

BY: Kevin Lynes, Cabinet Member for Regeneration and Economic Development
David Cockburn, Executive Director Strategy, Economic Development & ICT

TO: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 24th March 2010

SUBJECT: Financial Monitoring 2009/10

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the impact of the third quarter's budget monitoring report for 2009/10 due to be reported to Cabinet on 29th March 2010.

FOR INFORMATION

1. Introduction

- 1.1 This is a regular report to this Committee on the forecast outturn for Regeneration and Economic Development as reported within Chief Executives Department budget.

2. Forecast Outturn

- 2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report.
- 2.2 The third quarter's monitoring report for 2009/10 is due to be presented to Cabinet on 29th March 2010 although it has been agreed that those POSCs which meet before the cabinet meeting can consider the content of the report which has been published the required 7 days in advance. This does mean for this POSC the budget monitoring cannot be circulated until cabinet papers have been released.
- 2.3 An extract from the annex for the Chief Executives Department pertaining to the Regeneration and Economic Portfolio is attached as appendix 1. As discussed and agreed at the last Regeneration and economic Development POSC this appendix has been renumbered from the Cabinet paper so that the paragraph numbers follow sequentially.
- 2.3 *Revenue Budget*
- 2.3.1 The portfolio cash limit for the third quarter's monitoring now includes the additional Local Authority Business Growth Incentive scheme (LABGI) income

now that this has been confirmed. The original budget only made provision for £250k due to then anticipated impact of the changes to the allocation of LABGI (which had not been confirmed at the time the budget was set). Earlier in the year we were notified that the provisional allocation was £787k and this has now been confirmed.

2.3.2 The Director for Economic Development has retained a number of posts vacant since being appointed. In the main this is to enable the division have the flexibility to realign its priorities to fit the new Regeneration Framework (and to help deliver savings agreed for 2010/11 budget). The resulting under spend together with some of the additional LABGI income has enable the division to embark on the “Kent Contemporary” campaign.

2.4 *Capital Budget*

2.4.1 An overall variance of -£2.587m is being reported for the current year’s spending. The main reasons being due to the following:

- £240k underspend on Dover Priory Station Approach as the contract has been awarded at a lower price than originally estimated
- Rephasing of £1.874m for Regeneration Fund from 2009/10 into 2010/11 as a result of more work being needed on bids
- Rephasing of £663k on the Dover Sea Change project due to slippage

3 **Recommendations**

3.1 Members of the POSC are asked to note the projected outturn for the Regeneration and Economic Development Portfolio for 2009/10 based on the third quarter’s monitoring report to Cabinet.

Background Documents:

- 1) Cabinet 29^h March 2010 – Revenue and Capital Budgets, Key Activity and Risk Monitoring

Officer Contact:

Dave Shipton
Finance Strategy Manager
Ext. 4597

CHIEF EXECUTIVES DIRECTORATE SUMMARY JANUARY 2009-10 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.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 of the executive summary.

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	
Regeneration & Economic Development portfolio							
Economic Development incl Regeneration Projects	9,406	-3,099	6,307	-36	35	-1	staffing savings offset by contribution to Kent Contemporary Campaign
Kent Film Office	101		101	6	-4	2	
Resources	384	-117	267	0	0	0	
Strategic Management	158		158	0	0	0	
Analysis & Information	931	-60	871	26	-71	-45	
Geographic Information Systems	534	-146	388	0	0	0	
TOTAL Regen & ED	11,514	-3,422	8,092	-4	-40	-44	
Total Directorate Controllable	11,514	-3,422	8,092	-4	-40	-44	
Assumed Management Action:							
- Regen & ED portfolio						0	
Forecast after Mgmt Action				-4	-40	-44	

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:

Regeneration & Economic Development portfolio:

1.1.3.1 Economic Development incl. Regeneration Projects: The staff vacancies frozen pending the arrival of the new director have been earmarked to deliver part of the savings identified in the proposed budget for 2010/11 and result in £141k under spend in this financial year which together with further one-off savings from maternity

& secondments of £125k results in a total under spend on the staff budget for the Economic Development team of £266k. This has been partially offset by a £200k contribution to a new initiative to provide £400k for the Kent Contemporary Campaign (the remainder being funded from LABGI income included within the cash limit)

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER
(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
R&ED	£200k Contribution to Kent Contemporary Campaign	+200	R&ED	staff vacancies within Regeneration	-266
		+200			-266

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

N/A

1.1.5 **Implications for MTP:**

The 2010-13 Medium Term Plan reflects the ongoing pressures on all services at the time the 2010-11 budget was produced.

