

To: CABINET – 19 April 2010

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REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report is based on the monitoring returns for February and highlights the main movements since the third full monitoring report presented to Cabinet on 29 March.

2. REVENUE

2.1 The current underlying net revenue position by portfolio after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position after Proposed Management Action

Portfolio	Gross Position £m	Proposed Management Action £m	Net Position after mgmt action £m		Movement £m
			This month	Last month	
Children, Families & Education	-2.112	-	-2.112	-2.001	-0.111
Kent Adult Social Services	+0.212	-0.212	-	-	-
Environment, Highways & Waste	-0.645	-	-0.645	-0.645	-
Communities	-0.423	-	-0.423	-0.395	-0.028
Localism & Partnerships	+0.187	-	+0.187	+0.193	-0.006
Corporate Support & Performance Mgmt	-0.504	-	-0.504	-0.434	-0.070
Finance	-4.122	-	-4.122	-3.922	-0.200
Public Health & Innovation	-0.108	-	-0.108	-0.108	-
Regeneration & Economic Development	-0.059	-	-0.059	-0.044	-0.015
Total (excl Asylum & Schools)	-7.574	-0.212	-7.786	-7.356	-0.430
Asylum	+2.780	-	+2.780	+2.780	-
Total (incl Asylum & excl Schools)	-4.794	-0.212	-5.006	-4.576	-0.430
Schools	+6.000	-	+6.000	+6.000	-
TOTAL	+1.206	-0.212	+0.994	+1.424	-0.430

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of proposed management action, compared with the gross position reported last month.

Table 2: Gross Revenue Position before Management Action

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Children, Families & Education	-2.112	-2.001	-0.111
Kent Adult Social Services	+0.212	+0.580	-0.368
Environment, Highways & Waste	-0.645	-0.645	-
Communities	-0.423	-0.395	-0.028
Localism & Partnerships	+0.187	+0.193	-0.006
Corporate Support & Performance Management	-0.504	-0.123	-0.381
Finance	-4.122	-3.922	-0.200
Public Health & Innovation	-0.108	-0.108	-
Regeneration & Economic Development	-0.059	-0.044	-0.015
Total (excl Asylum & Schools)	-7.574	-6.465	-1.109

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Asylum	+2.780	+2.780	-
Total (incl Asylum & excl Schools)	-4.794	-3.685	-1.109
Schools	+6.000	+6.000	-
TOTAL	+1.206	+2.315	-1.109

- 2.3 The gross underlying revenue underspend (excluding Schools and Asylum) has increased by £1.109m this month to £7.574m as shown in table 2 above, but this is expected to increase further to an underspend of £7.786m (excluding Schools and Asylum) by year end, after assuming the implementation of management action, as shown in table 1.
- 2.4 There is £0.212m of management action outstanding, all within the KASS portfolio, but there is a risk that not all of this will be achieved. Further details of this risk are provided in section 2.9 below.
- 2.5 Table 1 identifies that even after management action, a small residual pressure remains forecast within the Localism & Partnerships portfolio but this is offset by underspending within the Corporate Support & Performance Management portfolio, both of which are managed within the Chief Executives directorate.
- 2.6 With the inclusion of the Asylum pressure of £2.780m, the overall KCC revenue position after management action is currently a forecast underspend of £5.006m as shown in table 1.
- 2.7 Table 2 shows that there has been a movement of -£1.109m in the overall gross position before management action this month. The main movements, by portfolio, are detailed below:

2.8 Children, Families & Education portfolio:

The underspend on this portfolio (excluding Asylum) has increased by £0.111m this month to £2.112m. This movement is entirely due to additional income for the Independent Sector Residential Care service following decisions made by the Joint Resources Allocation Panel on the funding for three children.

