

To: CABINET – 12 July 2010

By: John Simmonds, Cabinet Member – Finance

Lynda McMullan, Director of Finance

## REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

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### 1. Introduction

- 1.1 This is the first exception report for 2010-11. It reflects our response to the recent in year revenue Government grant reductions in section 2 and section 3 identifies a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end.
- 1.2 Our response to the in year capital grant reductions is detailed in section 4 and details of issues faced within the capital programme are provided in section 5.

### 2. IN YEAR REVENUE GRANT REDUCTIONS

- 2.1 The Government recently announced the following 2010-11 revenue grant reductions for Kent:

**Table 1: Government Revenue Grant reductions**

	£000s
<b>REVENUE BASE</b>	
• Area Based Grant for CFE	6,873
• Area Based Grant for Supporting People	736
• Area Based Grant for Road Safety	608
• DoT Kickstart 2009 Specific Grant	441
• Area Based Grant for Stronger Safer Communities	132
	<b>8,790</b>
<b>REVENUE ONE-OFFS</b>	
• Performance Reward Grant (PRG)	1,326
• LABGI	750
	<b>2,076</b>
<b>TOTAL 2010-11 REVENUE GRANT REDUCTIONS</b>	<b>10,866</b>

- 2.2 As we have been prudent in our assumptions regarding our success in achieving PRG, we hadn't allocated the full expected PRG into cash limits and therefore the loss of £1,326k does not impact on our budget, it does though remove our anticipated flexibility to allocate this funding in due course. That therefore leaves a £9,540k in-year revenue grant reduction for us to address. Our response to this in-year is detailed in the table below; and was approved by the Leader in a Key Decision signed on 18 June and considered by Cabinet Scrutiny Committee on 23 June:

**Table 2: KCC proposals to address revenue grant reductions**

Proposal	£000s	Comments/Action	Impact on cash limit
<b>CFE portfolio:</b>			
1. Drawdown Asylum Reserve	-800	This is considered possible following successful negotiations with Government during 2009-10 over future funding levels. This will leave £890k in the reserve	A reduction in the Asylum gross cash limit on page 19 of the budget book from £16,670k to £15,870k

<b>Proposal</b>	<b>£000s</b>	<b>Comments/Action</b>	<b>Impact on cash limit</b>
2. Drawdown the Contact Point Reserve	-500	The DfE have very recently announced that this project is being disbanded, therefore the reserve is no longer required, although there will be some residual costs and therefore a balance of £84k will remain in the reserve.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £18,153k to £17,653k
3. Reduce the bad debt provision	-500	The bad debt provision was increased at the end of 2009-10 by £500k due to one outstanding debt of £1m. The debtor is withholding the funds until the transfer of land is resolved. Following discussions with Legal and Property Services it is now clear that this will be resolved and the debt will be paid during 2010-11; therefore the bad debt provision can be reduced.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £17,653k (see item 2 above) to £17,153k
4. Re-badge ABG expenditure against DSG	-2,000	Although the Government has reduced CFE's element of the Area Based Grant (ABG), a saving against the Connexions Service, which is fully funded from this grant, cannot be made in 2010-11 as the contract was signed last year. We are therefore looking to re-badge some of this expenditure against the Dedicated Schools Grant (DSG) in order to meet the ABG reduction. This will result in a reduction in the Directorate's element of the DSG reserve balance of £2m. This will not impact upon schools.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £17,153k (see items 2 & 3 above) to £15,153k
5. Underspend against the Early Years entitlement extension funded by Standards Fund	-1,500	Based on previous experience, it is considered likely that we will underspend against this grant by £1.5m during 2010-11. This is because the take-up of places in early years provision by families has always fallen short of the full entitlement made available through the grant funding.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £15,153k (see items 2, 3 & 4 above) to £13,653k
6. Review of expenditure against Specific Grants	-800	We have analysed the grants and focussed the savings on those areas that will have the least impact upon staffing (because in-year savings would be difficult to achieve) and that minimise the impact on schools and front-line services. The result is planned savings in the following areas: <ul style="list-style-type: none"> <li>• £555k from Extended Services – Start Up grants where money has not been committed</li> <li>• £139k on Targeted Support for Primary schools in respect of early years foundation stage curriculum where funding has not been committed</li> <li>• The balance of £106k is coming from savings across six other grants, namely Choice Advisers, Care Matters, Play, Designated Teachers, Music and Health Needs.</li> </ul>	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £13,653k (see items 2, 3, 4 & 5 above) to £12,853k
	<b>-6,100</b>		

