been included in the MTP.

The repayment of the £500k loan to cover the 2006/07 deficit on the AE service is proposed to be rolled forward and is reflected in the MTP as £250k surplus in each of 2008/09 and 2009/10. The additional pressure to restore the AE base budget to a net zero to offset the £500k taken out of the base in 2007/08 is also reflected.

The underlying pressure in the Policy Unit mainly relates to costs that can no longer be charged to capital. We will resolve this by identifying revenue expenditure on IT upgrades and other asset enhancements which can be charged to capital and transfer the revenue funding into the policy unit. We will report the implications for the capital programme once we have identified the upgrade element that is integral within existing IT contracts.

The unallocated vacancy saving will be delivered through a range of further efficiency savings to be reflected as budget adjustments during the year. During 2007/08 we have achieved £388k of in year efficiency savings through slowing down expenditure on non essential non staffing budgets. We intend to make these savings base budget savings although it was not possible to include firm proposals in the MTP.

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

N/A

1.1.7 **Details & impact of proposals for residual variance**:

We will be seeking to rollover the £830k accumulated deficit on the AE service. As detailed in paragraph 1.1.5 above, the £500k loan from the Finance portfolio is now planned to be repaid across 2008-09 and 2009-10. Plans to reduce costs in order to repay this are already in place through £100k reduction in management and administration costs, £105k additional income from reviewing concessions policies and £295k additional income from tuition fees and developing new markets. Plans for the remaining £330k which represents the 2007-08 in year deficit of expenditure against income are currently being developed as part of a fundamental review of the AE service. This review will look at reducing the proportion of AE costs that are fixed in the short term (principally staff and buildings) so that the service can be more responsive to changes in student numbers (and thus fee income) and LSC funding in future.

1.2 CAPITAL

1.2.4 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Years £000s
▪ Re-phasing per 2008-11 MTP	-18,280	-3,095	+12,849	+5,894

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Communities						
Revised budget per Dec Cabinet	20,768	23,661	14,073	5,259	5,820	69,581
Adjustments:						
- re-phasing per 2008-11 MTP		-18,280	-3,095	12,849	5,894	-2,632
Revised Budget	**20,768**	**5,381**	**10,978**	**18,108**	**11,714**	**66,949**
Variance		-563	+499			-64
split:						
- real variance		-64			0	-64
- re-phasing		-499	+499		0	0
Real Variance		**-64**	**0**	**0**	**0**	**-64**
Re-phasing		**-499**	**+499**	**0**	**0**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary planning stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Now that the capital cash limits have been adjusted for the re-phasing which has been reflected in the 2008-11 MTP, there are no variances in excess of £250k.

Table 4: **CAPITAL VARIANCES OVER £250K IN SIZE ORDER**

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			0	**0**	**0**	**0**
Underspends/Projects behind schedule						
	None					
			0	**0**	**0**	**0**
			0	**0**	**0**	**0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

- Mortuaries Refurbishment – The cost of work at Medway Maritime Hospital is now confirmed and will result in a saving of £64k this year.

The true underlying variance is therefore an underspend of £64k.

1.2.6 **General Overview of capital programme**:

(a) Risks

- Adult Education at Canterbury High School – we may need to make provision for a part of any potential overspend on this project (a) if the school will not contribute the additional £160k spent last year on the project, and/or (b) if there is an over spend attributable to the adult education facility.
- Edenbridge – if the planning approval is not forthcoming this project cannot proceed. If the costs of the facility are higher than expected they will have to be met from the capital receipt. However, it is possible the capital receipt may be insufficient, particularly as £1m has been agreed to meet CFE costs in which case we will have to make provision for any overspend.

(b) Details of action being taken to alleviate risks

- Adult Education at Canterbury High School – the school are taking legal action against their professional advisors to recover the overspend and further detailed work is in hand to identify how the additional costs should, if appropriate, be shared between the school and AE.
- Edenbridge – the proposals are being developed in close co-operation with Sevenoaks planners, planning advisors and property valuers.