2.9 Kent Adult Social Services portfolio:

The latest forecast indicates a pressure of £0.212m, which is a reduction of £0.368m since last month. The main movements are:

- -£0.343m Older People Domiciliary Care – an increase in the underspend from £0.932m to £1.275m although £0.250m of this movement relates to expenditure funded through the Social Care Reform Grant which has re-phased into the new financial year. There has also been a corresponding drop in the amount of Social Care Reform specific grant income forecast for this year as this amount will be ‘rolled forward’ as a receipt in advance, but this is shown against the Specific Grant budget line as detailed below. The remaining reduction relates to revised estimates of domiciliary care.
- +£0.186m Learning Disability Residential Care – an increase in the pressure from £2.011m to £2.197m, of which £0.122m relates to reduced estimates of income.
- -£0.435m Learning Disability Domiciliary Care – a reduction in the pressure from £0.437m to £0.002m. Approximately £0.250m of this relates to clients who have been re-categorised by their high level of need as being in supported living type arrangements which comes under the Supported Accommodation budget line. Also a number of clients who were forecast to receive domiciliary care have instead opted to receive a direct payment, meaning a reduction of £0.094m in domiciliary with a corresponding increase in direct payments. There is also £0.086m of expenditure funded through the Social Care Reform Grant which has re-phased into the new financial year.
- +£0.250m Learning Disability Supported Accommodation – an increase in the pressure from £0.386m to £0.636m following the re-categorisation of domiciliary clients as explained above.
- +£0.094m Learning Disability Direct Payments – an increase in the pressure from £1.114m to £1.208m as a result of clients opting for a direct payment rather than domiciliary care as explained above.

- -£0.196m All Adults Assessment & Related – an increase in the underspend from £0.577m to £0.773m of which £0.1m relates to one-off expenditure funded through the Social Care Reform Grant which has re-phased into the new financial year. The remaining reduction results from revising estimates for turnover and vacancy management.
- -£0.296m Strategic Business Support – an increase in the underspend from £0.835m to £1.131m, of which £0.146m relates to one-off expenditure funded through the Social Care Reform Grant which has re-phased into the new financial year. The forecast for legal services has also reduced by £0.070m based on the latest expenditure and a revised estimate for the remainder of the year. The remaining reduction results mainly from revising estimates for turnover and vacancy management.
- +£0.582m Specific Grants – this reflects an under-recovery of income compared to budget which relates entirely to the ‘roll-forward’ of Social Care Reform grant as a receipt in advance to fund expenditure which has re-phased into the new financial year as detailed in the paragraphs above for Older People Domiciliary Care, Learning Disability Domiciliary Care, All Adults Assessment & Related and Strategic Business Support.

There are also a number of other smaller movements below £0.1m.

Although the forecast has reduced because of real reductions, primarily in staffing and support services, some risk remains that the KASS portfolio will not achieve a balanced position by year end. The current forecast still assumes reductions in the number of residential and nursing placements in line with expected trends, however recently attrition rates have been lower than expected and if this continues it will impact on the forecast. In addition to this, although the numbers of frail people over 65 being admitted into residential care are generally not increasing, those being admitted with dementia are increasing, and these placements are at a higher cost. In the past couple of months there seems to be an increasing trend of clients presenting themselves for residential or nursing care who are former self funders. This appears to be the case with both Older People and Mental Health, we are unsure at this stage whether this will be an ongoing trend.

Other authorities are continuing to approach KASS regarding the costs of Learning Disability cases, which they deem should fall upon Kent due to the client being “ordinarily resident” here. There is potential that further cases will be presented in the remaining few weeks of the year.

Although the KASS directorate is still committed to delivering a balanced outturn position, it is felt that the risks outlined above need to be flagged, as they could have a detrimental effect on the financial position of the portfolio.

2.10 Communities portfolio:

The forecast underspend for this portfolio has increased by £0.028m this month to £0.423m. The main movements are:

- +£0.053m Supporting Independence – in order to encourage greater uptake of the programme in 2010-11, it was decided that a series of events should take place and marketing material released to encourage employer engagement in the project. The actual and anticipated effect of this strategy has been to reduce the forecast underspend of the service by £0.053m from £0.480m to £0.427m.
- -£0.035m Registration Service – a reduction in the pressure from £0.161m to £0.126m. Ceremonial income has remained in line with the revised forecast reported last month but management action has been implemented to reduce the need for sessional staff until the year end and to extend vacancies further with a view to mitigating the pressure on the service. This, combined with other salary related revisions following the restructure of the service and a small increase in non-ceremonial income has allowed the service to reduce the pressure to £0.126m, in the hope that this upturn in non-ceremonial income will continue to increase.
- -£0.045m Youth Service – an increase in the underspend from £0.010m to £0.055m reflecting the implementation of management action to extend vacancies further and to reduce non essential training for the remainder of the financial year.