Proposal	£000s	Comments/Action	Impact on cash limit
<b>EHW portfolio:</b>			
7. Road Safety ABG	-608	(i) Reduce contribution to the Kent & Medway Safety Camera Partnership by £440k (ii) £168k of other road safety reductions, including not going ahead with the speed limit review.	A reduction in the KHS gross cash limit on page 49 of the budget book from £61,136k to £60,528k
	<b>-608</b>		
<b>Communities portfolio:</b>			
8. Drawdown Supporting People Reserve	-736	The intended purpose of the Supporting People reserve is to manage the impact of anticipated reductions in the main Supporting People grant over the next few years. In the short term the elimination of the Supporting People Admin grant will be mitigated by a drawdown from the reserve. Whilst we endeavour to make efficiencies over the medium term, it is inevitable that front line service will be affected in the future in order to manage the anticipated reductions in the main grant now that the reserve balance will be depleted. This approach will be confirmed with the Commissioning Body at their next meeting, which is due later this month.	A reduction in the Supporting People gross cash limit on page 57 of the budget book from £32,830k to £32,094k
9. Stronger, Safer Communities ABG	-132	This reduction in funding will be communicated to the CDRPs (District Councils), with the view that they will be required to amend their in-year expenditure accordingly.	A reduction in the ABG Safer, Stronger Communities & other centrally held allocations gross cash limit on page 99 of the budget book from £1,510k to £1,378k. (Although shown within the Finance portfolio in the Budget Book, £1,385k of this budget is to be transferred to the Community Safety budget within the Communities portfolio)
	<b>-868</b>		
<b>Finance portfolio:</b>			
10. Drawdown from Economic Downturn Reserve	-1,964	Following the Government grant reductions, it is now appropriate to draw down some of this reserve.	A reduction in the Contribution to/(from) Reserves gross cash limit on page 99 of the budget book from -£3,461k to -£5,425k
	<b>-1,964</b>		
<b>TOTAL</b>	<b>-9,540</b>		

- 2.3 It should be noted that although a number of our proposals in dealing with these grant reductions are to drawdown reserves, this is only a short term solution in order to give us time to address these reductions with longer term solutions. These draw-downs from reserves have also been possible due to either a recent change in circumstances, such as projects being disbanded eg Contact Point, or because resources were specifically set aside for circumstances such as these eg Economic Downturn reserve.
- 2.4 As two of the Government grant reductions shown in table 1 totalling £1,191k, are specific grants (LABGI and Kickstart), these reductions will have a net nil impact on our cash limit as, for LABGI, both our expenditure and income cash limits will be reduced, and, for Kickstart, neither the expenditure nor the income were included in our original budget figures. The remaining £8,349k grant reduction all relates to Area Based Grant (ABG) and will result in a reduction to portfolio cash limits, as ABG is treated as a funding source of our budget requirement in a similar way to formula grant and council tax income. Our overall budget requirement will reduce as a result of these reductions. The impact of these proposals on our portfolio revenue cash limits is shown in table 3 below:

**Table 3: Portfolio revenue cash limit adjustments required as a result of the grant reductions and our proposed treatment**

Portfolio	£000s	Comments
CFE	-6,100	
KASS	0	
EHW	-167	The portfolio is having its Kickstart grant income cut but the related expenditure will remain and therefore an increase to the net cash limit of the portfolio is required of £441k. This is in addition to the reduction in Road Safety ABG of -£608k.
Communities	-736	
Localism & Partnerships	0	
Corporate Support & Performance Management	0	
Finance	-2,096	As the CFE ABG reduction is £6,873k but the portfolio savings proposals total £6,100k, the balance of £773k together with the impact of the LABGI grant cut of £750k and the Kickstart grant cut of £441k will be met by drawing down the Economic Downturn reserve. In addition the £132k reduction in the Stronger Safer Communities ABG will affect the Finance portfolio cash limit as explained in item 10 in the above table.
Public Health & Innovation	0	
Regeneration & Economic Development	+750	The portfolio is having its LABGI grant income cut but the related expenditure will remain and therefore an increase to the net cash limit of the portfolio is required.
	<b>-8,349</b>	

- 2.5 It is also likely that there will be a further impact on our funding levels as a result of the new Government's aim to reduce public spending, as external partners seek to pass on their Government grant reductions. Two confirmed examples are provided in section 3.5.2 below, where the Sports Development Unit have recently been informed of reductions to their funding from the Department of Health and Youth Sports Trust.

### 3. 2010-11 REVENUE MONITORING POSITION BY PORTFOLIO

A summary of the forecast revenue pressures, excluding schools, is shown in table 4 below:

**Table 4: 2010-11 Revenue pressures:**

Portfolio	£m	Pressure/Saving
Children, Families & Education	+0.435	Ongoing impact of pressures experienced in 09-10 on Fostering, 16+ Service & Legal Services together with pressures on residential care, adoption services and delays in the restructure savings. These pressures are largely offset by a continuation of the savings in 09-10 on social worker vacancies and Home to School Transport.
Kent Adult Social Services	+3.032	Continuation of the trends in 09-10 relating to demographic pressures and more complex needs, particularly within Residential Care for Learning Disability, Physical Disability and Mental Health clients, partially offset by the release of unallocated contingency budgets and savings from vacancy management.
Environment, Highways & Waste	+0.290	Pressure on Waste contract prices offset by reduction in Waste tonnage. Increased costs due to greater take up of Freedom Pass partially offset by staff vacancy savings.
Communities	+0.842	Reduction in funding within the Community Learning Service since the budget was set Reduction in Sports Development Unit External funding as partners seek to pass on their reductions in Government grants
Localism & Partnerships	+0.254	Restructure of staff officer/Member support areas & shortfalls in pay and supplies budgets within Democratic Services
Corporate Support Services & Performance Management	-0.450	Increased income within Legal Services
Finance	0	£1.016m relating to 2010-11 write down of discount saving from 2008-09 debt restructuring but as planned this will be transferred to the Economic Downturn reserve.
Public Health & Innovation	0	
Regeneration & Economic Development	0	
<b>Total</b>	<b>+4.403</b>	

- 3.1 The £4.403m pressure shown in table 4 above is before the implementation of management action. Directorates are currently working to identify options to reduce these pressures with the intention of delivering a balanced budget position by 31 March 2010. Details of management action plans will be reported in the first full monitoring report to Cabinet in September.