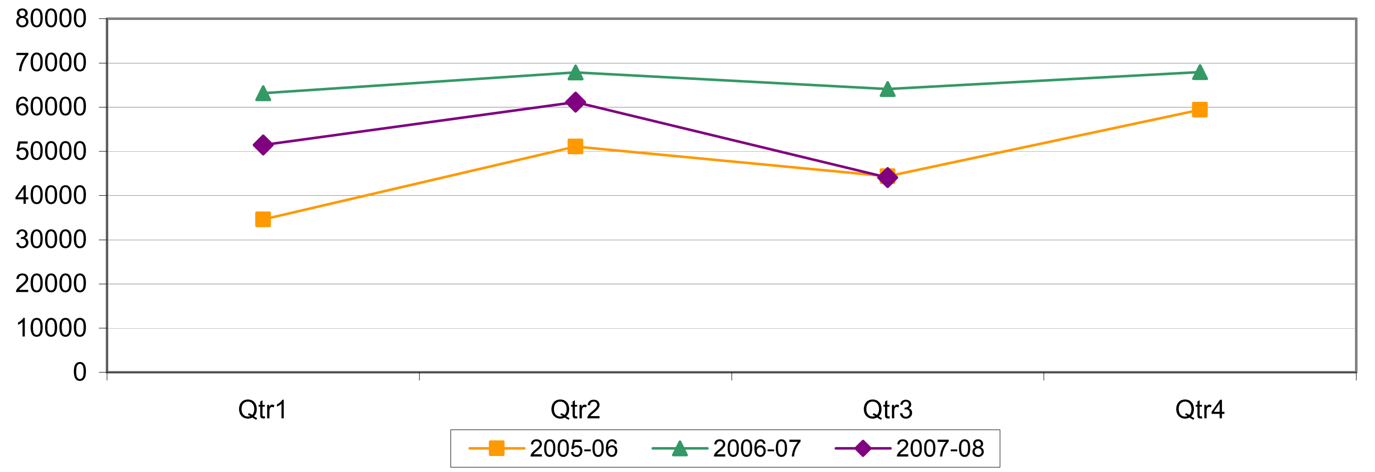
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2005-06	*2006-07*	2007-08				
			Qtr1	Qtr2	Qtr3	Qtr4	*TOTAL*
	Total for the year	*Total for the year*	01/04/07 to 30/06/07	01/07/07 to 30/09/07	01/10/07 to 31/12/07	01/01/08 to 31/03/08	*Total for the year*
Bracknell Forest	*715*	*330*	209	271	188		
Brighton & Hove	*7,116*	*5,834*	987	899	662		
Buckinghamshire	*9,006*	*4,012*	614	708	690		
East Sussex	*9,717*	*9,893*	1,843	2,047	1,705		
Hampshire	*19,105*	*12,520*	2,237	2,167	1,554		
Isle of Wight	*2,129*	*2,106*	346	446	349		
Kent	*29,074*	*21,500*	3,571	4,028	3,115		
Medway	*1,671*	*1,249*	267	358	248		
Milton Keynes	*1,037*	*671*	85	91	101		
Oxfordshire			**No immediate plans to switch**				
Portsmouth	*5,524*	*4,332*	571	547	548		
Reading	*2,582*	*2,952*	534	564	536		
Royal Borough of Windsor & Maidenhead *2	*809*		**Callers to RBWM are asked to redial CDSE direct**				
Slough	*1,826*	*1,717*	346	380	288		
Southampton	*4,680*	*3,780*	24	374	454		
Surrey	*21,660*	*19,278*	2,846	3,480	2,808		
West Berkshire	*1,503*	*1,831*	278	261	179		
West Sussex *3		*2,334*	1,441	1,257	991		
Wokingham	*758*	*648*	176	170	171		
Main English Landline *1	*60,248*	*127,064*	26,852	33,479	20,998		
Main English Mobile *1	*7,712*	*25,073*	5,398	6,677	5,520		
Calls handled for other regions	*2,532*	*6,373*	407	63	432		
Call-backs handled for other regions		*1,017*	0	407	56		
E-Mails		*8,546*	2,405	2,496	2,448		
2007-08 TOTAL			**51,437**	**61,170**	**44,041**		
2006-07 TOTAL by Qtr		***263,060***	***63,185***	***67,865***	***64,080***	***67,930***	
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
*3 – since January 2007, West Sussex calls and e-mails have been diverted to CDSE.

