

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	
Localism & Partnerships portfolio							
Democratic Services:							
- core service & PAYG activity	4,408	-49	4,359	210	-14	196	Committee manager post & Members allowances
- delegated to directorates	160	-160	0	81	-81	0	Schools Appeals recharged to CFE
TOTAL Democratic Services	4,568	-209	4,359	291	-95	196	
International Affairs Group	587	-35	552	31	-31	0	
Kent Partnerships	810	-321	489	-78	116	38	£35k reduction in income & expenditure relating to Learning Skills Council. Income from Thanet for staff secondment less than budgeted.
County Council Elections	255		255	0	0	0	
Public Consultation	100		100	-41	0	-41	
Provision for Member Community Grants	852		852	0	0	0	
Local Scheme Spending recommended by Local Boards	429		429	0	0	0	
District Grants for Local Priorities	625		625	0	0	0	
Budget Managed by this portfolio	8,226	-565	7,661	203	-10	193	
Less Support Costs delegated to Service Directorates	-160	160	0	-81	81	0	Adj for Schools Appeals revised charge
Total L&P portfolio	8,066	-405	7,661	122	71	193	
Corporate Support & Performance Management portfolio							
Personnel & Development:							
- core service & PAYG activity	6,205	-5,032	1,173	578	-702	-124	Pay as you go activity. Underspends due to delays on National Crisis Leadership programme, Backing Kent Business seminars & Healthchecks.
- delegated to directorates	4,356	-4,356	0	0	0	0	
TOTAL P&D	10,561	-9,388	1,173	578	-702	-124	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Business Solutions & Policy:							
- core service & PAYG activity	9,846	-8,239	1,607	2,914	-2,919	-5	ISG pay as you go activity and EIS trading activity with Schools.
- delegated to directorates	14,410	-14,410	0	-28	28	0	KPSN adj
TOTAL Business Solutions	24,256	-22,649	1,607	2,886	-2,891	-5	
Property Group:							
- core service & PAYG activity	5,442	-4,080	1,362	393	-451	-58	Pay as you go activity.
- delegated to directorates	4,525	-4,525	0	0	0	0	
TOTAL Property Group	9,967	-8,605	1,362	393	-451	-58	
Internal Audit & Procurement Support to Directorates							
- core service & PAYG activity	286	-31	255	17	-17	0	Pay as you go activity
- delegated to directorates	754	-754	0	0	0	0	
TOTAL Internal Audit & Procure	1,040	-785	255	17	-17	0	
Legal Services	6,189	-7,037	-848	807	-1,157	-350	Increased trading activity & related costs
Corporate Communications	1,596	-94	1,502	53	-80	-27	£20k addt staff cost funded by income from EH&W. Also Increased trading activity.
Strategic Development Unit	3,567	-961	2,606	132	-78	54	Mainly increased running costs for Gateways
Strategic Management	604		604	60	0	60	
Centrally Managed Budgets	2,010	-434	1,576	156	-12	144	In year management action savings target
Contact Kent	5,108	-2,091	3,017	56	-56	0	Increased trading activity & related costs
Central Policy	566	-81	485	258	-84	174	Strengthening of team
Performance, Improvement & Engagement	570	-86	484	72	-1	71	Expenditure to develop plans for change
Kent Works	895	-895	0	112	-112	0	Increased costs & income for Health & Safety checks in Schools
PFI Grant		-630	-630	0	0	0	
Dedicated Schools Grant		-4,289	-4,289	0	0	0	
Support Services purchased from CED	4,199		4,199	0	0	0	
Budget Managed by this portfolio	71,128	-58,025	13,103	5,580	-5,641	-61	
Less Support Costs delegated to Service Directorates	-24,045	24,045	0	28	-28	0	Adj for KPSN revised charges
Total CS&PM	47,083	-33,980	13,103	5,608	-5,669	-61	
Finance Portfolio							
Finance Group:							
- core service & PAYG activity	6,178	-4,199	1,979	41	-41	0	Increased costs & recovery in Investments & Treasury
- delegated to directorates	1,706	-1,706	0	0	0	0	
TOTAL Finance Group	7,884	-5,905	1,979	41	-41	0	
Less Support Costs delegated to Service Directorates	-1,706	1,706	0	0	0	0	
Total Finance portfolio	6,178	-4,199	1,979	41	-41	0	
TOTAL CORPORATE POSC	61,327	-38,584	22,743	5,771	-5,639	132	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Public Health & Innovation portfolio							
Kent Department of Public Health	1,410	-620	790	-272	164	-108	Underspend on Publicity campaign for Healthwatch
Total Directorate Controllable	62,737	-39,204	23,533	5,499	-5,475	24	
Assumed Management Action:							
- L&P portfolio						0	
- CS&PM portfolio				-311		-311	Drawdown from reserves
- Finance portfolio						0	
- PH&I portfolio						0	
- Regen & ED portfolio						0	
Forecast after Mgmt Action				5,188	-5,475	-287	