## 3.2 Children, Families & Education portfolio:

A net pressure of £0.435m is forecast due to:

- 3.2.1 **+£0.125m Residential Care** - a gross pressure of £0.625m is forecast, partly offset by additional income of £0.500m. Despite the underspend experienced in the previous year, and subsequent saving offered up, the service has recently experienced an increase in the number of children placed in independent sector residential placements resulting in an estimated gross pressure of £0.900m. This budget is particularly volatile due to the high cost of placing a single child in residential care. This pressure is partially offset by contributions from health and other education services of £0.500m. There is currently a high level of activity in independent sector residential care for disabled children, which could lead to further pressures on this service. The figures are currently under investigation and a further update will be given in future monitoring reports. The pressure on independent sector placements is expected to be partially offset by an underspend on secure accommodation of around £0.275m.
- 3.2.2 **+£1.350m Fostering** – this service overspent by £1.7m in 2009-10 partly due to the very high levels of Independent Fostering Allowances (IFAs) and in-house fostering placements. The pressure on these services is expected to continue in 2010-11 due to the full year effect of children placed in 2009-10 and additional placements expected in 2010-11. Although significant funding was made available as part of the MTP, this has been insufficient to cover the demands for these services resulting in a forecast pressure of £1.2m for IFAs and £0.3m for in-house fostering placements. These pressures are offset to some degree by a forecast underspend in the County Fostering Team of £0.150m partly due staffing vacancies (£0.050m) and delays in the commissioning of the county wide therapeutic service which is expected to commence during the Summer (£0.1m). The Head of Service is looking at the forecast to see what options there are to reduce this pressure without impacting upon service delivery. Work is also continuing with the London Boroughs in respect of the issue of Looked After Children being placed in Kent by them. The Managing Director has met with a delegation of London Authorities in late May and discussed their placement policies and the pressure this puts on the schools and other local services in East Kent. There was general recognition that authorities should try and develop more local provision and if they had to place out of area they should try to avoid East Kent which already has a high number of vulnerable children and young people. A number of actions have been agreed and there is confidence that the London authorities recognise the issue and will work with Kent to ensure that there is more local provision for their looked after children.
- 3.2.3 **+£0.100m Adoption** – Adoption payments are linked to earnings and to the needs of the child. This year there is an estimated pressure of £0.2m following the payments review, which may be linked to the impact of the recession on adopters' incomes. This is partially offset by a £0.1m underspend on Special Guardianships Orders.
- 3.2.4 **+£1.000m 16+ Service** – in 2009-10 the 16+ service ended the financial year with a pressure of £0.835m. A provision was made in the MTP to fund this pressure however due to significant demands on this service resulting from a peak in the number of children turning 16, the service is continuing to forecast a significant pressure of around £1m. This has resulted from a high number of children transferring to this service in high cost placements (residential care and independent fostering allowances). This forecast assumes that a number of children will transfer to lower cost supported lodgings, however the authority has a legal obligation to maintain the existing placement if the child requests. Further updates will be given in future monitoring reports. The Head of Service is looking at the forecast to see what options there are to reduce this pressure without impacting upon service delivery.
- 3.2.5 **-£2.400m Assessment & Related** - a high level of staff vacancies resulted in an underspend of £3.658m in 2009-10. Recently there has been a number of successful recruitment drives, both nationally and internationally, and whilst we continue to advertise social work posts on a rolling basis, it is expected that the underspend on staffing for the current year will be in the region of £2.4m. However, £1m of this underspend will be required to fund the one-off costs incurred by delays to the directorate restructure (see 3.2.8 below).
- 3.2.6 **-£1.000m Home to School Transport (-£0.500m SEN & -£0.500m Mainstream)** – successful contract renegotiations in the previous financial year will be enjoyed this current year and we are currently projecting a £1m underspend, £0.5m for SEN and £0.5m for Mainstream. Given the

significant underspend realised last year, we think there may be further savings to be accessed and we are seeking a more detailed forecast from the Passenger Transport Unit. As in previous years, an accurate forecast will not be available until the September pupil numbers are known, and this will be included in the second quarter's monitoring, to be reported to Cabinet in November.

3.2.7 **+£0.260m Business Planning & Management Unit** – this reflects a continuation of the pressure on the Legal services budget following the introduction of the public law outline, a change in the way care proceedings are conducted.

3.2.8 **+£1.000m Restructure** – the CFE SMT have agreed that the costs of delays in the restructure will be funded from the one-off use of £1m of staffing underspend from the Specialist Children's Services budget (see 3.2.5 Assessment & Related above). A more detailed forecast of this potential pressure will be conducted later in the year when budgets have been re-issued to reflect the new structure.