Despite the continuing pressures on the Coroners service, the portfolio is achieving a net underspend for the year and in light of this, two units the Youth Service and Adult Education, intend to contribute to a repairs and renewals reserve at the year end. This is consistent with their assumptions in the last monitoring report and indeed in the case of Adult Education, in line with their intentions throughout the year but they were prevented from doing this until the portfolio presented a balanced outturn position.

The effect of this will be that the net underspend of the portfolio will reduce, once the relevant protocols have been adhered to and agreed with Corporate Finance and the reserves have been established.

2.11 Corporate Support & Performance Management portfolio:

The forecast underspend on this portfolio has increased by £0.381m this month from £0.123m to £0.504m. The main movements are:

- -£0.311m Centrally Managed Budgets – a reduction in the forecast position from a pressure of £0.144m to an underspend of £0.167m reflecting a transfer from reserves following an in depth review of reserves held within the Chief Executives directorate. This was reflected as management action last month but we are confident that this transfer will now happen.
- -£0.045m Personnel & Development – an increase in the underspend from £0.124m to £0.169m relating to the Kent Leadership Programme, which is a five part course straddling the 2009-10 and 2010-11 financial years. Delays to the programme have re-phased the bulk of the costs into 2010-11 and therefore the underspend will be requested to roll forward to fund this re-phasing.
- -£0.022m Property Group – an increase in the underspend from £0.058m to £0.080m resulting from a delay in getting in consultants to begin work on the Total Place scheme. The underspend will be requested to roll forward to fund these costs in 2010-11.

2.12 Finance portfolio:

The underspend on this portfolio has increased by £0.200m this month from £3.922 to £4.122m as a result of lower lease costs than assumed in the budget.

3. CAPITAL

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Capital Cash Limit Adjustments

	£000s 2009-10	£000s 2010-11
1 Cash Limits as reported to Cabinet on 29th March	382,044	460,323
2 Re-phasing as agreed at Cabinet on 29th March		
Children, Families & Education (CFE)	-9,864	7,889
Kent Adult Social Services	-523	523
Environment, Highways & Waste	-5,060	11,656
Communities	-1,453	1,950
Regeneration & Economic Development	-2,537	2,537
Corporate Support Services & Performance Management	-100	100
3 Maidstone Museum - revenue funding - CMY portfolio	100	
4 Multi Agency Specialist Hubs - grant increase - CFE portfolio		10
5 Small Community projects - virement from L&P - CFE portfolio	4	
6 Gravesand Old Town Hall - increase in external funding - R&ED portfolio	291	
7 Dover Priory Station Approach - reduction in external funding - R&ED portfolio	-18	
8 Small Community projects - virement to CFE - L&P portfolio	-4	
	362,880	484,988
9 PFI	54,983	27,101
	417,863	512,089

3.2 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 4** below.

Table 4: Capital Position

	Variance	Variance	Movement
	This month	Last month	This month
Portfolio		exc re-phasing	
£m			
Children, Families & Education (CFE)	-0.726	-0.142	-0.584
Kent Adult Social Services	-0.335	-0.246	-0.089
Environment, Highways & Waste	-1.582	0.293	-1.875
Communities	-0.249	-0.121	-0.128
Regeneration & Economic Development	-1.630	-0.564	-1.066
Corporate Support Services & PM	0.451	0.463	-0.012
Localism & Partnerships	0.000	0.004	-0.004
Total (excl Schools)	-4.071	-0.313	-3.758
Schools	0	0	0
Total	-4.071	-0.313	-3.758

This month there is re-phasing of -£5.1m and a real variance of +£1.0m. £0.7m of the re-phasing and £0.4m of the real variance was reported in the previous month. The main movements this month are detailed below:

3.3 Children, Families & Education portfolio:

The forecast for the portfolio has moved by -£0.584m in 2009/10 since the last month.