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:

Localism & Partnerships portfolio

- 1.1.3.1 **Democratic Services:** Primary variance on gross (+£120k) is due to continuance of the Committee Manager post through to March 2010 plus other salary pressures which include three cases of maternity cover. A further (+£52k) variance is due to the part year effect of the restructuring of Members Allowances.

Corporate Support & Performance Management portfolio:

- 1.1.3.2 **Personnel & Development:** Variances on gross spend and income reflect the increased demand for additional Personnel services, mainly trading activity with Learning & Development (+£378k expenditure, -£384k income) and Schools Personnel Service (+/-£133k). Also, within Employee Services, additional external income, partly from shared HR services with District Councils at East Kent, has been offset by additional expenditure on the replacement of the telephony system (+/- £234k). There will be a request to roll forward, in accordance with the year-end guidance, underspends for:

- Healthchecks due to slow uptake of programme (-£52k);
- National Crisis Leadership programme due to delays in procuring hardware and software necessary to run the programme (-£54k) and
- seminars for Backing Kent Business (-£15k).

- 1.1.3.3 **Information Systems (Business Solutions & Policy):** Variances on gross spend (+£2914k) and income (-£2919k) reflect the increased demand for additional IT services, mainly trading activity with Schools through EIS +/-£890k and Pay-as-you-go projects +/-£1,966k (includes support to Libraries +/-£457k & Children's Centres +/-£490k). Project demand is difficult to predict during

budget setting. Within the budgets delegated to service directorates, reduced costs relating to the Kent Public Services Network (KPSN) will result in lower recharges to directorates **-/+£28k**.

- 1.1.3.4 Property Group: Variances on gross spend **(+£393k)** and income **(-£451k)** reflect increased demand for additional pay as you go services mainly within the Estates and Capital Projects teams. The resulting underspend of **(-£58k)** will be requested to roll forward to meet consultancy costs for Total Place work in the new financial year.
- 1.1.3.5 Legal Services: Variances on gross spend **(+£493k)** and income **(-£843k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand. Variances of **(+/-£314k)** is due to increased costs & their recovery for Disbursements.
- 1.1.3.6 Strategic Development Unit: There is a variance of £152k on the running costs of new Gateways in 2009/10, which is partially offset by an additional £81k contribution from partners. The costs for each Gateway are unique arising from individual negotiations and opportunities and during the year we have incurred £66k of one-off costs, such as furniture and equipment for Tenterden Gateway, workshops and multimedia campaign.
- 1.1.3.7 Centrally Managed Budgets (CMB): **(+£175k)** - In the 2009-10 approved budget there is an MTP saving for 'In year Management action'. The saving is to be met from savings and income generation opportunities which present themselves through the year. Although the savings target is held within CMB, the offsetting savings/income generation is being/will be achieved across the other budget lines. There are some compensating savings **(-£31k)** within CMB themselves.
- 1.1.3.8 Central Policy & Performance, Improvement & Engagement: Additional permanent and temporary appointments **(+£170k)** have been made within the Central Policy and Improvement & Engagement teams in order to strengthen these areas in preparation of developing plans to improve performance management and corporate assurance across KCC. These pressures have been addressed in the MTP.
- 1.1.3.9 Kent Works: **(+/-£112k)** Increased costs and income from Health & Safety checks in Schools.

Public Health and Innovation:

- 1.1.3.10 Public Health: There are underspends on the 'Mobile House' and 'Communities for Health' programmes which have both been delayed, resulting in **(+/-£153k)** reduced expenditure and income. There has also been an underspend of **(-£108k)** on the Healthwatch programme due to delayed spend on publicity which will be requested to roll-forward for a publicity and marketing campaign in the new financial year.