3.2.9 **Asylum** - The Asylum Service is undergoing a major review to bring the unit costs down to £150 per week, and is forecasting to come in on budget this year. However, the work that the UK Borders Agency are doing to speed up the ARE (All Rights of appeal Exhausted) process could have an adverse impact on the budget because the removal process has not been accelerated in tandem, as was promised. The UKBA will fund the costs of an individual for up to three months after the ARE process, but the LA remains responsible for costs up under the Leaving Care Act until the point of removal. As the gap between the date of ARE and the date of removal widens, then our ability to achieve a balanced position on Asylum becomes more difficult. It should be noted that since 1 April 2010 there have been 20 young people declared ARE but there have been only 4 removed from the UK. Whilst overall numbers have remained relatively stable, the last weekend in June saw the arrival of 17 new UASC at Dover. The Government are working with other European partners to set up a centre in Kabul to support returning asylum seekers which may improve the timescale for removal, but the completion date of the centre is not yet known. An update will be provided in the first quarter's monitoring report to Cabinet in September.

#### **Risks not currently included in the forecast:**

3.2.10 **LSC Transfer** - Prior to the transfer of post 16 funding responsibility on 1 April 2010, the LSC had met the costs of term time residential placements at Independent Specialist Providers (ISP) for post 18 learners. This was a unique situation for Kent learners. Whilst the current position was accepted by the LSC and they funded those placements, that was not the initial stance of the new Young People's Learner Agency (YPLA). Following intense discussion with them, the ISP placement funding has now been confirmed, but only for the current financial year. There is still a considerable amount of work to do with the YPLA in order to secure the future position and ensure there is no financial impact on KCC.

#### 3.2.11 **Schools:**

There is a great deal of uncertainty around the impact of the government's proposals for academies, and how many of our schools may be fast-tracked to academy status this year. This could have a small impact on our budget this year, as schools take with them a proportion of centrally held funds, which would not necessarily generate a corresponding saving within the directorate. More information will become available as we move through the year and updates will be provided in future monitoring reports.

### 3.3 **Kent Adult Social Services portfolio:**

3.3.1 The initial forecast indicates a pressure of £3.032m. It should be noted that detailed forecasts are currently being worked on, in order that the report to be Cabinet in September is more firmly based. Over the forthcoming weeks, the KASS SMT will be working to ensure that appropriate Guidelines for Good Financial Practice are in place to reduce the pressure in order to achieve a balanced position by the end of the financial year. KASS are also in the process of reviewing all cash limits and affordable levels of activity in the light of the 2009-10 outturn and any changing trends in activity that have become apparent since the budget was set. Requests for virement or for realignment of gross and income cash limits will be submitted as part of the first full monitoring report to Cabinet in September.

This forecast pressure assumes that all savings identified within the Medium Term Plan will be achieved. Work is on-going with Areas to identify methods of accurately tracking progress against each saving on a monthly basis.

The main reasons for the £3.032m pressure are detailed below:

- 3.3.2 **-£0.571m Older People Other Services** – this follows the release of £0.519m of uncommitted contingency, which is used to reduce the overall portfolio pressure. There are also small variances, both over and under, against the remaining services, including payments to voluntary organisations, day-care, and meals.
- 3.3.3 **+£4.102m Learning Disability Residential** – this includes estimates of costs for clients known to be coming into residential placements during the year ahead. Alongside demographic growth within this client group, there is increasing pressure relating to new and existing clients whose needs are becoming more complex. This is particularly true for those clients coming through transition from childhood. The forecast assumes that a number of clients will be transferred into Supported Accommodation placements during the year and the success of this will have to be closely monitored. The number of clients has increased from 632 in March to 666 in April although 25 of these are S256 placements wholly funded by health. It should be noted that the cash limit was previously reduced to fund expected growth in other services including direct payments and supported accommodation. The Directorate is reviewing these assumptions for the first full monitoring report where requests for virement or realignment of gross and income cash limits may be submitted.
- 3.3.4 **-£0.900m Learning Disability Other Services** – following the release of £0.830m of Contingency held by the Managing Director to offset the overall pressure within the portfolio, together with other small variances from cash limit.
- 3.3.5 **+£0.717m Physical Disability Residential** – this pressure results from similar pressures seen within Learning Disability Residential. The number of clients has increased from 222 in March to 225 in April and this level remains significantly higher than the affordable level. It should be noted that as with Learning Disability Residential, the cash limit was previously reduced to fund expected growth in other services including direct payments and supported accommodation. Again the Directorate is reviewing these assumptions for the first full monitoring report where requests for virement or realignment of gross and income cash limits may be submitted.
- 3.3.6 **+£0.451m All Adults Assessment & Related** – it is expected that this pressure will be reduced through vacancy management.
- 3.3.7 **+£0.883m Mental Health Residential** – the number of clients expected to remain within a residential placement is above the level afforded in the budget. The affordable level was reduced as a result of the decision in 2008-09 and 2009-10 to transfer cash limit from this line to fund expected growth in other services including direct payments and supported accommodation, and to reflect the changed priorities in the Directorate and the desire for clients to remain within a community based setting.
- 3.3.8 **-£0.200m Mental Health Direct Payments** - as referred to above the affordable level was increased in both 2008-09 and 2009-10 to reflect the changed priorities in the Directorate to keep clients, wherever possible, within a community based setting such as supported accommodation or via direct payments, rather than residential care, however this change has not happened as quickly as anticipated.
- 3.3.9 **-£0.310m Mental Health Assessment & Related** – this in part results from vacancy management but also from difficulties in recruiting qualified social work staff. Savings also accrue from difficulties experienced in recruiting to senior positions for joint health/social care posts.
- 3.3.10 **-£0.181m Mental Health Other Services** – this results from small variances against a number of budget lines including payments to voluntary organisations, daycare, facilities and community services.
- 3.3.11 **-£0.577m Strategic Business Support** – this is spread across a number of teams both at Headquarters and in the two Areas and reflects vacancy management, as well as cases where posts have been funded through a grant. There are also cases where there has been backfilling of posts and this has either been done at a lower cost or the post has not been covered, both of which have added to the underspend. There have also been savings against non-pay costs.