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

N/A

1.1.7 **Details of proposals for residual variance:** *[eg roll forward proposals; mgmt action outstanding]*

The overall forecast position before management action as shown in table 1 is an underspend of £44k. In addition, the following bids for roll forward will be requested:

	£000s
Regeneration & Economic Development portfolio:	
• transfer of residual portfolio underspend to the Regeneration Fund	-44
	-44

This brings the Regeneration Portfolio to a break-even position.

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.

The capital cash limits have been adjusted to reflect the position reflected in the 2010-13 MTP as agreed by County Council on 18 February 2010, any further adjustments are detailed in section 4.1.

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

	Prev Yrs Exp £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	Future Yrs £000s	TOTAL £000s
Regeneration & Economic Development Portfolio						
Budget	11,295	8,532	7,455	4,230	6,222	37,734
Adjustments:						
-						0
						0
Revised Budget	11,295	8,532	7,455	4,230	6,222	37,734
Variance		-2,828	2,763	0	0	-65
split:						
- real variance		-241	+176			-65
- re-phasing		-2,587	+2,587			0
Directorate Total						
Revised Budget	11,295	8,532	7,455	4,230	6,222	37,734
Variance	0	-2,828	2,763	0	0	-65
Real Variance	0	-241	+176	0	0	-65
Re-phasing	0	-2,587	+2,587	0	0	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2009-10 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 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 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

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme £'000s	Approval to Spend £'000s	Approval to Plan £'000s	Preliminary Stage £'000s
Overspends/Projects ahead of schedule						
Underspends/Projects behind schedule						
R&ED	Capital Regeneration Fund	phasing			-1,874	
			-0	-0	-1,874	-0
			+0	+0	-1,874	+0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Capital Regeneration Fund (R&ED) – re-phasing of -£1.874m

Capital Regeneration fund has been re-phased as there are various bids in the pipeline but no spend will occur in 2009/10

Revised phasing of the scheme is now as follows:

	Previous Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		1,874	2,500	2,000	5,000	11,374
Forecast		0	4,374	2,000	5,000	11,374
Variance	0	-1,874	1,874	0	0	0
FUNDING						
Budget:						
Prudential		1,874	1,500	1,500	2,500	7,374
Capital Receipt			1,000	500	2,500	4,000
TOTAL	0	1,874	2,500	2,000	5,000	11,374
Forecast:						
Prudential		0	3,374	1,500	2,500	7,374
Capital Receipt			1,000	500	2,500	4,000
TOTAL	0	0	4,374	2,000	5,000	11,374
Variance	0	-1,874	+1,874	0	0	0

1.2.5 Projects with real variances, including resourcing implications:

Regeneration & Economic Development Portfolio

Dover Priory Station Approach -£0.240m (in 2009/10): Underspend of the regeneration capital fund allocation as this is no longer required, the main works contract award was lower than originally anticipated. The £0.176m of prudential funding has been returned to the fund for 2010-11 allocation.

Taking these into account, there is no underlying real variance.

1.2.6 General Overview of capital programme:

(a) Risks

None

(a) Details of action being taken to alleviate risks

None

1.2.7 Project Re-Phasing

Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Dover Sea Change (R&ED)					
Amended total cash limits	+1,545	+750			+2,295
re-phasing	-663	+663			0
Revised project phasing	+882	+1,413	0	0	+2,295
Capital Regeneration Fund (R&ED)					
Amended total cash limits	+1,874	+2,500	+2,000	+5,000	+11,374
re-phasing	-1,874	+1,874			0
Revised project phasing	0	+4,374	+2,000	+5,000	+11,374
Total re-phasing >£100k	-2,537	+2,537	0	0	0
Other re-phased Projects below £100k	-50	+50			0
TOTAL RE-PHASING	-2,587	+2,587	0	0	0