Total Number of Consumer Direct South-East contacts



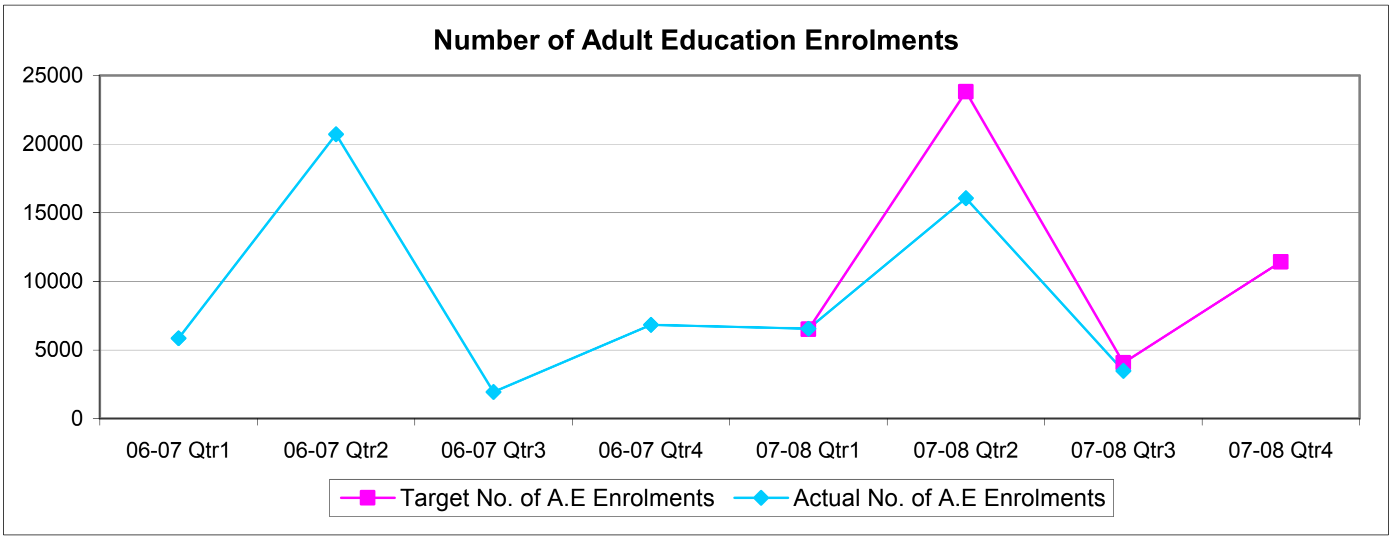
Comments

- Consumer Direct South East is funded according to the number of calls it receives. When it was established a reserve of £172k was set up to cover trading deficits. The impact of reduced call volumes means all this reserve needs to be drawn down in the current year.
- We are negotiating with Trading Standards South East Ltd (TSSL) and with partner authorities the extent to which they will cover potential trading deficits on CDSE in future. We are also working on decreasing the time taken to respond to calls

2.2 **Number of Adult Education Enrolments**:

	Financial Year		
	2006-07	**2007-08**	
	A.E Enrolments	Target	A.E Enrolments
April – June	5,849	6,501	6,567
July – Sept	20,713	23,803	16,052
Oct – Dec	1,925	4,071	3,473
Jan - March	6,829	11,416	
TOTAL	**35,316**	**45,791**	**22,619**

In previous years we have shown the number of Adult Education learners. This year we have revised the data to show the number of enrolments as this gives a better picture, as some learners enrol on more than one course. Enrolments is a better indicator of income levels than student numbers as both LSC Further Education (FE) formula grants and tuition fees are based on enrolments.



Comments:

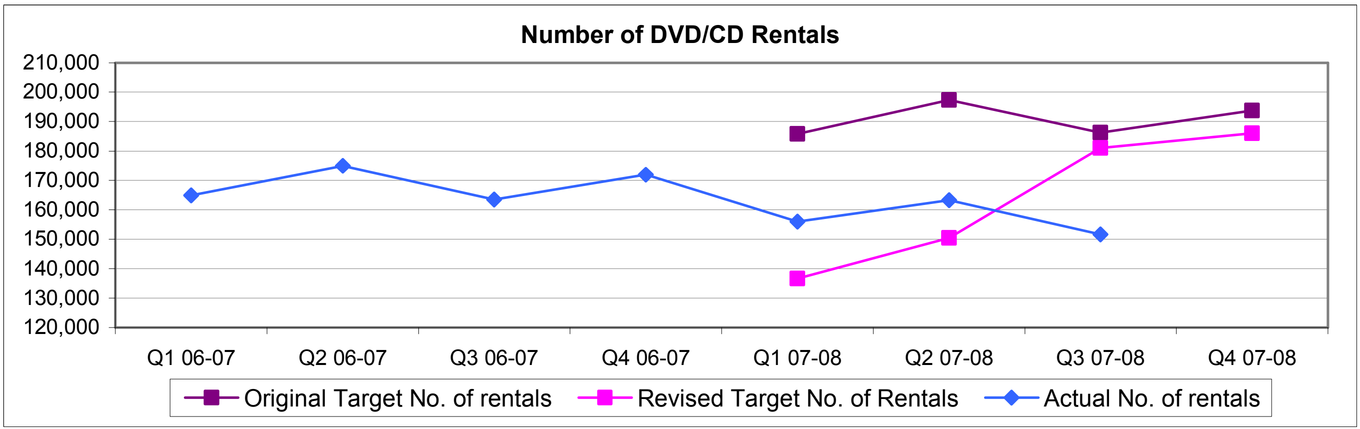
- The LSC formula grants depend partly on enrolments to courses. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year.