3.3.12 In addition to these variances, there are a number of other smaller variances, each below £0.1m, across all other services which make up a further £0.382m underspend.

### **3.4 Environment, Highways & Waste portfolio:**

A net pressure of £0.290m is forecast due to:

#### **3.4.1 Waste:**

3.4.1.1 **+£1.1m Price pressure:** The RPI index for April was much higher than budgeted, which has put significant price pressure on some of the Waste contracts. The Allington waste to energy price per tonne is £2.38 more than the budgeted figure, which increases costs by £0.773m (assuming minimum tonnage through Allington of 325,000 tonnes). Inflation on other disposal and household Waste Recycling Centre contracts is expected to increase the total price pressure on waste to £1.1m.

3.4.1.2 **-£1.1m Tonnage:** This price pressure is expected to be offset by overall tonnage being less than the budgeted 760,000 tonnes. It is very early in the year to predict outturn tonnage with any level of certainty but there is an expectation that tonnage will be at least 16,000 tonnes below budget which would give a saving of £1.1m at an average disposal cost per tonne of £68. Therefore at this stage it is expected that the waste budget will break even.

3.4.2 **+£0.390m Freedom Pass:** Initial estimates on the cost of the Freedom Pass show a pressure of £0.390m due to the popularity of the pass and the number of journeys now being undertaken. This may increase during the year depending on the take-up of passes in the new academic year and more will be known around October.

3.4.3 **-£0.100m Resources:** Vacancies are being held in Resources to offset these pressures.

3.4.4 The directorate is looking at ways to address this unresolved net pressure of £0.290m but there are no firm plans at present. The lack of room for manoeuvre in waste disposal and the constant pressures on highways maintenance mean that finding alternative savings is very difficult. However, the directorate will do everything it can to produce a balanced budget by year end and is confident of doing so.

### **3.5 Communities portfolio:**

A net pressure of £0.842m is forecast which is due to:

3.5.1 **+£0.750m Community Learning Service (Adult Education & KEY Training)** – since the Budget Book was published, the service has been notified that funding has reduced by £0.750m. The service is currently devising management action to mitigate against this funding pressure.

3.5.2 **+£0.092m Sports Development:** we have recently received notification from external funding partners that we will not be receiving specific sources of funding this year as a direct result of the new Government's aim to reduce public spending for the following projects:

- -£60k from Department of Health towards physical activity work, which will reduce our ability to meet the LAA National Indicator 8 target).
- -£20k from Youth Sport Trust to run specific training for teachers

In addition, we have recently received notification from Sport England that the Recruit into Coaching project has been cut, for which we were expecting £12.5k.

It is currently expected that expenditure will be reduced accordingly to offset the impact on the outturn position.

3.5.3 **Coroners:** the service is not currently reporting an adverse variance, but the budget allocated to long inquests, which is demand led, remains exposed to an increase in the number of referrals of suspicious deaths. Already this financial year, an inquest has been conducted that is expected to cost in the region of £0.045m so a recurrence of such inquests would be a pressure on the service.

### **3.6 Localism & Partnerships portfolio:**

A net pressure of £0.254m is forecast, which is due to:

- **+£0.254m Democratic Services** – Of this, £0.175m is due to the restructure of the Staff Officer/Member Support areas. The remaining £0.079m is due to shortfalls in pay and supply budgets within Democratic Services.

### 3.7 Corporate Support Services & Performance Management portfolio:

A net saving of £0.450m is forecast, which is due to:

- **-£0.450m Legal Services** – this is a projection based on the 2009-10 outturn position.

### 3.8 Finance portfolio:

Within this portfolio there is a saving of £1.016m which relates to the write down in 2010-11 of the £4.024m discount saving on the debt restructuring undertaken at the end of 2008-09. (£2.362m was written down in 2008-09 and 2009-10, therefore leaving a further £0.646m to be written down over the period 2011-12 to 2012-13). As planned, this saving will be transferred to the Economic Downturn Reserve; hence a balanced position is currently forecast for this portfolio.