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
CSPM	Information Systems costs of additional pay as you go activity	+1,966	CSPM	Information Systems income from additional pay as you go activity	-1,966
CSPM	Information Systems costs of EIS additional services/projects	+890	CSPM	Information Systems income from EIS additional services/projects	-890
CSPM	Legal services cost of additional work (offset by increased income)	+493	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-843
CSPM	Property Group - Additional costs of increased PAYG activity	+393	CSPM	Property - Additional income from PAYG activity	-451
CSPM	Personnel - increased trainer costs in Learning & Development	+378	CSPM	Personnel - increased income from Learning & Development courses	-384
CSPM	Legal services increased costs of Disbursements	+314	CSPM	Legal services increased income relating to Disbursements	-314
CSPM	Personnel - increased costs of trading activity, including new telephony system for Employee Services	+234	CSPM	Personnel - Increased external income in Employee Services, partly from shared HR with DCs at East Kent	-234
CSPM	MTP saving 'In year management action'	+175	PH&I	Public Health - reduced costs for delayed Mobile House and Communities for Health programmes	-153
CSPM	Policy & PIE- Staffing costs to strengthen performance management & corporate assurance across KCC	+170	CSPM	Personnel - increased income from trading activity with Schools	-133
PH&I	Public Health - reduced income relating to delayed Mobile House and Communities for Health programmes	+153	CSPM	Kent Works - Increased Income from Health & Safety checks in Schools	-112
CSPM	Increased running costs and one-off costs of new Gateways	+152	PH&I	Public Health - underspend on Publicity campaign for Healthwatch	-108
CSPM	Personnel - increased costs of trading activity with Schools	+133			
L&P	Committee Manager post to March 2010 plus maternity covers.	+120			
CSPM	Kent Works - Increased costs for Health & Safety checks in Schools	+112			
		+5,683			-5,588

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:

The following projects are re-phasing into 2010-11:

	£000s
Corporate Support & Performance Management portfolio:	
Personnel & Development:	
• Healthchecks - due to slow uptake of programme	-52
• National Crisis Leadership programme – due to delays in procuring hardware and software necessary to run the programme	-54
• Backing Kent Business seminars	-15
Public Health & Innovation portfolio:	
• Healthwatch programme – delay in the publicity and marketing campaign	-108
	-229

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 overspend of £24k. However there is re-phasing of projects into 2010-11 of £229k as identified in section 1.1.6 above, giving an underlying pressure of £253k. In addition, the following bids for roll forward will be requested:

	£000s
Corporate Support & Performance Management portfolio:	
Property Group:	
• to meet consultancy costs for Total Place work in the new financial year	-58
	-58

This gives an underlying pressure of £311k. However, there has been an in depth review of all reserves held within CED and as a result, it is expected that enough money can be returned to revenue to cover this residual pressure.

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	2009-10	2010-11	2011-12	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Support Services & Performance Management						
Budget	10,919	15,450	22,116	16,631	18,575	83,691
Adjustments:						
- Gateways		-93	-7			-100
						0
Revised Budget	10,919	15,357	22,109	16,631	18,575	83,591
Variance		363	231	0	-56	538
split:						
- real variance		+538				+538
- re-phasing		-175	+231		-56	0
Localism & Partnerships Portfolio						
Budget	0	584	500	500	500	2,084
Adjustments:						
-						0
						0
Revised Budget	0	584	500	500	500	2,084
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Directorate Total						
Revised Budget	10,919	15,941	22,609	17,131	19,075	85,675
Variance	0	363	231	0	-56	538
Real Variance	0	+538	0	0	0	+538
Re-phasing	0	-175	+231	0	-56	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	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CSS&FM	Commercial Services VPE	real	+538			
			+538	+0	+0	+0

1.2.4 Projects re-phasing by over £1m:

Corporate Support and Performance Management Portfolio

Commercial Services Vehicles, Plant & Equipment +£0.538m (in 2009/10): The increase in expenditure on vehicles, plant & equipment will be funded by an increased contribution from their Renewals Fund.