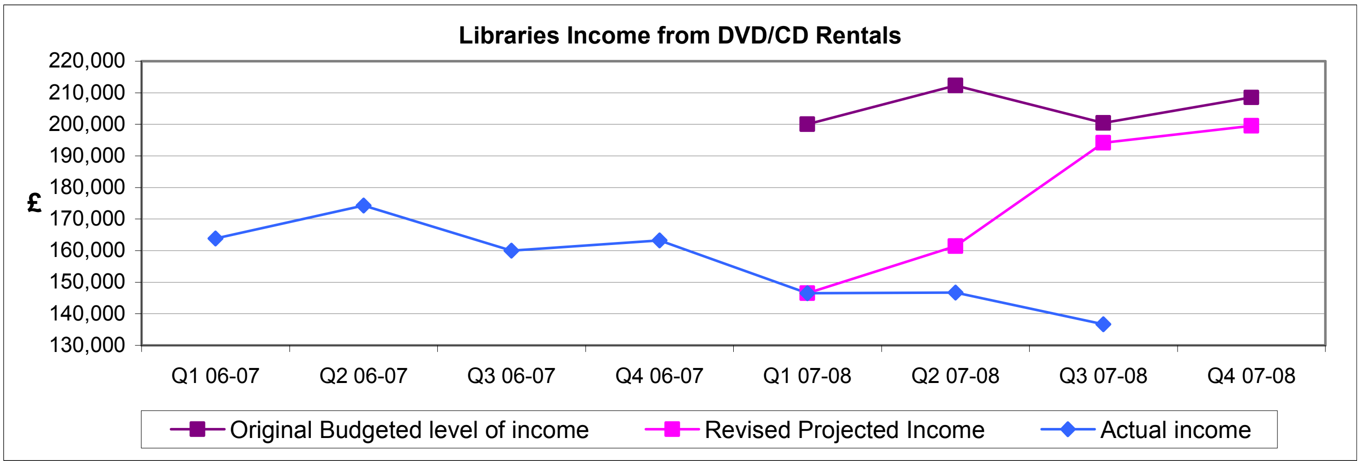
  Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life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

  The AE service has reduced expenditure on course provision as a result of lower than anticipated enrolments, however there remains a residual pressure on the AE budget which is largely as a result of a reduction in tuition fee income due to the reduced enrolments.

2.3 Number of Library Audio Visual rentals together with income raised:

	2006-07		2007-08					
	No of rentals	Income (£)	No of rentals			Income (£)		
	actual	Actual	Budgeted target	revised target	actual	budget	revised projected income	actual
April – June	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437
July – Sept	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690
Oct – Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698
Jan – March	171,979	163,269	193,700	186,000		208,500	199,458	
TOTAL	**675,367**	**661,415**	**763,000**	**654,056**	**470,838**	**821,200**	**701,381**	**429,825**





Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in monitoring reports last year
- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available. Demand for spoken word materials and DVDs has remained.
- Research undertaken by the service indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.
- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service has increased income from other sources not included in the original budget and reduced expenditure on consumables to offset the estimated loss of £120k income.
- There was an increase in the rentals in quarter 2 but the income did not increase due to the reduced cost of rentals, as detailed in section 1.1.3.6 of this annex. Although rentals appear to have declined in quarter 3 this is partly due to incomplete data from some districts due to the Christmas break and missed deadlines for returns. A compensatory increase should be seen in the final quarter's data.
- In previous reports the actual number of rentals only included those from visits to lending libraries, the rentals now also include postal loans and reference materials.

CHIEF EXECUTIVES DIRECTORATE SUMMARY
JANUARY 2007-08 FULL MONITORING REPORT

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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget and a virement of £100k to the Public Health portfolio for Healthwatch from the Financing Items savings within the Finance portfolio, as agreed by Cabinet on 3 December.

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	
OR&S (CFE) portfolio	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Works	**825**	**-825**	**0**	**284**	**-36**	**248**	Income insufficient to meet higher operational costs
Regeneration & Supporting Independence portfolio							
Supporting Independence	**604**	**0**	**604**	**0**	**0**	**0**	
Public Health portfolio							
Kent Department of Public Health	**412**	**0**	**412**	**-50**	**0**	**-50**	R/fwd of staff costs
Corporate Support portfolio							
Personnel & Development	10,141	-3,945	6,196	633	-788	-155	Costs & income of extra courses\services plus re-phasing health checks & development programmes
Information Systems	21,657	-5,782	15,875	2,797	-2,797	0	Costs & income of extra project work and services
Democratic Services	4,101	-93	4,008	92	-46	46	
Legal	4,546	-4,853	-307	1,236	-1,285	-49	Costs & income of additional work & disbursements
Corporate Management & Strategic Development	2,809	-250	2,559	-318	27	-291	Gateways, Kent TV & Whats On in Kent
Dedicated Schools Grant	0	-2,789	-2,789	0	0	0	
Total CS&H	**43,254**	**-17,712**	**25,542**	**4,440**	**-4,889**	**-449**	
Policy & Performance portfolio							
Policy & Performance	1,236	-209	1,027	75	-75	0	
Kent Partnerships	387	0	387	89	-89	0	
International Affairs Group	375	-77	298	65	-65	0	
Corporate Communications	1,528	-92	1,436	6	-6	0	
Total P&P	**3,526**	**-378**	**3,148**	**235**	**-235**	**0**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Finance Portfolio							
Strategic Management	1,619	-110	1,509	83	-83	0	
Finance Group	8,414	-3,320	5,094	45	-95	-50	Re-phasing PWC audit work
Property Group	16,612	-10,108	6,504	-145	85	-60	Underspend to contribute to PEF revenue
Total Finance	**26,645**	**-13,538**	**13,107**	**-17**	**-93**	**-110**	
Total Directorate Controllable	**75,266**	**-32,453**	**42,813**	**4,892**	**-5,253**	**-361**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

O,R&S (CFE) portfolio: despite efforts to reduce costs and increase income to achieve a sustainable position the Kent Works operation is having to report a potential net overspend of £248k this year. Actual income for services provided to schools has picked up but cost reduction has been difficult given the operation's obligations under the contract with the Learning and Skills Council.