- Annual Maintenance Programme (re-phasing -£0.340m): The major change is on Schools Access Initiative, which forms part of the Building Maintenance Programme; mainly due to the Hampton PS project (-£0.210m) where we are required to re tender as only two of the six contractors have responded to tender requests.
- Modernisation of Assets – The Skinners School (re-phasing -£0.200m): The re phasing of this project is a direct result of the School being unable to progress the development of their Sports Hall project this year.
- Transforming Short Breaks (+£0.112m) – there are two changes within this programme of works. Allsworth Court (+£0.057m) - additional costs are required to meet extra internal works and temporary fire escape, this has been met from the contingency fund previously showing in the 2010/11. Ashford, Wyvern Multi Agency Specialist Hub (£+0.055m) – fees had been shown post 2009/10 and have had to be re-phased.

Overall this leaves a residual balance of -£0.156m on a number of more minor projects.

Other variances affecting later years:

- Multi Agency Specialist Hubs (re-phasing +£0.006m in 2009-10, +£5.023m in 2010-11, -£1.099m in 2011-12 and -£3.930m in future years): it is expected that this programme will be delivered earlier than current phasing suggests. A review of the grant terms indicates that the programme has to be delivered by 31 March 2011.

3.4 Kent Adult Social Services portfolio:

Excluding PFI, the forecast for the portfolio has moved by -£0.089m in 2009/10 since the last month.

Overall there is a balance of -£0.089m on a number of minor projects

3.5 Environment, Highways & Waste portfolio:

The forecast for the portfolio has moved by -£1.875m in 2009/10 since the last month.

The main variances are due to projects subject to re-phasing affecting 2009/10:

- Energy and Water Investment Fund (-£0.565m): This programme includes various energy savings projects. The 2009-10 forecast last month had included some projects that will now be delayed until 2010-11; Gibson Drive lighting control (-£0.225m) due to a decision being made to carry out this project in August when the commercial services warehouse is anticipated to be less busy; and the voltage optimisation schemes (-£0.110m) due to the late processing of tenders, therefore the contracts will not be awarded before April 2010. Other delays are due to planned energy reduction works at schools that are now scheduled for the Easter break.
- Rushenden Link Road(-£0.300m): further re-phasing has been identified this month due to the wet weather conditions which has hindered the programmed earth works.
- Victoria Way Phase 1 (-£0.150m): the profiled spend for 2009-10 has had to be re-phased due to the delay in completing the voluntary negotiation land deals.
- Lydd/New Romney Household Waste Site (-£0.387m): the anticipated completion of land purchase has now re-phased into April.
- A2 Linear Park (-£0.113m): land compensation payment to farmers has been re-phased into the next financial year due to the delay by the Highways Agency transferring the land to KCC. In addition to this, there has been a delay in carrying out bridge underpass work due to the wet weather conditions.
- Salt Storage Infrastructure (-£0.175m): the spend for this project has moved to 2010-11. The salt spreader units are unlikely to be delivered to KCC depots in this financial year as planned, due to a delay by the manufacturer in completing them.

Overall this leaves a residual balance of -£0.185m on a number of more minor projects.

3.6 Communities portfolio:

The forecast for the portfolio has moved by -£0.128m since last month. Projects subject to re-phasing and overall variances affecting 2009/10 are:

- Modernisation of Assets (-£0.161m): The reduction/rephasing of this budget has various components, with the significant items being; the delay in the purchasing of a mobile library (-£0.05m), as no suitable vehicles are likely to be found prior to the year end and; the re-phasing of DDA, maintenance and asbestos works (-£0.129m) that were due to commence prior to the year end.

Overall this leaves a residual balance of +£0.033m on a number of more minor projects.

3.7 Corporate Support & Performance Management portfolio:

The forecast for the portfolio has moved by -£0.012m since last month.

Other variances affecting later years:

- Sustaining Kent – Maintaining the Infrastructure (+£0.147m in 2010-11): fully funded by a revenue contribution from Communities. Libraries wireless provision for LAN was not originally within the scope of the capital programme but has been added into other LAN procurements in order to get best value for Kent.

3.8 Regeneration & Economic Development portfolio:

The forecast for the portfolio has moved by -£1.066m since last month. The main movements are detailed below:

- East Kent Empty Property Initiative (-£0.692m): The delay is mainly due to legal documentation still outstanding on a number of agreed loans which will not be processed until 2010-11.
- Dover Priory Station Approach Road (-£0.341m): The variance is mainly due to the discovery of poor sub grade of the existing road and the requirement to reconstruct the trunk road, this has delayed the original works until 2010-11. The funding has been covered within the existing contingency.