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	
Gateway Multi-Channel Service Delivery (CSS&PM)					
Amended total cash limits	+100	+200			+300
re-phasing	-100	+100			0
Revised project phasing	0	+300	0	0	+300
Total re-phasing >£100k	-100	+100	0	0	0
Other re-phased Projects below £100k	-75	+131		-56	0
TOTAL RE-PHASING	-175	+231	0	-56	0

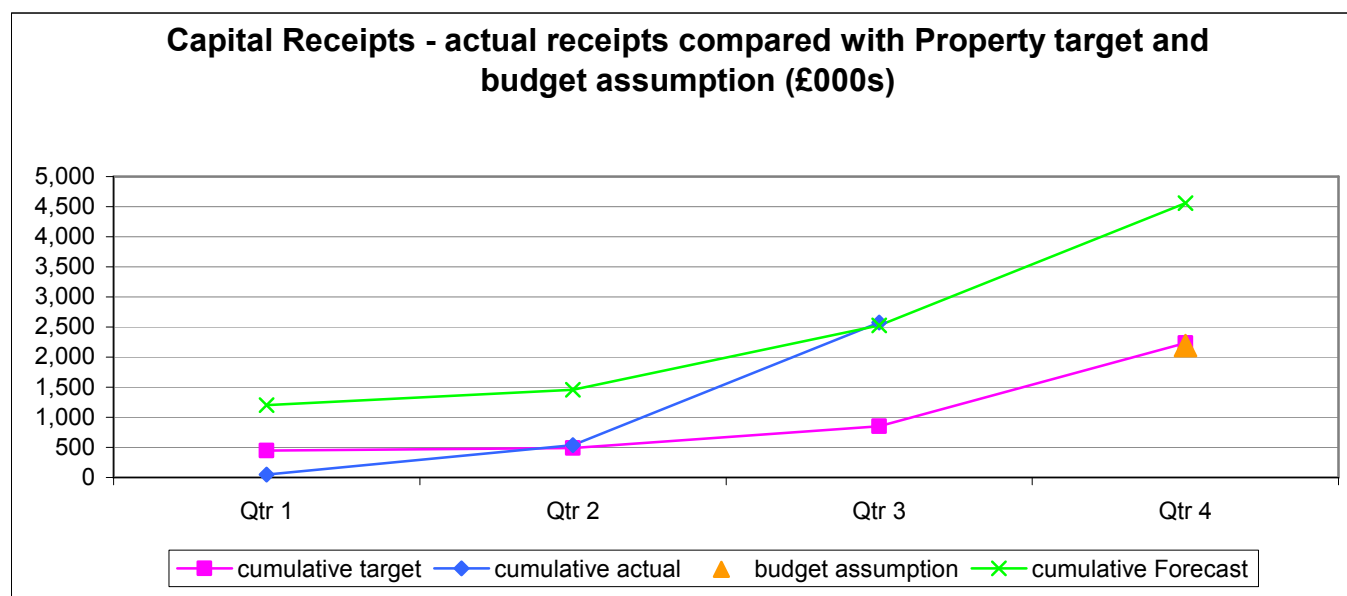
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2009-10			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Cumulative Forecast receipts £000s
April - June		447	47	1,200
July – September		492	538	1,455
October - December		850	2,577	2,524
January - March		2,235		4,559
TOTAL	*2,194	**2,235	2,577	4,559

* Budget funding has been updated to reflect proposed 10-13 Budget.

**The cumulative target profile shows the anticipated receipts for 2009-10 total £2,235k. The difference between this and the budget funding assumption is mainly attributable to timing differences between when the receipts are anticipated to come in and when the spend in the capital programme will occur.



Comments:

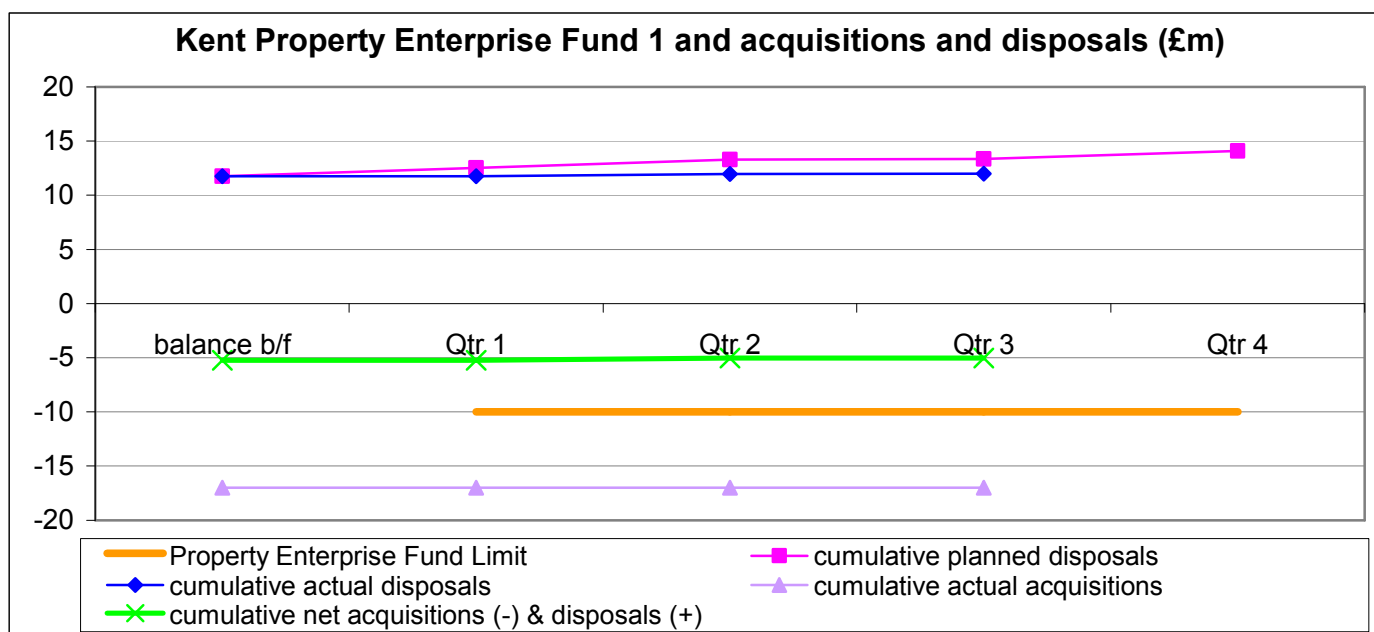
The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts that will be available to fund this. Property group are actually forecasting a total of £4.56m to come in from capital receipts during this financial year. The table below only includes those that are earmarked to fund spend in the current financial year. The rest is needed to be earmarked for spend in future years of the programme.

It is continuously challenging to provide realistic forecasts of receipts given the current economic climate.

	2009-10 £'000
Capital receipt funding per revised 2010-13 MTP	2,194
Property Group's forecast receipts	407
Receipts banked in previous years for use	787
Capital receipts from other sources	1,000
Potential Deficit Receipts	0

2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	<i>Kent Property Enterprise Fund Limit £m</i>	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		11.764	11.764	-16.999	-5.235
April - June	-10	12.529	11.771	-16.999	-5.228
July – September	-10	13.295	11.966	-16.999	-5.033
October – December	-10	13.341	11.986	-16.999	-5.013
January – March	-10	14.084			



Background:

- County Council approved the establishment of the Property Group Enterprise Fund No.1, 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.

Comments:

The balance brought forward from 2008-09 on the Property Group Enterprise Fund No. 1 was **£5.235m**.

A value of **£0.287m** has been identified for disposal in 2009-10. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 31 January 2010 disposals to date this year have been **£0.222m** from the disposal of 3 non-operational properties.

The fund has been earmarked to provide **£0.990m** for Gateways in this financial year.

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.397m**.

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £6.335m at the end of 2009-10.

Opening Balance – 01-04-09	-£5.235m
Planned Receipts (Risk adjusted)	£0.287m
Costs	-£0.397m
Acquisitions	-
Other Funding: - Gateways	-£0.990m
Closing Balance – 31-03-10	-£6.335m

Revenue Implications

In 2009-10 the fund is currently forecasting £0.020m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.382m) against the overdraft facility and the cost of managing properties held for disposal (net £0.173m), the PEF1 is forecasting a £0.978m deficit on revenue which will be rolled forward to be met from future income streams.

2.2 **Capital Receipts – Kent Property Enterprise Fund 2 (PEF2):**

County Council approved the establishment of PEF2 in September 2008 with a maximum permitted overdraft limit of £85m, but with the anticipation of the fund broadly breaking even over a rolling five year cycle. The purpose of PEF2 is to enable Directorates to continue with their capital programmes as far as possible, despite the downturn in the property market. The fund will provide a prudent amount of funding up front (prudential borrowing), in return for properties which will be held corporately until the property market recovers.