Corporate Support portfolio:

- Personnel & Development:
  - **-£100k** will need to be re-phased into 2008/09 as there was a delayed start to the Well Being Health Checks programme.
  - variances on gross spend (**+£700k**) and income (**-£750k**) reflect the demand for additional P&D services, particularly staff care services and training courses, which are difficult to predict during budget setting

- Information Systems: variances on gross spend (**+£2.65m**) and income (**-£2.75m**) reflect the demand for additional IT services and projects, a demand which is difficult to predict during budget setting;

- Legal services;
  - variances on gross spend (**+£700k**) and income (**-£750k**) reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand;
  - variances on gross spend (**+£500k**) and income (**-£500k**) are a result of additional disbursements incurred. Costs of disbursements are recovered from clients but they are difficult to predict during budget setting.

- Corporate Management & Strategic Development: **-£130k,** relating to Kent TV, is to be re-phased into 2008-09 as the actual profile of spend can now be confirmed against the allocated funding (£1.2m gross cost over 2 years);

Table 2: **REVENUE VARIANCES OVER £100K IN SIZE ORDER**

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CS	Information Systems costs of additional services\projects	+2,650	CS	Information Systems income from additional services\projects	-2,750
CS	P&D costs of additional courses\services	+700	CS	P&D income from additional services\courses	-750
CS	Legal Services costs of additional work	+700	CS	Legal income resulting from additional work	-750
CS	Legal Services costs of additional disbursements	+500	CS	Legal Services costs of disbursements recovered from clients	-500
OR&S (CFE)	Kent Works - higher costs of on-going operation	+284	CS	Confirmed profile of Kent TV revenue spend over 2 year period	-130
			CS	Delayed start to P&D Health Checks programme	-100
		+4,834			-4,980

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

N/A

1.1.5 **Implications for MTP**:

OR&S (CFE) – The review of the Kent Works operation is not yet completed and the MTP has therefore assumed a nil net cash limit with gross expenditure matching forecast income.

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

The following projects are re-phasing into 2008-09 and therefore roll forward will be required in order to fund the completion of these projects:

Public Health Portfolio:
- -£50k to fund the continued secondment of the Health Policy Officer.

Corporate Support Portfolio:

Personnel:
- -£100k due to a delayed start to the Well Being Health Checks programme following the need to re-tender programme contract;
- -£55k relating to the Workforce and Member Development Programmes.

Strategic Development:
- -£80k relating to the delayed construction, following planning issues, of the Maidstone Gateway project which will now open in late summer 2008/2009;
- -£134k relating to Kent TV spend profile;
- -£77k relates to the setting up of the Whats On in Kent website (the responsibility for which was transferred to CED from Communities),

Finance Portfolio:
- -£50k relating to planned PWC Internal Audit activities;

Excluded from the forecast position is the Home Computing Initiative which, due to the accounting treatment, will require a scheduled overspend of £261k to roll forward into 2008/09 to be met from staff salary deductions.

1.1.7 **Details & impact of proposals for residual variance**:

The roll forward requirements exceed the available underspend due to the overspend on Kent Works. This will be addressed once the final outturn position for the Authority as a whole is known.

The Property Group net underspend of £60k is proposed to be used to reduce the amount of Property Enterprise Fund revenue overspend to be rolled forward into 2008-09 (as reported in Revenue Implications of Section 2.2).

1.2 CAPITAL

1.2.5 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Years £000s
Re-phasing per 2008-11 MTP:				
▪ Corporate Support portfolio	-1,369	356	900	2,413
▪ Policy & Performance portfolio			500	1,500
▪ Finance portfolio	-1,994	1,920	1,200	4,069

1.2.6 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Corporate Support Portfolio						
Revised Budget per Dec Cabinet	2,680	3,995	4,757	1,239	497	13,168
Adjustments:						
- re-phasing per 2008-11 MTP		-1,369	356	900	2,413	2,300
Revised Budget	2,680	2,626	5,113	2,139	2,910	15,468
Variance		-320	320	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		-320	+320	0	0	0
Policy & Performance Portfolio						
Revised Budget per Dec Cabinet		501	500			1,001
Adjustments:						
- re-phasing per 2008-11 MTP				500	1,500	2,000
Revised Budget	0	501	500	500	1,500	3,001
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Finance Portfolio						
Revised Budget per Dec Cabinet	1,103	6,527	4,344	4,079	9,185	25,238
Adjustments:						
- re-phasing per 2008-11 MTP		-1,994	1,920	1,200	4,069	5,195
Revised Budget	1,103	4,533	6,264	5,279	13,254	30,433
Variance		-598	+528	0	0	-70
split:						
- real variance		-70	0	0	0	-70
- re-phasing		-528	+528	0	0	0
Directorate Total						
Revised Budget	3,783	7,660	11,877	7,918	17,664	48,902
Variance	0	-918	848	0	0	-70

Real Variance		**-70**	**0**	**0**	**0**	**-70**
Re-phasing		**-848**	**+848**	**0**	**0**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary planning stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
FIN	Management & Modernisation of Assets	Phasing	-428			
			-428	**0**	**0**	**0**
			-428	**0**	**0**	**0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

Finance Portfolio

An underspend of -£70k on Commercial Services Vehicle, Plant & Equipment replacement is largely due to continuing the trend adopted last year of leasing vehicles rather than purchasing outright. This will be matched by a reduced contribution to their Renewals Fund.