## 4. IN YEAR CAPITAL GRANT REDUCTIONS

4.1 The Government recently announced the following 2010-11 capital grant reductions for Kent:

**Table 5: Government Capital Grant Reductions**

	£000s
• Integrated Transport Block	4,105
• Road Safety capital grant	508
• PRN Network funding	40
<b>TOTAL 2010-11 CAPITAL GRANT REDUCTIONS</b>	<b>4,653</b>

4.2 All of these grant reductions are from the Department of Transport. This reduction is all absorbed within the EH&W portfolio capital programme as follows; and as set out in the Key Decision signed by the Leader on 18 June:

**Table 6: KCC proposals to address capital grant reductions**

Proposal	£000s	Comments/Action	Impact on cash limit
1. Reduce Integrated Transport schemes	-4,105	Schemes to the value of £4,105k will no longer happen (see section 4.4 and Appendix 1)	A reduction in the 10-11 Integrated Transport schemes capital cash limit on page 55 of the budget book from £11,065k to £6,960k
2. Safety Camera Partnership	-508	New speed signs expected as a result of the Speed Limit Review will no longer be installed, as the review is not going ahead, (see revenue reduction item 7 in table 2), and no more speed cameras will be installed.	A reduction in the 10-11 Safety Camera Partnership capital cash limit on page 55 of the budget book from £632k to £124k
3. Highway Major Maintenance	-40	The major maintenance budget will be reduced	A reduction in the 10-11 Highway Major Maintenance/Other Capital Maintenance/Bridge Assessment & Strengthening capital cash limit on page 55 of the budget book from £40,505k to £40,465k
	<b>-4,653</b>		

4.3 The impact of this is a reduction in the EHW portfolio capital cash limit for 2010-11, per page 56 of the Budget Book, from £153,024k to £148,371k.

4.4 Following the reduction of £4.105m Government Grant on the Integrated Transport Block (IT) this year, the County Council has to reduce the IT programme in line with this reduction.

In order to ensure best value for money, it is recommended that we award priority to those schemes which are already being constructed, those which contribute to road safety, those which tackle congestion and those which attract matched funding.

Schemes which are proposed as not being funded this year will receive further consideration if a Member wishes to contribute from their Member Highway Fund, and/or will receive further consideration next year once the national funding position is clearer. These schemes are listed in Appendix 1.

## 5. **2010-11 CAPITAL MONITORING POSITION BY DIRECTORATE**

5.1 There have been a number of cash limit adjustments since the published 2010-11 budget book, some of which have already been reported, full details below:-

**Table 7: Capital Cash Limit changes:**

	£000s 2010-11	£000s 2011-12
1 As published in 2010-11 Budget Book exc PFI	460,330	434,818
2 Roll forwards agreed at Cabinet on 14th June		
Children, Families & Education (CFE)	689	
Children, Families & Education (CFE) - schools budget	14,107	
Kent Adult Social Services	560	-95
Environment, Highways & Waste	489	32
Communities	226	113
Regeneration & Economic Development	67	
Corporate Support Services & Performance Management	452	
Localism & Partnerships	3	
3 Highways major Maintenance - member highway fund reserve - EH&W portfolio	-2,100	
4 Modernisation of LD services - additional PEF2 and capital receipt - KASS portfolio	1,423	68
5 Multi Agency Specialist Hubs - alignment of grant - CFE portfolio	-501	501
6 A2 Linear project - additional external funding - EH&W portfolio	574	
7 Major schemes - preliminary design fees - additional grant funding - EH&W portfolio	389	
8 Ashford Futures - Drivers roundabout junction - additional grant funding - EH&W portfolio	405	
9 Dartford social and healthcare - reduction in external funding - KASS portfolio		-640
10 Learning Disability Dev Fund - additional external funding - KASS portfolio	70	
11 Mod of OP services - Broadmeadow - additional external funding - KASS portfolio	180	
12 Ashford Gateway Plus - additional grant funding - CMY portfolio	40	
13 Academies - grant funding banked - CFE portfolio	1,002	
14 Dartford Grammar School - additional developer contributions funding - CFE portfolio	155	

	£000s 2010-11	£000s 2011-12
15 Specialist Schools 2009-10 allocation - additional grant funding - CFE portfolio	125	
16 Previously reported cash limit changes:		
Gateway - CSS&PM portfolio	-7	
Multi Agency Specialist Hubs - CFE portfolio	10	
Sustaining Kent - KPSN - CSS&PM portfolio	-7,314	-7,314
Harnessing Technology - CFE portfolio	-2,050	-4,721
Transformation in Adult Social Care - KASS portfolio	730	
Re-phasing as agreed at Cabinet on 29th March	24,655	-2,504
Re-phasing as agreed at Cabinet on 19th April	8,358	-849
Re-phasing as agreed at Cabinet on 17th May	5,794	69
	<b>508,861</b>	<b>419,478</b>
17 PFI	45,101	88,000
	<b>553,962</b>	<b>507,478</b>

5.2 The current forecast capital position by portfolio, is shown in table below.

**Table 8: 2010-11 Capital Variances:**

	Variance
	This month
Portfolio	
	£m
Children, Families & Education (CFE)	-2.547
Kent Adult Social Services	0.000
Environment, Highways & Waste	-0.019
Communities	-1.680
Regeneration & Economic Development	0.000
Corporate Support Services & PM	0.000
Localism & Partnerships	0.000
Total (excl Schools)	-4.246
Schools	0
Total	-4.246