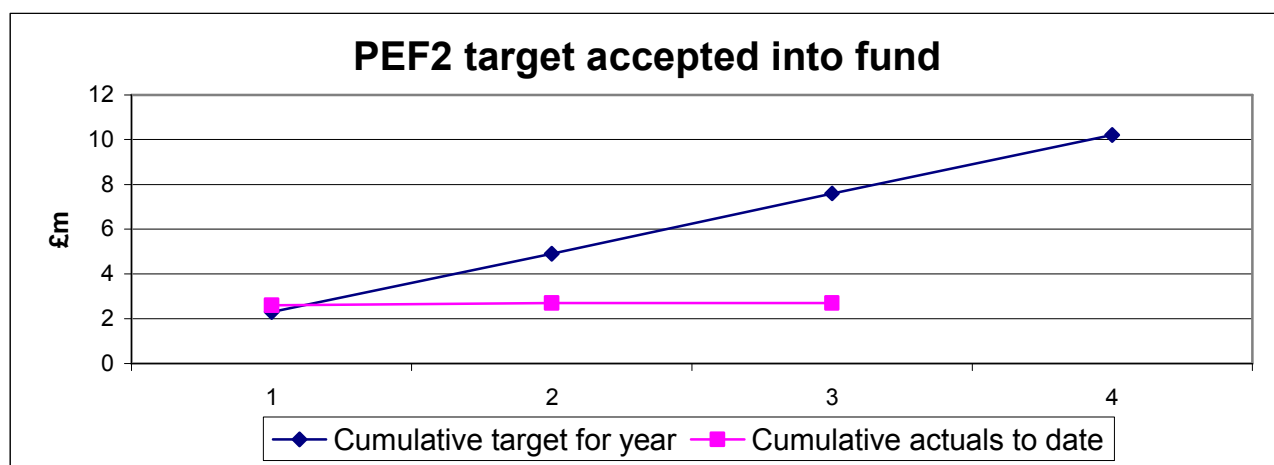
Overall forecast position on the fund

	2009-10 Forecast
	£m
Capital:	
Opening balance	-42.914
Potential receipts to be agreed into PEF2	-10.216
Forecast sale of PEF2 properties	12.696
Disposal costs	-0.635
Closing balance	-41.069
Revenue:	
Opening balance	0.000
Interest on borrowing	-1.680
Holding costs	-1.730
Closing balance	-3.410
Overall closing balance	-44.479

The forecast closing balance for PEF2 is -£44.479m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2009-10 equate to the PEF2 funding requirement in the proposed 10-13 budget book, and achievement against this is shown below:

	Cumulative target for year	Cumulative actuals to date
	£m	£m
Balance b/fwd		2.6
Qtr 1	2.3	2.6
Qtr 2	4.9	2.7
Qtr 3	7.6	2.7
Qtr 4	10.2	



Comments:

To date three PEF2 properties have been sold. The cumulative profit/(loss) on disposal to date is -£0.265m. Large profits or losses are not anticipated over the lifetime of the fund.

Interest costs

At the start of the year interest costs on the borrowing of the fund for 2009-10 were expected to total £1.77m.

Latest forecasts show interest costs of £1.68m, a decrease of £0.09m. This is due to a reduced net closing balance on the fund caused by reduced purchases and increased disposals.

Interest costs on the fund are calculated at a rate of 4%.

FINANCING ITEMS SUMMARY

JANUARY 2009-10 FULL MONITORING REPORT

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- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.
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	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & Performance Management portfolio							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
Audit Fees & Subscriptions	764		764	-62		-62	underspend on subscriptions budget
Contribution from Commercial Services		-6,460	-6,460			0	
Total Corporate Support & PM	3,116	-6,460	-3,344	-62	0	-62	
Finance Portfolio							
Insurance Fund	2,979		2,979	2,332		2,332	increase in value of provision for recorded claims outstanding
Workforce Reduction	1,498		1,498			0	
Environment Agency Levy	359		359	-20		-20	
Joint Sea Fisheries	264		264	6		6	
Interest on Cash Balances / Debt Charges	117,821	-12,769	105,052	-9,975	1,026	-8,949	Write down of discount saving from 08-09 debt restructuring; no new borrowing; reduced interest apportionments to Pension fund & schools
Transferred Services Pensions	22		22			0	
PRG	83	-2,100	-2,017			0	
Contribution to/from Reserves	-2,392		-2,392	2,709		2,709	tfr of write down of discount saving from 08-09 debt restructuring to reserves; provision for recession; drawdown of Insurance reserve to cover pressure on Insurance Fund; tfr to reserves to support 10-11 budget