1.2.6 **General Overview of capital programme**:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

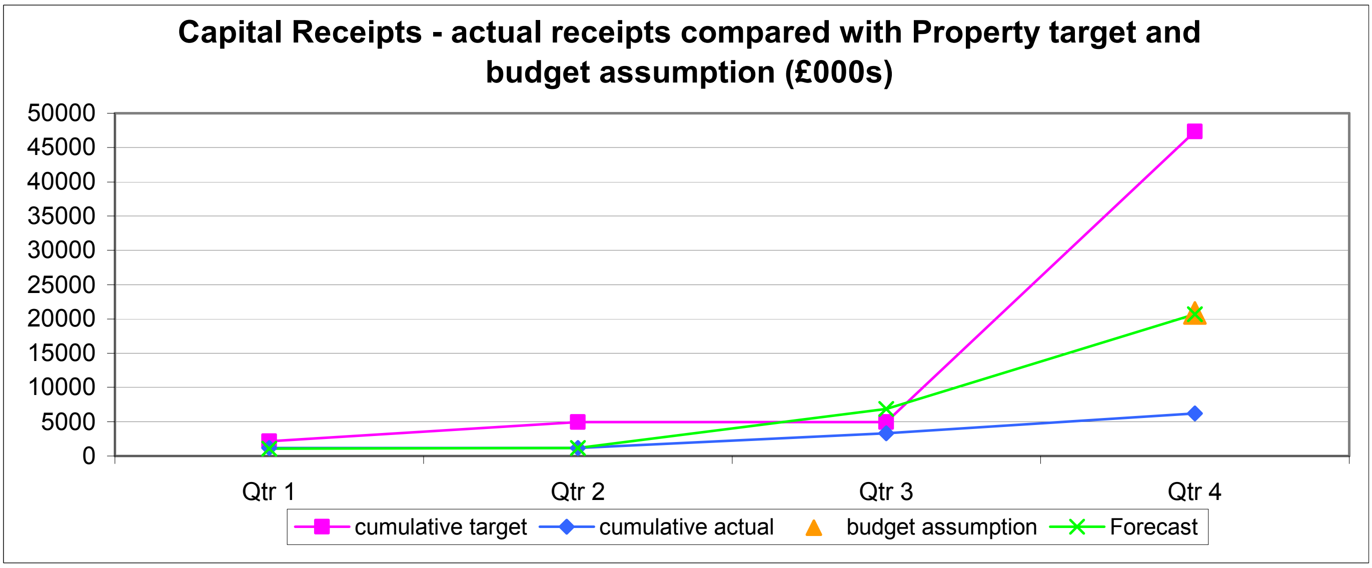
N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2007-08			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Forecast receipts £000s
April - June		2,150	1,148	1,072
July - September		4,929	1,148	1,148
October - December		4,929	3,288	6,866
January - March		47,359	***6,190	20,687
TOTAL	***20,858**	****47,359**	**6,190**	**20,687**

** figure updated to reflect revised 2007-08 budget assumption per 2008-11 MTP*
*** this target was set at the beginning of the financial year when the budget funding assumption was £52,958k.*
****actuals to 31 January 2008*



Comments:

- The table below shows a potential surplus at the end of the current year of £2,111k if all remaining receipts come in as planned. However, with the majority of the current year's receipts forecast to be delivered in the final two months of the year, there is an obvious risk that the actual receipts banked by 31 March 2008 will be lower than projected.

- The overall forecast capital receipts surplus of £11,475k shown in the table below is due to the fact that some of the spend to be funded by these capital receipts is not yet reflected in the capital programme. This is because these schemes are still at very initial stages and have not yet been worked up for inclusion in the budget.