Overall this leaves a residual balance of -£0.033m on minor projects.

3.9 Capital Project Re-phasing

Normally, 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 is reported and the full extent of the re-phasing will be shown. The tables below summarise the proposed re-phasing this month of £3.6m.

Table 5 – re-phasing of projects >£0.100m

Portfolio	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	176,016	216,202	239,240	408,678	1,040,136
Re-phasing	-422	5,451	-1,099	-3,930	0
Revised cash limits	175,594	221,653	238,141	404,748	1,040,136
KASS					
Amended total cash limits	3,824	11,358	7,857	1,488	24,527
Re-phasing	0	0	0	0	0
Revised cash limits	3,824	11,358	7,857	1,488	24,527
E,H&W					
Amended total cash limits	101,116	164,680	119,175	308,266	693,237
Re-phasing	-1,515	1,265	250	0	0
Revised cash limits	99,601	165,945	119,425	308,266	693,237
Communities					
Amended total cash limits	16,098	26,357	10,390	3,194	56,039
Re-phasing	-253	253	0	0	0
Revised cash limits	15,845	26,610	10,390	3,194	56,039
Regen & ED					
Amended total cash limits	6,268	9,992	4,230	6,222	26,712
Re-phasing	-1,242	1,242	0	0	0
Revised cash limits	5,026	11,234	4,230	6,222	26,712
Corporate Support & PM					
Amended total cash limits	15,257	22,209	16,631	18,574	72,671
Re-phasing	-147	147	0	0	0
Revised cash limits	15,110	22,356	16,631	18,574	72,671
Localism & Partnerships					
Amended total cash limits	580	500	500	500	2,080
Re-phasing	0	0	0	0	0
Revised cash limits	580	500	500	500	2,080
TOTAL RE-PHASING >£100k	-3,579	8,358	-849	-3,930	0
Other re-phased Projects below £100k	-1,485	+1,528	+48	-91	0
TOTAL RE-PHASING	-5,064	+9,886	-801	-4,021	0

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 29 March.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
CFE					
Transforming Short Breaks					
Original budget	+771	+4,220	+1,493	0	+6,484
Amended cash limits	-238	+238			0
additional re-phasing	+112	-112			0
Revised project phasing	+645	+4,346	+1,493	0	+6,484
E,H&W					
Energy and Water Investment Fund					
Original budget	+1,429	+148	+148	+338	+2,063
Amended cash limits	-487	+116	+207	+164	0
additional re-phasing	-565	+315	+250		0
Revised project phasing	+377	+579	+605	+502	+2,063
Rushenden Link Road					
Original budget	+8,781	+2,577			+11,358
Amended cash limits	-1,281	-1,508	+2,024	+765	0
additional re-phasing	-300	+300			0
Revised project phasing	+7,200	+1,369	+2,024	+765	+11,358
Ashford Future's - Victoria Way					
Original budget	+7,205	+8,876	+132		+16,213
Amended cash limits	-4,505	+4,637	-132		0
additional re-phasing	-150	+150			0
Revised project phasing	+2,550	+13,663	0	0	+16,213
CSS&PM					
Sustaining Kent - maintaining the infrastructure					
Original budget	+5,600	+3,500	+250	+750	+10,100
Amended cash limits	-3,330	+2,680	+900	-250	0
additional re-phasing	-147	+147			0
Revised project phasing	+2,123	+6,327	+1,150	+500	+10,100
Communities					
Modernisation of Assets					
Original budget	+1,970	+1,951	+1,905	+2,084	+7,910
Amended cash limits	-107	+107			0
additional re-phasing	-253	+253			0
Revised project phasing	+1,610	+2,311	+1,905	+2,084	+7,910

4. RECOMMENDATIONS

Cabinet is asked to:

- 4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2009-10.
- 4.2 **Note** the changes to the capital programme.
- 4.3 **Agree** that £3.579m of re-phasing on the capital programme is moved from 2009-10 capital cash limits to future years.