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Drawdown from Kings Hill reserve	-1,000		-1,000			0	
ABG Safer Stronger Communities	1,366		1,366			0	
Original Turner Contemporary	0	0	0	6,000	-6,000	0	settlement proceeds offset by tfr to reserves of net proceeds
Total Finance	121,000	-14,869	106,131	1,052	-4,974	-3,922	
Total Controllable	124,116	-21,329	102,787	990	-4,974	-3,984	

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 Interest on Cash Balances and Debt Charges:

- There is a saving of £1.971m which relates to the write-down in 2009-10 of the £4.024m discount saving on debt restructuring undertaken at the end of 2008-09. (£0.39m was written down into 2008-09, therefore leaving a further £1.663m to be written down over the period 2010-11 to 2012-13).
- There is a £6.978m saving as a result of lower debt charges and a saving on the interest on cash balances budget. This is because:
 - We have some long term deposits unexpectedly still running which have bolstered our rate of return. Call options have been allowed for in this forecast.
 - Our cash balances were higher than we assumed in our budgeted cash flow assumptions as a result of higher grant receipts than assumed and re-phasing on the capital programme, however balances have reduced following transfers out to Fund Managers of a large amount of the Pension Fund cash for reinvestment but the reduction in interest earned as a result of this is offset by reduced interest apportionments on cash balances to the Pension Fund and schools.
 - No new borrowing has been undertaken this financial year.
 - The forecast also reflects the impact of the new counterparty policy approved by Cabinet in October, where the newly added banking groups are being utilised as fully as possible.

1.1.3.2 Insurance Fund:

A forecast pressure on the Insurance Fund, currently estimated at £2.332m, will need to be met by a drawdown from the Insurance Reserve. The £0.9m increase from the previously reported deficit of £1.4m is almost entirely due to a £1.4m increase in recorded claims outstanding which has been offset by a reduction of £0.5m in the claims settlements paid.

The reserved value of claims is steadily increasing due to an increasing volume of claims coupled with rising compensatory awards which are dictated / influenced by external factors beyond our control.

1.1.3.3 Original Turner Contemporary:

A settlement has been reached, without any admissions as to liability, regarding the original Turner project which was abandoned in 2006. The costs of this project were written off to reserves when this project was abandoned and therefore the net proceeds of this settlement will be transferred back to reserves and used to offset running costs of the Turner Contemporary in future years.

1.1.3.4 Contributions to/from reserves:

- As planned, the £1.971m write down of the discount saving earned from debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve.
- There is also a forecast contribution to the reserve of £1.5m to provide contingency against the impact of the recession on the Finance Portfolio budgets.

- £1.570m has been transferred to reserves to support the 2010-11 budget, as agreed at County Council on 18 February.
- At year end there will be a draw down from the Insurance reserve to cover the overspend on the Insurance fund, currently estimated at £2.332m.

1.1.3.5 Workforce Reduction:

It is likely that we will not need all of the Workforce Reduction budget this year. It is proposed that, in line with usual practice, any unspent balance is transferred to the Workforce Reduction reserve at year end in order to fund future costs of modernising council services which cannot be accommodated within the base budget.

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
FIN	Transfer to reserves of net proceeds from Turner settlement	+6,000	FIN	Treasury savings - lower debt charges and savings on interest on cash balances budget	-6,978
FIN	Pressure on Insurance Fund	+2,332	FIN	Original Turner Contemporary settlement	-6,000
FIN	Contribution to economic downturn reserve of 2009-10 write down of discount saving from 2008-09 debt restructuring	+1,971	FIN	Drawdown from Insurance Reserve to cover pressure on Insurance Fund	-2,332
FIN	Contribution to reserves to support 2010-11 budget	+1,570	FIN	2009-10 write down of discount saving from 2008-09 debt	-1,971
FIN	Contribution to economic downturn reserve to provide contingency for the impact of the recession	+1,500			
		+13,373			-17,281

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

N/A

1.1.5 **Implications for MTP:**

- The forecast reflects the transfer of £1.570m to reserves in order to support the 2010-11 budget.
- The 2010-13 MTP reflects an increase in funding for the Insurance fund as a result of the increasing number of claims. In addition a new way of charging KHS for highways insurance claims will be introduced from April 2010 in order to more accurately reflect the risk and reward associated with managing risk within the Highways service.