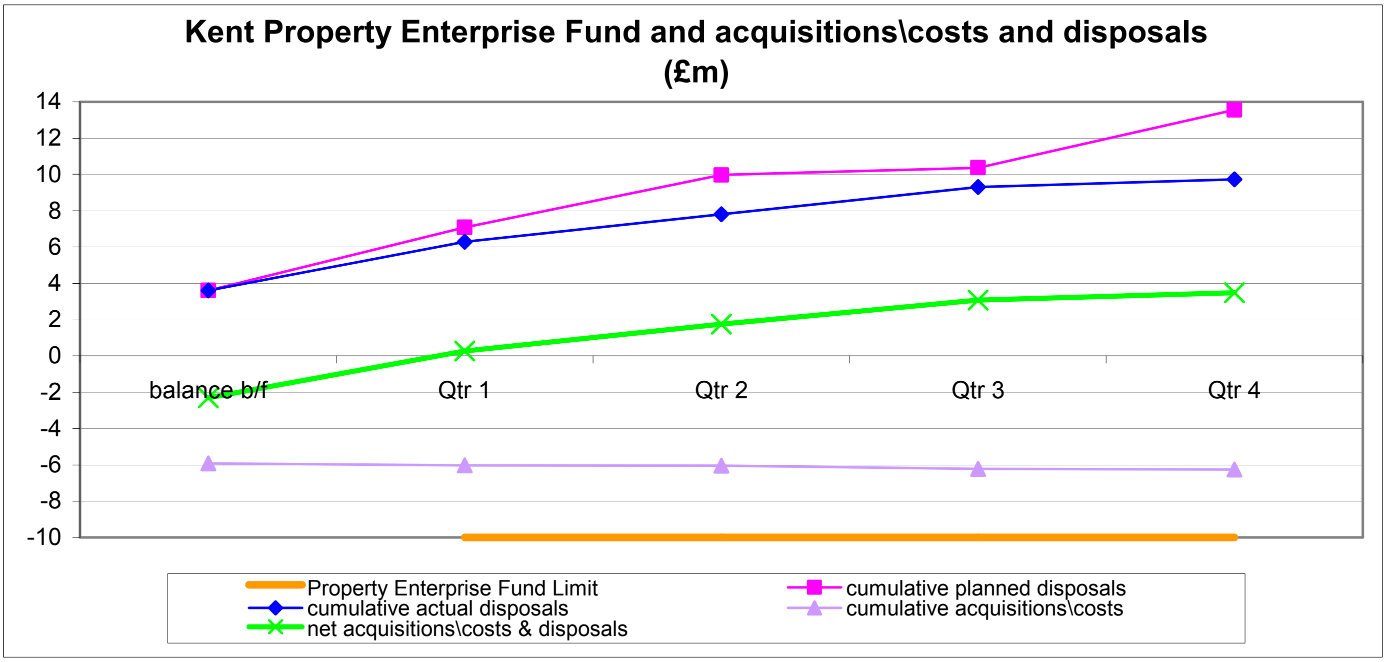
	2007-08 £'000	**2008-09** £'000	**2009-10** £'000	**2010-11** **£'000**	**Total** £'000
Capital receipt funding per 2008-11 MTP	20,858	64,635	66,100	53,167	204,760
Property Group's forecast receipts	20,687	80,556	30,050	13,500	144,793
Receipts banked in previous years for use	1,000	151	1,313	0	2,464
Receipt funding from other sources	1,282	1,051	1,575	11,400	15,308
Potential Surplus\Deficit (-) Receipts	**2,111**	**17,123**	**-33,162**	**-28,267**	**-42,195**
Sites identified by Directorates for Property to work up for disposal*		2,445	25,652	25,573	53,670
Overall Potential Surplus\Deficit (-)	**2,111**	**19,568**	**-7,510**	**-2,694**	**11,475**

* Timescale for delivery uncertain until worked up by Property Group

2.2 Capital Receipts – Kent Property Enterprise Fund:

	Kent Property Enterprise Fund Limit £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions\Costs (-) £m	Cumulative Net Acquisitions\Costs (-) & Disposals (+) £m
Balance b/f		3.606	3.606	-5.918	-2.312
April - June	*-10*	7.088	6.280	-6.013	0.267
July – September	*-10*	9.973	7.798	-6.040	1.758
October – December	*-10*	10.371	9.291	-6.210	3.081
January – March*	*-10*	13.555	9.729	-6.249	3.480

** reflects position to the end of January*



Comments:

- County Council approved 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.

  <u>Balance brought forward</u>

  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. In 2006-07, £3.065m of capital receipts were realised from the disposal of non-operation property giving a balance of £3.606m for investment. The Fund was used to acquire land at Manston Business Park. Together with the costs of acquisition and disposal, costs in the year totalled £5.864m, leaving a deficit of £2.312m to be temporarily funded from the £10m borrowing facility.

  The balances brought forward have been amended to account for receipts that have subsequently been confirmed as non-earmarked (disposals increased by £0.433m and costs increased by £0.030m).

Planned Disposals

At the start of 2007-08 Property Group identified £9.949m worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been encouraging but the market has hardened affecting the ability to achieve the original target. Property Group are now working to a revised target of **£6.875m**.

Actual Disposals

As at the end of January 2008 the Fund had realised £6.123m of capital receipts this financial year through the sale of 52 non-operational properties.

Acquisitions\Costs

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.597m**.

Other Fund Commitments

The 2007-08 revenue budget includes income of £3.3m of receipts to be generated by the Fund in the current year.