This month there is re-phasing of -£4.2m and a real variance of -£0.04m. The main movements this month are detailed below:

### 5.3 Children, Families & Education portfolio

The forecast for the portfolio has moved by -£2.547m. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Kingsmead (-£2.0m): the original intention for this element of the capital programme was for a site purchase for a new amalgamated School. The project is not now proceeding and we are examining other options.
- Multi Agency Specialist Hubs (-£0.705m): the re-phasing relates to all three centres (Swale -£0.453m, Maidstone -£0.153m & Thanet -£0.100m). There have been a number of delays in agreeing sites for the location of the MASH centres & agreeing final build specifications.
- Primary Improvement Programme (+0.120m): in seeking approval to spend cash limits were re-profiled to represent the latest phasing of a number of projects. The re-phasing predominantly relates to two projects (St Matthews +£178K and Newlands -£41K).

Overall this leaves a residual balance of +£0.038m on a number of more minor projects.

## 5.4 Communities portfolio

The forecast for the portfolio has moved by -£1.680m this is due to re-phasing detailed below:

Edenbridge Community Centre (-£1.68m): Since initially being included in the programme this project has been significantly re-scoped and will now cost £3.2m. The timeline for the project has now been fixed and agreed with the developer and partners, so the phasing needs to be revised.

## 5.5 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 table below summarises the proposed re-phasing this month of £4.2m.

**Table 9 – re-phasing of projects >£0.100m**

<b>Portfolio</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>Future Years</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>CFE</b>					
Amended total cash limits	222,297	233,962	248,101	154,816	859,176
Re-phasing	-2,569	2,787	-218	0	0
<b>Revised cash limits</b>	<b>219,728</b>	<b>236,749</b>	<b>247,883</b>	<b>154,816</b>	<b>859,176</b>
<b>KASS</b>					
Amended total cash limits	14,455	7,285	2,640	1,162	25,542
Re-phasing	0	0	0	0	0
<b>Revised cash limits</b>	<b>14,455</b>	<b>7,285</b>	<b>2,640</b>	<b>1,162</b>	<b>25,542</b>
<b>E,H&amp;W</b>					
Amended total cash limits	167,010	119,582	83,605	224,661	594,858
Re-phasing	0	0	0	0	0
<b>Revised cash limits</b>	<b>167,010</b>	<b>119,582</b>	<b>83,605</b>	<b>224,661</b>	<b>594,858</b>
<b>Communities</b>					
Amended total cash limits	28,725	10,311	3,060	350	42,446
Re-phasing	-1,680	1,680	0	0	0
<b>Revised cash limits</b>	<b>27,045</b>	<b>11,991</b>	<b>3,060</b>	<b>350</b>	<b>42,446</b>
<b>Regen &amp; ED</b>					
Amended total cash limits	11,996	4,230	3,242	2,980	22,448
Re-phasing	0	0	0	0	0
<b>Revised cash limits</b>	<b>11,996</b>	<b>4,230</b>	<b>3,242</b>	<b>2,980</b>	<b>22,448</b>
<b>Corporate Support &amp; PM</b>					
Amended total cash limits	16,078	9,317	9,549	2,663	37,607
Re-phasing	0	0	0	0	0
<b>Revised cash limits</b>	<b>16,078</b>	<b>9,317</b>	<b>9,549</b>	<b>2,663</b>	<b>37,607</b>
<b>Localism &amp; Partnerships</b>					
Amended total cash limits	503	500	500	0	1,503
Re-phasing	0	0	0	0	0
<b>Revised cash limits</b>	<b>503</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>1,503</b>
<b>TOTAL RE-PHASING &gt;£100k</b>	<b>-4,249</b>	<b>4,467</b>	<b>-218</b>	<b>0</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>	<b>+44</b>	<b>-44</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RE-PHASING</b>	<b>-4,205</b>	<b>+4,423</b>	<b>-218</b>	<b>0</b>	<b>0</b>

## 6. RECOMMENDATIONS

Cabinet is asked to:

- 6.1 **Note** the initial forecast revenue and capital budget monitoring position for 2010-11.
- 6.2 **Note** our response to the in year revenue grant reductions and the consequent changes to revenue cash limits as detailed in section 2.
- 6.3.1 **Note** our response to the in year capital grant reductions and the consequent changes to capital cash limits as detailed in section 4, and
- 6.3.2 **Agree** the Integrated Transport schemes to be deferred, for reconsideration next year once the national funding position is clearer, as proposed in Appendix 1.
- 6.4 **Agree** that £4.249m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to 2011-12 and future years.