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]*

N/A

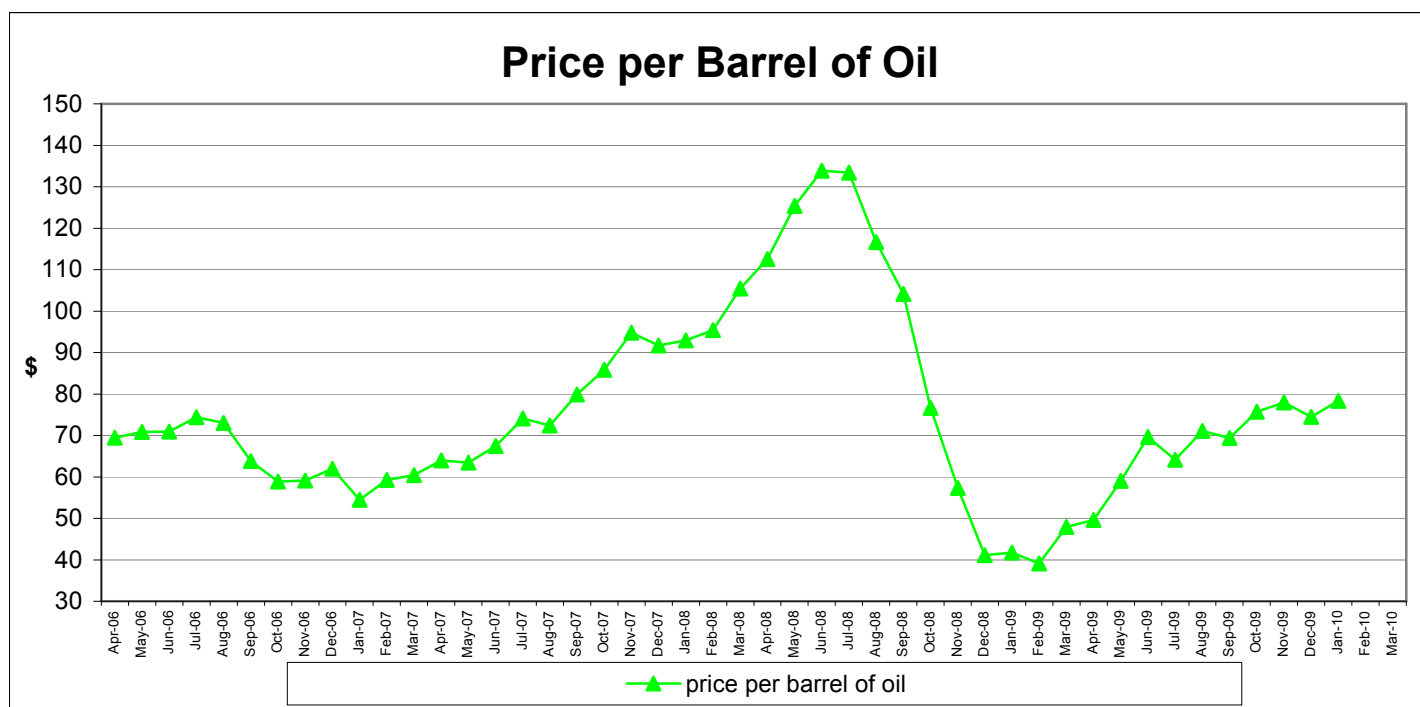
1.2 CAPITAL

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Price per Barrel of Oil – average monthly price in dollars since April 2006:

	Price per Barrel of Oil			
	2006-07	2007-08	2008-09	2009-10
	\$	\$	\$	\$
April	69.44	63.98	112.58	49.65
May	70.84	63.45	125.40	59.03
June	70.95	67.49	133.88	69.64
July	74.41	74.12	133.37	64.15
August	73.04	72.36	116.67	71.05
September	63.80	79.91	104.11	69.41
October	58.89	85.80	76.61	75.72
November	59.08	94.77	57.31	77.99
December	61.96	91.69	41.12	74.47
January	54.51	92.97	41.71	78.33
February	59.28	95.39	39.09	
March	60.44	105.45	47.94	



Comments:

- The figures quoted are the West Texas Intermediate Spot Price in dollars per barrel, monthly average price.