The Fund has been earmarked to provide funding of £5.4m for the Eurokent Access Road scheme in Ramsgate, Thanet. Budgeted over 2 years, the current forecast is for £0.750m in 2007-08 and £4.650m in 2008-09

Forecast Outturn

Taking all the above into consideration the Fund is expected to be in a deficit position of £0.084m by the end of this financial year.

Opening Balance – 01-04-07	-£2.312m
Planned Receipts	£6.875m
Costs	-£0.597m
Acquisitions	-
Other Fund Commitments: - revenue budget support - Eurokent Access Road	 -£3.300m -£0.750m
Closing Balance – 31-03-08	**-£0.084m**

Revenue Implications

Approximately £0.080m of low value revenue receipts are currently forecast for this financial year but, with the need to fund both costs of borrowing (£0.145m) against the overdraft facility and the cost of managing properties held for disposal (£0.194m), the PEF is forecasting a £0.259m deficit on revenue which will be rolled forward to be met from future income streams. Property Group are proposing to use a managed revenue underspend of £0.060m to reduce the PEF roll forward to £0.199m.

FINANCING ITEMS SUMMARY
JANUARY 2007-08 FULL MONITORING REPORT

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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget and a virement of £100k from the debt financing savings within the Finance portfolio to the Public Health portfolio for Healthwatch, as agreed by Cabinet on 3 December.

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 portfolio							
Contribution to IT Asset Maintenance Reserve	2,433		2,433			0	
PFI Grant		-683	-683			0	
Total Corporate Support	**2,433**	**-683**	**1,750**	**0**	**0**	**0**	
Finance Portfolio							
Insurance Fund	3,479		3,479			0	
County Council Elections	255		255			0	
Workforce Reduction	865		865			0	
Environment Agency Levy	331		331			0	
Joint Sea Fisheries	252		252			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	103,444	-6,297	97,147	11,255	-18,269	-7,014	debt restructuring, reduced level of new borrowing & increased base rates
Contribution from Commercial Services		-5,010	-5,010		480	480	delay in letting outdoor advertising contract & delays due to planning consent
Public Consultation	100		100			0	
Provision for Kent Scheme Revision	18		18			0	
Local Priorities	682		682			0	
Local Scheme spending recommended by Local Boards	722		722			0	
Local Boards - Member Community Grants	38		38			0	
Transferred Services Pensions	22		22			0	
PRG & Capital Reserves		-2,159	-2,159			0	
Income from Kings Hill		-1,000	-1,000			0	
LABGI income		-3,200	-3,200			0	
Margate's Big Event			0			0	
Kent Celebration of Youth Event			0			0	
Total Finance	**111,008**	**-17,666**	**93,342**	**11,255**	**-17,789**	**-6,534**	
Total Controllable	**113,441**	**-18,349**	**95,092**	**11,255**	**-17,789**	**-6,534**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Financing Costs:

Interest on Cash Balances

- For the majority of the year base interest rates have been higher than assumed when the budget was set and market pessimism has made investment returns higher than originally forecast.
- Longer term callable deposits have been restructured to give an improved interest return.
- Balances have increased with the receipt of grants earlier than we had profiled at the time of setting the budget.

Debt Charges

- Only £20m of new borrowing has been taken in 2007-08, compared with £104.598m assumed when the budget was set thereby saving against interest costs. In addition this new borrowing was at a lower interest rate than budgeted.
- Restructuring of £185.1m of existing debt has made further savings against the budget.

1.1.3.2 Commercial Services:

Due to delays in letting the contract for outdoor advertising and sponsorship, we will not achieve all of the expected £500k in the current year. Planning consent for the erection of signs has subsequently been required by districts, which has delayed this further. To date we have received £163k from sponsors but the majority of this is in relation to future years.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Commercial Services - outdoor advertising - delays in letting contract & further delays due to requirement for planning consent	+480	FIN	savings resulting from debt restructuring & higher investment income due to cash balances and increased interest rates	-7,014
		+480			-7,014

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

There is likely to be a draw-down from the Insurance Reserve in order to balance the Insurance Fund in the current year.

1.1.5 **Implications for MTP**:

Further savings from debt re-phasing and increasing investment income have been built into the base budget in the 2008-11 MTP.

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

N/A

1.1.7 **Details of proposals for residual variance**:

- The 2008-09 budget requires £0.638m of this £6.534m underspend to be carried forward into 2008-09 to compensate for the loss of Government Grant when the final settlement was announced.

- The pressure on Asylum will be the second call against the £6.534m underspend if we are unsuccessful with our negotiations with central Government or if these negotiations remain unresolved at the end of the financial year.
- In addition, this underspend will be required to offset the costs of mediation and litigation on the original Turner Gallery project which have been incurred within the Communities directorate. The costs involved in preparing our case are currently forecast at £0.3m. If we are successful, these costs will be recovered.
- It is also probable that we will need to offset the residual variance forecast on the KASS portfolio, otherwise this would need to be rolled forward to 2008-09. It is considered that with the increasing demands on these services, it would not be prudent to start the new financial year with a deficit to manage.

1.2 CAPITAL

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A