## Proposed 2010-11 LTP Integrated Transport Schemes NOT funded this year

Description	Scheme Objective	Saving
<b>QUALITY BUS PARTNERSHIPS</b>		
Bus Stop infrastructure impts in Dover District ( <b>Town &amp; Pier, Dover</b> )	Tackling congestion	-50,000
Bus Stop Improvements - Route 12/711/712 (Folkestone to Dover) ( <b>Shepway, Folkestone Harvey Central</b> )	Tackling congestion	-50,000
Thanet Quality Bus Partnership ( <b>Thanet, Margate Central</b> )	Tackling congestion	-50,000
Bus Stop Infrastructure Improvements ( <b>Ashford Town, Victoria</b> )	Tackling congestion	-100,000
Canterbury QBP ( <b>Canterbury, Harbledown</b> )	Tackling congestion	-130,000
Thanet Quality Bus Partnership ( <b>Thanet, Margate Central</b> ) Phase 2	Tackling congestion	-50,000
Tunbridge Wells QBP [Tunbridge Wells]	Tackling congestion	-50,000
Bus Priority Measures, West Malling to Leybourne (Design Only) ( <b>Tonbridge &amp; Malling</b> )	Tackling congestion	-50,000
Canterbury Bus Strategy (Tourtel Road) ( <b>Westgate, Canterbury</b> )	Tackling congestion	-95,000
Bus stop infrastructure improvements ( <b>Maidstone</b> )	Tackling congestion	-113,000
Pembury bus route Improvements ( <b>Tunbridge Wells</b> )	Tackling congestion	-331,000
QBP Scheme ( <b>Sheway South, Maidstone</b> )	Tackling congestion	-75,000
		<b>-1,144,000</b>
<b>CYCLE SCHEMES</b>		
Christchurch School to Park Farm cycleway ( <b>Stanhope, Ashford</b> )	Tackling congestion	-60,000
A264 Langton Road Cycleway ( <b>Tunbridge Wells, Rusthall</b> )	Tackling congestion	-70,000
Phoenix Place cycle Route ( <b>Dartford</b> )	Tackling congestion	-10,000
Cycle Infrastructure Improvements ( <b>Gravesham, Pelham</b> )	Tackling congestion	-5,000
St John's Road cycle route (Campus Link) ( <b>Tunbridge Wells</b> )	Tackling congestion	-115,000
Capital maintenance of cycle network ( <b>T &amp; M, Aylesford</b> )	Tackling congestion	-173,000
Beechwood Avenue ( <b>Dover</b> )	Tackling congestion	-45,000
Hall Rd/Coldharbour Rd cycle link (Cygnet Leisure Centre) ( <b>Gravesham</b> )	Improving Accessibility	-20,000
London Road Cycle Route (Phase 2 - Birchwood) ( <b>Sevenoaks</b> )	Improving air quality	-40,000
Cycle Network Improvements (Sittingbourne) ( <b>Swale</b> )	Tackling congestion	-60,000
Dane Valley Cycle Routes (Phase 5) ( <b>Thanet, Westgate-on-Sea</b> )	Tackling congestion	-170,000
St John's Road Bus and Cycle Lanes ( <b>Tunbridge Wells, Southborough and High Brooms</b> )	Tackling congestion	-85,000
Homewood Avenue ( <b>Swale</b> )	Tackling congestion	-99,400
Henley Fields Cycle Track ( <b>Ashford, Stanhope</b> )	Tackling congestion	-76,000
Old Thanet Way Cycle Route ( <b>Canterbury, Westgate</b> )	Tackling congestion	-158,750
Connect 2 ( <b>Canterbury</b> )	Tackling congestion	-30,000
Princes Road cycle Route (Crayford Boundary - Shepherds Lane) ( <b>Dartford</b> )	Tackling congestion	-121,000
		<b>-1,338,150</b>
<b>NETWORK BENEFIT SCHEMES</b>		
Darent Valley Accessibility Improvements ( <b>Sevenoaks, Swanley White Oak</b> )		-25,000
Winterfield La, East Malling - Speed Limit Reduction ( <b>T &amp; M</b> )	N/A	-5,000
Pembury Road Completion Dunorlan Park <b>Tunbridge Wells</b>	N/A	-55,000
Borden Traffic Management ( <b>Swale</b> )	Safety measures	-60,000
Pysons Road, Broadstairs ( <b>Thanet, ST Peters</b> )	Tackling congestion	-100,000
Littlebourne High Street (Preventing Property Damage) ( <b>Canterbury</b> )	Remedial works	-50,000
A229 Gills Green, Hawkhurst ( <b>Tunbridge Wells</b> )	Casualty reduction	-30,000
Nortfleet - Ebbsfleet station ( <b>Gravesham, Woodlands</b> )	Improving Accessibility	-40,000
Coldharbour Road, Northfleet ( <b>Gravesham</b> )	Improving Accessibility	-46,000

<b>Description</b>	<b>Scheme Objective</b>	<b>Saving</b>
Medway Valley Line Station accesses ( <b>Maidstone</b> )	Improving Accessibility	-70,000
Lynsted Footway ( <b>Swale</b> )	Improving accessibility	-85,000
Garlinge Primary School - Safe Routes to School ( <b>Thanet</b> )	Casualty reduction	-111,000
B2079 Lady Oak Lane-Bedgebury Road ( <b>Tunbridge Wells</b> )	Casualty reduction	-35,000
		<b>-712,000</b>
<b>KENT WIDE SCHEMES</b>		
Cycle Parking at Stations Countywide	Tackling congestion	-75,000
Off-highway works to support Exemplar STP's	Tackling congestion	-80,000
		<b>-155,000</b>
Reduction in staff costs required to deliver IT programme		<b>-400,000</b>
Variations to and re-scoping of a range of existing IT schemes		<b>-355,850</b>
<b>TOTAL</b>		<b>-4,105,000</b>